

DIARY

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November 10, 1944  
10:00 a.m.

GROUP

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

H.M.JR: Before you people get all your papers shuffled - because we only have a few minutes - there are a couple of people I would like you to think about, and whether we could get them to come to the Treasury.

One, do we want Thurman Hill back?

MR. D.W. BELL: Was he defeated?

MR. O'CONNELL: Oh, yes.

H.M.JR: He made a pretty good run, it seems to me.

MR. O'CONNELL: Kansas is an awfully tough State.

H.M.JR: How well did he do at Procurement?

MR. O'CONNELL: He is all right. I would like to have him back.

MR. D.W. BELL: He is all right. I don't know much about him, but he seemed a nice fellow.

MR. O'CONNELL: He has been in the Treasury for ten years, he is a very decent fellow and he works hard. We

have no commitment to take him back, but he is going to be in town next week, and whether he will want to come back, I don't know. If he does, I would think we ought to--

H.M.JR: Let's find out, because somebody is certainly responsible for Procurement, as bad as it is. I don't know how much is on Thurman Hill.

MR. O'CONNELL: He has only been in Procurement a couple of years. He was over in the Bureau of Internal Revenue until Manning became ill - about 1941 or '42 was when Thurman went down.

MR. SULLIVAN: I was going to say, I think it would be very advisable to have him back, and if you decided you do want him back, I think he should be called before he comes on. He might want to come on steady and it would save him a trip.

MR. C.S. BELL: You might want to speak to Mr. Olrich about it. Olrich at one time wasn't too happy.

H.M.JR: Supposing I talk to Olrich first.

Now, there is another fellow, I think his name is Hugh Fulton, who did all the investigating for Truman.

MR. O'CONNELL: He is in private practice now. He left the Truman Committee about two months ago. I believe he has an office here and one in New York. I don't know him personally, but he did a whale of a job for the Truman Committee. He was the backbone of that. But I would not think he would be available, if you are thinking of him.

H.M.JR: What about this very stout lawyer.

MR. O'CONNELL: Prichard?

MR. WHITE: Excellent, very able. He is Vinson's assistant. I don't know whether he is available.

H.M.JR: I am throwing out these ideas. I should think you people would think of some. We have to have a

half dozen bright young people in here, even if they did nothing for awhile. But I wish you people would think about it. What I would like to do is get things like Internal Revenue and Procurement straightened out. I want to do less administrative work. I have done less, and I would like Dan Bell to do even more than he does. He has to get himself some help.

MR. D.W. BELL: Do more?

H.M.JR: In the sense of administrative work. I don't know that I can shove anything more at all, but--

MR. D.W. BELL: Oh, yes, I have a lot of hours left.

H.M.JR: But you ought to get more help. Everybody ought to get more help. Anyway, I am open for suggestions.

Dan?

MR. D.W. BELL: You promised to address the OPA group, you remember, and Bowles is leaving the city on the 16th. They suggest that you might do it November 15th at four p.m.

H.M.JR: What day is that?

MRS. KLOTZ: The 15th is Wednesday.

H.M.JR: That will be all right. Put it down.

MR. D.W. BELL: Four o'clock. And he would also like to have you write him a letter, which Mr. Bartelt has prepared, which he would like to circulate in his field offices here.

H.M.JR: Can I go over there and tell him what I think about his regulations on apples?

MR. D.W. BELL: I don't know whether that would sell any bonds, or not!

(The Secretary signs letter to Mr. Bowles)

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H.M.JR: I went to a little meeting in East Fishkill on the township basis. It was the night after Election. I saw how they work in a township, and, by golly, you have to take your hat off to that war bond organization. I mean, the organization they have when it reaches the township level - Mrs. Morgenthau said I was terrible because they were talking about Washington and I said, "Notwithstanding all the bungling in Washington, I am glad" - you know they were all Republicans - "We have all this literature," I said, "and out of the confusion comes this thing for you people. I couldn't have said this forty-eight hours ago," I said.

MRS. KLOTZ: I think it is good!

H.M.JR: Believe me, it is going to take a little time to get it out of my veins.

MR. GASTON: Do you still think that Elliot Bell and Jimmy Hagerty wrote good speeches for Dewey?

H.M.JR: As I told the President last night, I think Raymond Gram Swing said that we turned the corner when we lost the Arno Bridge, and from that time on, Dewey and his people should have changed their whole campaign, which they didn't. And the President was very much interested in that. That was the turning point for Roosevelt when they realized it had to be a long war and we couldn't go around the Siegfried Line.

MR. GASTON: I still think it was very bad speech-writing.

H.M.JR: It wasn't the speech-writing, Herbert. As I said to the President yesterday as I was walking around the farm, I said, "How could you sell this little fellow with the mustache and the big dog as a war or peace-time President?"

The fault was with Mr. Pew and his gang when they picked this fellow to do it.

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MR. GASTON: Yes, I still think the speech-writing was very bad. It was smart-Alec, irresponsible stuff; it was entirely the wrong note, and I think it had more to do with defeating Dewey than any other wrong thing.

H.M.JR: I agree with you that you are right. I think the speech-writing was bad, but I think the candidate was worse.

MR. GASTON: I think the candidate was worse, and his judgment of the issues was bad.

MR. SULLIVAN: The bitterness of the opposition was one of the two or three biggest factors up our way. More of the Republicans came to the President because--

H.M.JR: He lost only by thirty-five hundred votes up there.

MR. SULLIVAN: We are having a recount.

H.M.JR: If John L. Sullivan had run he would have been elected.

MR. SULLIVAN: That is right. And if this fellow had had proper support he would have gotten elected, too.

H.M.JR: If they had sent a couple of thousand dollars to the woman running against Luce the Democratic woman might have been elected. Now, there is a woman we might think of bringing down here, the woman who ran against Luce. You might inquire how good an attorney she is.

MR. C.S. BELL: She is a graduate of Yale. I think she went to school with some of our folks.

MR. BLOUGH: Our next-door neighbor knows her well and says she is very able.

H.M.JR: I think that is a woman who ought to be rewarded by someone. She is not bad looking, either.

MR. WHITE: I like that "either"!

H.M.JR: Well, she is a lawyer, not an economist.

MR. D.W. BELL: You might make one out of her, Harry. You never can tell.

H.M.JR: How far did we get?

MR. D.W. BELL: I have one more item. Do you remember, we put in a ticker service to give us the twenty-four hour broadcast from our enemies?

H.M.JR: That was here (points to Mr. Gaston).

MR. GASTON: No, I didn't do it. Miss Chauncey showed me a letter and I thought it might be a good thing. That is all I knew until I heard it was in.

MR. D.W. BELL: But I think it is a waste of money. We haven't gotten anything out of it since it has been there. It takes a couple of people to read it. It comes in in volumes. There is an armful of it in the morning.

H.M.JR: How much does it cost?

MR. D.W. BELL: Twenty-four dollars a month. While that isn't the most expensive thing, it is a waste of paper, for one thing, and a waste of time of people to read it, and we haven't found anything that is of any importance, and anything that is at all important is on the ticker within an hour or two afterwards.

H.M.JR: I never see it.

MR. GASTON: I haven't seen it.

MR. D.W. BELL: Well, I would like to have it taken out of here, if no one has any objections.

H.M.JR: I say it is the first thing I have done in the Fourth Term - economize!

O.K. Make a note of that.

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

H.M.JR: Do you have any deferments?

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

H.M.JR: Mr. White?

MR. WHITE: I have a number of things, but I thought you might like to save five or ten minutes in preparation for the ten-thirty meeting.

H.M.JR: I will have to stop in about seven minutes, then.

MR. WHITE: Then I will pass the rest of the things.

MR. BLOUGH: I can report progress. I think the heat is a little bit off at the other end, now that the Congress is safely Democratic, but we don't know for sure because Doughton hasn't returned yet.

H.M.JR: Tell them that when he does return to let me know so I can go up on the Hill and call on him, will you?

MR. BLOUGH: Senator George, also?

H.M.JR: Yes. I am going to spend more time on the Hill.

MRS. KLOTZ: I really don't want to laugh--

H.M.JR: Go ahead and laugh. You have been wrong right along. Not on the Election, but on other things.

MR. SULLIVAN: That is one of the nice things about this country, she has a right to be wrong.

H.M.JR: And laugh!

(Mr. Gaston hands the Secretary copy of booklet, "War Finance Problems.")

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MR. GASTON: I don't know just when they went out.

H.M.JR: Did you mail out any of these?

MR. WHITE: They are either mailed out - that is the series of bond speeches. We presented the list.

H.M.JR: The whole idea was to get them out before Election.

MR. GASTON: I can give you a list and tell you when. I suppose the War Bond people could probably tell you when they went out. I got a note day before yesterday that they were all out.

H.M.JR: Anything else?

MR. GASTON: That is all.

H.M.JR: Got all your leaves raked?

MR. GASTON: Yes.

H.M.JR: Going to have some suggestions for me?

MR. GASTON: What is it you want tomorrow, some drafts of speeches?

H.M.JR: Outlines will be good enough.

MR. GASTON: Well, they are working on them.

H.M.JR: I have to make three speeches.

MRS. KLOTZ: Who is going to do them?

H.M.JR: Robeson or Robinson. He is one of the two or three top radio men in America. And I'm counting on Vanderpoel.

MR. GASTON: He will be here Tuesday.

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H.M.JR: And I am counting on you to help me personally. But Robeson will be here Monday. Then I am going to see General Marshall tomorrow morning and Forrestal and King Monday.

MR. GASTON: We were talking it over with the boys yesterday and we thought we ought to get some new figures from the Army and Navy, but thought we shouldn't ask for them until we had an understanding with you what line of stuff you wanted to use.

H.M.JR: Marshall is always good. I am sure I will get something out of him tomorrow.

MR. GASTON: The boys can give you some suggestions about what they were thinking of in the way of figures.

H.M.JR: Can I have it before tomorrow?

MR. GASTON: Yes.

MR. SULLIVAN: Shouldn't I now tell Bob Hannegan about Harrison?

H.M.JR: Oh, that is all right. It is unimportant. Why worry Bob Hannegan? Look at the pressure I was under, and look what I got as a Commissioner as a result of it. Give me time to turn around. Look what I got as a Commissioner as a result of that!

MR. SULLIVAN: The reason I brought it up, you recall that about ten days ago I mentioned it, and you suggested waiting until after Election.

H.M.JR: Don't worry. Look what I have got over there in the Commissioner's Office as a result of that.

MR. SULLIVAN: All right. I understood you wanted me to bring it up.

H.M.JR: Well, I didn't mean via Hannegan. Let's have a chance to turn around.

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MR. O'CONNELL: You remember the difficulties we were having - Mr. Olrich and the Procurement people - because of that restricted provision in the Surplus Property legislation, about personnel and what they may do after they leave. We just got yesterday a draft of the letter that is being submitted to the Attorney General to send to us, and if he signs it - and I see no reason why he won't, because it is being recommended to him by people down the line - it takes a great deal of pressure off because it will make it possible for Mr. Olrich and all of his people to feel fairly safe with respect to what they may do when they leave the Government.

We did get a draft yesterday, and it is being given to Mr. Olrich today, and I think their Regional Directors are here and, informally, he is going to be in a position to allay their worries a little bit with respect to what will happen to them after they leave the Government.

It is a much better result than I had any reason to believe we would get until a week or so ago, but Hugh Cox and a few people in Justice were very cooperative.

H.M.JR: Now, my remarks about the Commissioner, please, are within the four walls.

MR. SULLIVAN: Of course.

MR. O'CONNELL: That is all I have.

H.M.JR: White, you get your three minutes.

(Mr. White remains and the rest of the group leave the Conference)

MR. WHITE: Well, you have a meeting at ten-thirty. We met with the Army, State, and FEA yesterday. We had a suggestion of approach, but they didn't want to agree until they had spoken to Patterson and General Somervell. I don't think it is necessary, but we would explain that during the meeting.

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The main thing I want to mention is that we went over the balance of payment with the British very carefully-- had two meetings on it. Not that we would want to tell them this, because it would make an argument over every point, but FEA and ourselves - I don't know about State - are agreed that the thing looks uncertain. We think they are painting much too black a picture, so you are wholly justified in coming to the conclusion of the "let's wait and see" policy on the balance of payment.

That is one thing I don't think it will be very fruitful to discuss with the British, and therefore I don't know--

H.M. JR: How about among the Americans?

MR. WHITE: I think you can call on the FEA and ask them what they think about it.

H.M. JR: How would you start the meeting?

MR. WHITE: I would start the meeting by asking them what progress they were making with respect to the items FEA was going to discuss.

And then on this matter - you said you wanted the Committee to consider in detail whether we should deal with the Dominions directly.

Those two items you can start off with.

November 10, 1944

Dear Mr. Bowles:

As we look forward to the Sixth War Loan, please accept my congratulations on the fine record made by the employees of the Office of Price Administration in the purchase of War Savings Bonds during the Fifth War Loan.

I was gratified to observe that during the Fifth War Loan the employees of OPA invested about 96 percent of a month's gross pay. Total purchases amounted to about \$16 million, or 226 percent of their quota of \$4 million dollars. This achievement placed OPA ahead of any other Federal agency having a quota of more than \$4 million dollars for the Fifth War Loan. This is due, I am sure, in large measure to your fine War Bond organization and plenty of hard work.

I hope we will have the same fine spirit of cooperation during the Sixth War Loan.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Chester Bowles  
Administrator  
Office of Price Administration  
Washington, D. C.

EVBartelt:hbw 11/8/44

copy to Col <sup>13</sup> ✓  
11/19/44

November 10, 1944  
10:30 a.m.

AMERICAN DELEGATION FOR BRITISH LEND-LEASE

Present: General Giles  
General Jamison  
General Styer  
Colonel Stewart  
Admiral McCormick  
Mr. Acheson  
Mr. White  
Mr. Taft  
Mr. Gates  
Mr. Fetter  
Mr. Casaday  
Mr. Cox  
Mr. Angell  
Mr. Davidson  
Mr. Griffin  
Mr. Collado  
Mrs. Klotz

H.M.JR: Unless the Army people would like to get on, with the FEA people not here - I mean, the main thing is I don't know where we can start. Do you want to start with the Army and Navy first? The big thing was the question of the Dominions the other day. Do we have to wait for FEA?

MR. WHITE: Not on that.

MR. COE: You mean reciprocal aid.

H.M.JR: This question of where it will be - Australia--

MR. WHITE: Dean, why don't you give a brief review of the meeting we had yesterday?

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H.M.JR: Would the Army and Navy like to hear that part of it?

GENERAL GILES: Yes, sir.

MR. GATES: I think Mr. Patterson raised the point.

MR. ACHESON: Yes, Mr. Patterson raised it, and we had discussions with representatives of the Army yesterday.

H.M.JR: Give us a resume of that.

MR. ACHESON: The situation, I think, is this, that at the present time the agreements with the Dominions - with Australia and India - provide for lend-leasing by those two Dominions of materials which the Army is going to use within each Dominion. New Zealand Lend-Lease is for use anywhere, but the other two, Lend-Lease in Reverse, for what is used within their own territories.

H.M.JR: Australia, for instance, will supply meat provided it is consumed in Australia?

MR. ACHESON: And India the same way.

Now, also, at the present time, when something is desired from either one of those places for use outside - the British, in fact, after some argument, have been providing the sterling to do it - but in each case it requires a long argument by the Army authorities in charge, and it slows up the whole effort.

(Mr. Angell, Mr. Cox, Mr. Davidson, and Mr. Griffin enter the conference)

MR. ACHESON: It seems to the Army, therefore, that they would like some arrangement made by which either the British or the Dominions undertook to supply these articles on Reverse Lend-Lease for use outside of the territories. And the difficulty in getting them to make a blanket agreement is the unknown dimensions of the sums involved on the British and Dominion side. They are afraid that the great number of troops going to the Far East may make very tremendous demands on them.

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It seemed to us yesterday that at the present time we really have a practical matter which gets down to waiving the destination, and if we play this thing down rather than play it up, as a matter of great principle, we probably can go along without any great trouble. And it was suggested to the Army yesterday that we try to get an understanding with the Australians and the British on one side, and the Indians and the British on the other, that the Dominion will go ahead lend-leasing in reverse in about the present volume, without worrying where the stuff is consumed.

If it doesn't get much more than that, the Dominion shouldn't worry about it, but if the Dominion does worry, or if the amount gets larger, the British will step in and pay the excess in sterling; and that at any time, on thirty days' notice, either side can call the thing off and raise it with us again.

H.M.JR: Any time on thirty days' notice?

MR. ACHESON: Yes, they can say, "This thing is getting out of hand."

Now, one of the things that is going to disturb the Australians is that as the troops leave Australia, they will cease to get dollars for troop pay, but they may have to continue under this arrangement the full amount of reverse lend-lease, so they would be progressively in a bad fix; they wouldn't be getting sterling or dollars, and they would be badly off.

If that happens they can raise it, and that is a new situation and we look at it and make a new deal on it.

H.M.JR: Has anybody any idea of places like Australia and New Zealand - how much it amounts to in dollars per month to us - Reverse Lend-Lease?

MR. ACHESON: Yes. Who had those figures yesterday? I think you had the total Australian Lend-Lease in Reverse.

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MR. DAVIDSON: I believe it was in the neighborhood of three hundred and fifty million dollars up to April 1 of this year, 1944. That is for the entire period.

MR. COX: That began September '42.

H.M.JR: But that doesn't answer my question. How much does it run a month?

MR. COX: That is about twenty-four months. I think it runs as high as sixty or seventy million a month at the latter part.

This is Bill Griffin, Secretary Morgenthau.

(The Secretary shakes hands with Mr. Griffin)

H.M.JR: How much for New Zealand?

MR. COX: Much less than Australia. As I recollect the figures, something like five or six million. It has been running up.

MR. GRIFFIN: A lot of canning machinery and that sort of thing has been sent over there and that is accelerating it. It hasn't yet reached its peak, but it is accelerating all the time.

H.M.JR: Talking for myself, unless White has some other ideas, it seems to me that we don't want to settle the question of the relationship of England with the Dominions over Lend-Lease in Reverse, so we?

MR. ACHESON: I think it would be hard to do, Mr. Secretary.

H.M.JR: Who was the spokesman today for FEA?

MR. COX: Mr. Cox.

H.M.JR: Yes, is that agreeable?

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MR. COX: I think this is a sound approach.

H.M.JR: I mean that we go along on a thirty-day basis?

MR. COX: Right.

MR. WHITE: Yes, that was agreed on at the meeting, and I think the Army representatives there - they could speak for themselves - thought it might be a good idea to proceed on that basis, but they wanted to check with their chiefs before we raised it with the British, unless it were merely raised as a tentative suggestion.

I suspect that the British would prefer to settle the matter, but they may accept this arrangement. They would prefer, I think, not to be committed to paying, but I think they would finally agree on this arrangement, if that were the approach finally decided upon.

H.M.JR: The Navy doesn't get in on this, does it?

ADMIRAL McCORMICK: Very slightly. It is pretty much in the hands of the Army.

H.M.JR: Who is the spokesman for the Army today?

GENERAL STYER: We discussed this matter yesterday and I think that the agreement was probably satisfactory to Mr. Patterson and General Somervell, but as they raised the issues in the discussions with the Committee that worked on this, they asked to have it held up until they have an opportunity to review it on Tuesday when they get back.

H.M.JR: Is Mr. Patterson away.

GENERAL STYER: Yes, sir.

H.M.JR: General Somervell, too?

GENERAL STYER: Yes, sir. So we want to hold this open until Tuesday.

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The only question I raise now is the question of the thirty days - whether that isn't too short a period, or whether it could be reviewed on thirty days' notice.

H.M.JR: I gather it could be reviewed on thirty days' notice.

GENERAL STYER: In other words, it would be continuing, but we would get thirty days' notice before change?

MR. ACHESON: The difficulty from the Army point of view is that the officers in the field are operating on a certain procedure and they can't change over night.

H.M.JR: We make them give sixty days for E-Bonds.

GENERAL GILES: I suggest it be made ~~sixty days~~ because for the troops fighting in the Philippines, it takes more than thirty days, actually, to deliver supplies from the States. Those supplies can be counted on for a greater period than thirty days. I think we are operating on too close a margin. So sixty-day notification should be in order.

MR. ACHESON: I don't think this would affect the delivery of the supplies, but the payment of the supplies. I think they would still continue to deliver.

H.M.JR: I lean with the Army. I think sixty days - I mean, you could plan a little bit better.

GENERAL GILES: That is right.

MR. WHITE: General Styer raised the point that they are anticipating increasing difficulties of getting supplies from India, that they already, apparently, have had some difficulties and they fear that they may be growing.

Now, I don't know whether it is their thought that something might be included in the understanding at this stage of the game with respect to their ability to get supplies, quite independent as to how it is financed.

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I don't know whether they felt - it wasn't clear - that something should be included in the arrangements now to give them greater assurance that the things they want to get in India, they can get.

H.M.JR: If that is correct, then sixty days is all the more important.

GENERAL STYER: Yes, sir. If you could make it ninety days, Mr. Secretary, it would be better.

H.M.JR: Well, should we indicate to them the way we are thinking today, or would you rather wait until you consult with Mr. Patterson and General Somervell before we give them any indication.

GENERAL STYER: I think I would prefer to wait, because then we can get something definite to present to them.

H.M.JR: It is not clear. Did the English participate in the meeting yesterday?

MR. ACHESON: No, sir.

MR. WHITE: No, it would be new to them, and it might be more helpful to you if you suggested the lines you were taking, because you might be getting approval on something they--

H.M.JR: I would like, as much as possible, to make up our own minds first so they don't go to work on us between now and Tuesday.

MR. WHITE: In that event we had better wait.

H.M.JR: Tell them we will have an answer for them Wednesday. Does that give you time enough, General Styer?

GENERAL STYER: Yes, sir, I think so.

H.M.JR: Now, while we are talking with the Army and Navy, is there anything else along those lines we want to discuss?

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ADMIRAL McCORMICK: I believe we have the meat of the Navy agreement. Shall I go ahead, sir?

MR. GATES: Do you want us to report on progress?

H.M.JR: I think so.

ADMIRAL McCORMICK: Admiral Horne has signed for the Secretary an agreement this morning which went to the British a few minutes ago. We have met with them around the table a good many times and I should say that we are in virtual agreement by adopting most of the last-minute requests for changes, except I understand that Sir Robert Sinclair thinks we are way off base on not putting down any value for ships that they might get.

H.M.JR: May I interrupt you, Admiral?

When you say ships, I take it you are talking about fighting ships?

ADMIRAL McCORMICK: Yes, sir, or Naval auxiliaries. In their original list in this large volume they had down for a total of one hundred and fifty-seven million the ships listed, and when we came to investigate we found there was eighty-four million in there which was a mistake - which is for ships that they had already gotten and already arranged for.

So that leaves, roughly, seventy-five million for ships that they are still asking for, that Admiral King doesn't think we can possibly let them have, and it will be undoubtedly fought in the Combined machinery all this next year. But I don't think they are going to get very many of them.

The Navy stand is that they will not put down any monetary value for ships, whatsoever; particularly as these are ships that are in existence and it means nothing to anybody's budget. If they are loaned to the British why it is no additional charge on the U.S. budget, and certainly they can't start to construct any ships for 1945, now.

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H.M.JR: Admiral, can you give me a thumb-nail sketch of what we have agreed to give and what we have not agreed? I haven't a copy of this and I have also been away.

ADMIRAL McCORMICK: Yes, sir.

H.M.JR: Could you just run through it for my benefit?

ADMIRAL McCORMICK: They said four hundred and sixteen million was their request in this big volume. They mentioned ship repair. They did not mention spot, and they did not mention contingent. Four hundred and sixteen added to the hundred million for ship repairs, and fifty million spot, was five hundred and sixty-six.

Then in addition the Navy Department has to pay for some amphibious tractors they asked for from the Army. So there was an over-all of about six hundred million there, added up. If you subtract the eighty-four million dollar mistake, we get back to about five hundred million.

We have reviewed their requirements and found that others were in error in connection with what we knew about that situation. We got the agreement of the Navy to a total of, roughly, three hundred million, to which we have recently added twenty million, which we prefer to carry as a separate contingency because we don't think they are going to get very much on that.

H.M.JR: Roughly, what is the three hundred million you are allowing? What comprises the three hundred million?

ADMIRAL McCORMICK: The three hundred million - well, there is only a million dollars for ships and crafts, which are some small landing boats; guns and mountings, twelve million; ammunition, thirty-six million; torpedoes, four million; depth charges, a quarter of a million; fire-control equipment, six million; repair to H.M. ships-ordnance, five million; engines, four and a half million; I.C.E spares on automatic flow, thirty million; hull and machinery spares, forty million; Naval stores, thirty-nine million; repairs

to Naval ships, twenty-five million. Under Bureau of Yards and Docks, work and other items, a million and a half; victualling stores, raw materials, and so forth, thirty-two million; medical and dental stores, three-quarters of a million; a straight spot item which would probably be used, twenty-five million; then the thirty-two million which is the charge on the Navy Department for the amphibious tractors which are asked for through the War Department; then outside of that we have this contingency, as I say, which we carried separately because we don't think they will get very much of it. Just in case there will be increased production, we put down that the unaccepted British requirement for ships be seventy-three million, not listing that in any way.

H.M.JR: What are those? Are those auxiliaries?

ADMIRAL McCORMICK: Those are auxiliaries almost entirely, sir. There are three fleet repair ships which are a very hot subject right now in the Combined machinery; there are two large transport attack type, two repair ships - landing ships - and two of the type we call landing ship dock, which are large ships that can carry around small landing craft in their wells.

That was a total of thirty-five hundred and seventy-nine ships that the Navy Department thinks we couldn't possibly let the British have.

MR. TAFT: Is that within the seventy-three million?

ADMIRAL McCORMICK: Yes.

MR. TAFT: That you turned down, in addition to which there is a seventy-five contingent?

ADMIRAL McCORMICK: No, there is a twenty million contingent. That was all they asked for.

GENERAL STYER: Did I understand you to say you had LVT's included there?

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ADMIRAL McCORMICK: Yes.

GENERAL STYER: I haven't a copy of our schedule, but I think there were two of those in our schedule.

ADMIRAL McCORMICK: Well, we put it down because it affects the Navy Department's budget.

MR. COX: If the ships that are disallowed are in existence, then for finance purposes it doesn't make any difference whether they omit them or not, because then it is a question of whether they are assigned at some later date.

ADMIRAL McCORMICK: It couldn't affect their production because they couldn't build those ships for 1945, or for the year after that, and they are already built so far as we are concerned. It is just a question of taking ships of our fleet and lending them to them.

MR. GATES: If they were assigned, they would be loaned and not given.

ADMIRAL McCORMICK: All ships are in special category under the Lend-Lease. We just don't feel we can make any guess as to what they might receive, and that if we put down any value in that column that they will add it in and use it as some kind of commitment.

H.M.JR: I don't understand the remarks of Mr. Gates - special category.

ADMIRAL McCORMICK: Naval ships differ from other Lend-Lease in that they must be returned within six months afterwards.

H.M.JR: How do the English feel about this?

ADMIRAL McCORMICK: Sir Robert Sinclair told my representative yesterday that the Senior Committee would demand that some money value be put down under this item.

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H.M.JR: Under the seventy-odd million?

MR. WHITE: Is it your thought that that should not have been included in the request in the first place, if they knew the situation?

ADMIRAL McCORMICK: When it comes to just trying to fix up a monetary, budgetary arrangement, it should not be.

MR. WHITE: If it is included, Mr. Secretary, it makes our discrepancy greater; the amount you give being much lower than they ask. If they shouldn't have asked in the first place, it should be deducted from what they are asking, so the difference should not appear as great.

H.M.JR: Let me put it another way. If we want to sort of pad our books - I mean, from their standpoint if they want to keep their books that way and allow us seventy-five million of loaned material, would there be any objection to that?

ADMIRAL McCORMICK: I am afraid that if we put it down in a column comparable to the other arrangement, that they would say, "Well, how about this seventy-five million?" - in some respect.

H.M.JR: I think the point Mr. White makes is a good one - in addition to the eighty-odd million, this ought also to be deducted.

ADMIRAL McCORMICK: Yes, sir.

MR. WHITE: So, in effect, they are asking, let us say, for four hundred and twenty-five million, and the Navy is finding it feasible to commit itself to approximately three hundred million.

ADMIRAL McCORMICK: That is right - three hundred and twenty million. Of course, the figure that is in this book is four hundred and sixteen million, and you can say we are giving them more than they are asking for.

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In other words, we have given them a spot twenty-five million which they didn't have in the book at all. We are giving them thirty million dollars' worth of repairs that they didn't mention in the book. So just for appearance's sake, if they ask for four hundred and sixteen million and you subtract eighty million from that, we are giving them the exact amount that appears in this book.

MR. TAFT: Mr. Secretary, may I ask what are the major items in the one hundred million which is turned down? That is your figure now; you got to five hundred and you are giving them three hundred and twenty. If you take off seventy-five, then it is from four hundred and twenty-five to three hundred and twenty. The question is, what are those items which have been rejected?

ADMIRAL McCORMICK: The largest bit of what they listed was ninety-one million dollars for spares, and we cut it to seventy million. In other words, we are not going to get the spares ourselves, and we are putting them on the same basis as ourselves, assuring them that they will get their proportional number of spares.

MR. TAFT: That is twenty-one; what would be the other eighty? Are they miscellaneous?

ADMIRAL McCORMICK: I am not quite sure. Would you say again what you figure the cut was?

MR. TAFT: You said four hundred and sixteen to start with; a hundred million of repairs; fifty million of spot; and thirty-two of amphibious tractors. That is a total of roughly six hundred. Now, there was some mistake on the ships of eighty-four, which they have already gotten and shouldn't have asked for. That actually would get it down to five hundred and fourteen.

ADMIRAL McCORMICK: You take off seventy-five.

MR. TAFT: That leaves four hundred and forty, and you are allowing three hundred and twenty.

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ADMIRAL McCORMICK: I might say that the spares was the biggest bite, but in almost every case when we started to analyze what they really needed, why there was a slight decrease in almost every value. I think these requirements are very hastily put together.

MR. TAFT: As I understand it, on repairs you have given them thirty and they asked for a hundred, so there is seventy more; on spot, they asked for fifty and you gave them twenty-five, so that is twenty-five more. I think perhaps that gives you the whole amount.

ADMIRAL McCORMICK: I think that would. Of course, we are giving them twenty extra now on a very contingent basis - extra special.

H.M. JR: Well, now, I suppose when the English come in we can ask them for their comments, if they are prepared. I am not prepared to make any comments. I don't know - is it agreeable to you people if we ask them when they come in at ten-thirty or eleven-thirty?

MR. GATES: Yes, entirely. But we don't know whether they will decide this, do we? The working committee that has worked this out has come to an agreement--

ADMIRAL McCORMICK: I don't know General Somervell's attitude, but the Navy people we have worked with feel they have fared very well.

MR. GATES: I see no objection in throwing it into the meeting at eleven-thirty.

H.M. JR: Frank, if you could have for me Monday - I would like to have a progress report for the President, because I haven't bothered him up to now - I thought he was too busy. But I would like to show him things accomplished, things in discussion, and things in which we are in disagreement. I think we could break it into those three groups with the assistance of other people in the room.

MR. GATES: You want me to report on the progress on the Air?

H.M.JR: Very much.

MR. GATES: At the meeting the other day, Sir Robert Sinclair raised this question. We reported to you that as far as the Army and Navy Air, we had come to an agreement and signed the agreement, and sent our recommendations to you. Sir Robert Sinclair raised the question of adding another seventy-five million to contingencies to cover a possibility of increased plane production.

We contended at that time that we thought that the two hundred million that was in there for contingencies was ample, also, to take care of this additional seventy-five million that they were asking for. We still contend that, but we have come to more or less of an agreement - I might read it - it is the top of a letter to you--

H.M.JR: Have I received it?

MR. GATES: The letter has not been signed yet. The Navy has signed it, the British have signed it, Mr. Patterson and Mr. Lovett are out of town. Mr. Lovett has agreed. It was read to him over the phone. As a matter of fact, I talked to him about it before we wrote the letter. I don't know what Mr. Patterson's attitude will be, or General Arnold's.

(Reading) "Since submission of our letter of October 31, 1944, relative to British requirements for Air items for Stage II, Sir Robert Sinclair has requested we consider his recommendation that it would be wise to include in the total financial provision an additional seventy-five million dollars over and above the amount stated in the schedules. This financial coverage is against the possibility that the stated quantities of aircraft allocations to the Royal Navy might later be increased without prejudice to the operation of the U.S. Navy. Our recommendation as of October 31 included provision of two hundred million

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dollars for new developments and spot items which, in the opinion of the American representatives, would be sufficient to cover this additional seventy-five million dollars, 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 acceptable. It is recommended, therefore, that an additional amount of seventy-five million be included in the total financial provision over and above the amount stated in the schedules for the specific purpose of covering any increased allocations of the 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."

H.M.JR: Again, on all of these military matters I want to take the advice of you gentlemen, and the only purpose I can serve is if we should get into a row with these people, I'd try to act as moderator.

MR. GATES: Well, we would want to point out that the two hundred million in there we think is ample to cover contingencies either for the Army or Navy. As Sir Robert Sinclair pointed out, one hundred and thirty million was for B-29's and another seventy million was possible additional radar and radio.

The information I get from the Army sources is that they will have great difficulty in meeting their own requirements this next year of B-29's, and it doesn't look like there is going to be very much possibility of B-29's being supplied to the British. So there is that amount that is very indefinite, and in addition to that, two hundred and forty-eight million already set up for radar and radio. The figure seventy million dollars additional looks high in proportion.

H.M.JR: Could I ask a question of the Army and Navy?

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After all, they came to certain understandings at Quebec as to what the British would do in the Pacific.

Since then, it seems to me, as a civilian, that we have made great progress in the Pacific, and I wonder if that, in any way - I mean, lots has happened since Quebec - the landing in the Philippines - I wonder if you people take that into consideration at all in what the British want.

MR. GATES: Well, I think, Mr. Secretary, the way it is set up, that this is subject to revision due to the change in the war situation.

It is subject to revision from time to time, and it is still cleared through the Munitions Assignment Board, and gives us a chance to review it periodically.

H.M.JR: So you have an out?

MR. GATES: We feel we very definitely have an out, based on the war situation at this particular time.

MR. WHITE: Is it fair to say this, Mr. Secretary, that your agreement or acquiescence for this additional seventy-five million is, from the point of view of the Navy, somewhat of a concession which you are conceding to Mr. Sinclair because you want to please him and you think there is still an opportunity to control that at a later date?

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MR. GATES: Well, your seventy-five million is obviously a concession. I don't know how you will include it in your over-all figure. As we say, there is two hundred million we have earmarked specifically for two types of Navy aircraft, the Corsairs and Avengers, which might be available in case our production improves in the second half of '45. I don't know whether that answers your question.

MR. WHITE: I think the point you wanted to make is that you really don't feel it is necessary but it is one of the concessions the Navy has made to them.

H.M.JR: I think what Mr. White is trying to point out to me is that if any discussion comes up we can say, "Now, look what the Navy did for you." Is that right, Harry?

~~MR.~~ MR. WHITE: That is right.

H.M.JR: That is a little hors d'oeuvre.

MR. GATES: We feel we made a concession originally in the two hundred million, so you can point that out.

H.M.JR: Well, it all sounds good. This is as good a time as any to say it. Before election I read Mr. Twitty in the Tribune, and I thought it was very good. I read Mr. Krock, and I thought it was terrible. Then this morning I read Mr. Twitty very hastily, and he seems to have the thing all bolixed up again.

MR. COX: I haven't seen this morning's piece.

H.M.JR: I just felt this way, that with the election behind us, possibly at the appropriate time we could explain a little bit more what we are doing so they will stop guessing.

MR. ACHESON: I didn't see him this morning.

H.M.JR: Well, they shoved the Tribune under my door at the apartment this morning at seven. He has it all mixed up. I don't see why we can't be quite frank with the

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American public now as to what we are doing without giving them blow by blow something which doesn't exist, I mean, this idea that we are going to give them the material to re-export and all that.

But I think on the whole considering how many people were in on the know, we did quite well. It certainly didn't hurt Mr. Roosevelt. Now that we have Dewey down to ninety-nine, it is very comfortable. You will have to pardon me; I still have the election in my blood.

Well now, Mr. Cox, what else should we have in twenty minutes?

MR. COX: - There was one question I wanted to ask the Army about, those four items that Bob Patterson said were taken out of the Army program, the nylon, paper, and so forth. Now, we are ready to proceed on the subject of availability of supply and finance, and so forth, with general qualifications.

I understand that the Army is agreeable to going ahead within the amounts on those conditions, but the one thing we didn't know was how much in detail they had gone into the end uses, and so forth, so our people could get together with their people who have worked on it and get a complete picture on it.

H.M.JR: Whom do you want to address this to?

GENERAL STYER: I think our representatives have been working with yours, Mr. Cox, on those four items, and perhaps on the other items mentioned in the Dominion requirements.

MR. COX: We checked with them yesterday, and they hadn't gotten together, but they said they would. Subject to that, we are in agreement to go ahead on the supply on those.

GENERAL STYER: I will get them together this afternoon if they haven't already been together, but it is my understanding they have been working.

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H.M.JR: What else, Mr. Cox?

MR. COX: On the Indian locomotives and the wagons, as the British call them, there seems to be a good deal of doubt about the facts. And our fellows who are experts on India say that as far as they know these are over and above what the military have said are necessary for military purposes, and there is some evidence that they won't be finished until '47 and '48, and they question the connection of them with the war. What they would like to do is get some time to check more on the facts.

The other difficulty in the situation is that the British say this is very urgent and unless the order is placed fairly quickly they will miss the production ban on them. I think WPB said yesterday they would all have to be placed in the next day or two.

Now, probably the British are willing to go ahead on a cash basis on the wagons subject to future modifications when the facts are in and the policy is decided. It is just a question of whether you want to put up to them the double-barrelled proposition, one, that we will investigate the facts with the possibility that when the facts are known they will be put on a regular Lend-Lease basis with some modification of it, and meanwhile, like in the French thing, the contract can be placed with their agreement to pay cash on delivery unless modified into a Lend-Lease basis.

MR. ACHESON: Does it take three years to make a locomotive?

MR. COX: It takes from nine months to a year, but the production schedules are all, apparently, allocated, and there are other orders in ahead of them. This is just a follow-up. The Army has already supplied a good many locomotives and freight cars to the Indians, and then there are orders in the works.

There are other complications. The Canadians are building some, but supplying them for cash, and not under Lend-Lease for India. Then some are being built in the U.K. and being supplied under sterling, which is an offset

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against their sterling liability, but I think General Styer probably knows about the locomotive production picture. But the facts, as we had them, raise some doubts as to when they would be finished and when we thought the exact time was as to when they could be finished.

H.M.JR: May I ask this question? Whose responsibility is it in this committee to keep Mr. Krug and his organization informed as to what we are doing? Who keeps them posted? I don't, but who does?

MR. COX: We keep them posted on the stuff that is within the FEA procurement range. The Army, I gather, and the Navy in their respective fields where it goes back to raw materials and allocations keep him informed.

H.M.JR: I just got the impression that he feels a little bit slighted. I wonder if Coe might not find out if there is somebody in his organization that you might keep posted as to what we are doing.

MR. COE: All right.

MR. GATES: I think it would be a good thing to have him present, too, if I may make that suggestion, because we certainly don't want to wake up at a later date and have WPB not informed on some of these non-munitions items, and they say you are not going to get your munitions items if you go ahead and produce some of these non-munitions items.

H.M.JR: Would you be willing to go so far as to call on Mr. Krug and explain to him what is happening, Mr. Coe? And if he would care to come or send somebody, we would be very glad to do it. I think Mr. Gates makes a very good suggestion. It has bothered me. It seems to me a sort of blind spot that we have overlooked.

MR. TAFT: I will be glad to help on that, Mr. Secretary. We are dealing with them all the time.

MR. WHITE: Might that not be a way to proceed with the locomotives the same as the wagons? If they feel it

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is of such great urgency and they concede it is for civilian use as related to military affairs, and inasmuch as India has adequate foreign exchange to meet any such payment, why couldn't India order them with the understanding that the question of financing will be re-examined later?

MR. COX: That was one of the proposals.

MR. WHITE: I thought that was about wagons.

MR. COX: About both.

H.M.JR: Let me just take a minute. I have this memorandum here and might run through it. It is the one Mr. Coe gave me, "Status of Phase Two Negotiations. One, Army Ground - Combined Report agreed, except as to reservation on reciprocal aid." We have covered that.

"Two, Army and Fleet Air - Combined Report agreed, except as to reservation above. Supplement concerning Contingency Fund agreed."

MR. GATES: That is what I reported. It looks as though it would be agreed upon.

H.M.JR: "Three, Navy - Combined Report to be signed November 10th."

MR. COE: We hope! Admiral McCormick hopes!

H.M.JR: You didn't add that. "Four, Semi-Military Items - Army and FEA have agreed to these requests."

MR. COX: That is that four item.

H.M.JR: "Five, Indian Wagons - FEA requires more justification as to date of delivery and total quantity needed. Suggest purchase for cash without prejudice to later decision." That is just what we have been talking about.

"Six, Shipping - Program agreed, except coastal vessels." That hasn't been discussed yet.

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MR. COE: No, it has been discussed--FEA War Shipping.

MR. COX: That has been going on since last July. These are Baltic type coastal vessels and coastal tankers. Most of them are necessary, originally processed for the European and Mediterranean theater. Later they added the Pacific. On the schedules they begin coming in in small amounts early in '45. The heavy deliveries are anticipated in June or July, and the question was whether those would make any direct contribution to the European war without being able to tell when it was up. The original proposal made to the British was that we go ahead and build them under Lend-Lease, not hold up the supply, pending their decision on whether they want to take them on a 3-C, that is, charge off the use on the Lend-Lease books during the war and they pay the residual value at a reduced cost. They said they weren't interested in that. The building is going ahead on most of those ships. There are still some for which the contracts haven't been let. That is the exception in the case of coastal vessels.

The Maritime Commission has reservations about them on the war need, and apparently informally the Joint Chiefs of Staff do, too.

MR. WHITE: You are suggesting that they don't want them unless they can get them for nothing. They are not willing to pay the reduced cost?

MR. COX: Residual value on the post-war stuff.

MR. TAFT: Even on a time basis.

H.M.JR: "Seven, Oil, Eight, Food, Nine, Raw Materials - Negotiations still proceeding. Stocks and other policy problems not yet resolved."

MR. WHITE: Mr. Secretary, where do we stand on that item of ships?

MR. COX: Well, the major part is in substantial agreement. The only question that we are not in agreement on are these coastal vessels and coastal tankers.

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H.M.JR: Is it agreed on how they are going to be paid for?

MR. COX: No.

H.M.JR: Admiral Land spoke to me about it a month ago. He said that as far as he was concerned he was going right ahead with his building program, except as to how they were going to be paid, and he hoped this committee would settle that for him.

MR. WHITE: That is why I suggest that I don't see where it fits in. The British have raised it in connection with Lend-Lease for Phase Two.

MR. COX: Yes, they have.

MR. COE: It is in the subcommittee of FEA War Shipping. They are trying to agree.

MR. COX: What I would suggest, Mr. Secretary, is that a technical subcommittee continue with its job and make specific recommendations to this committee as to what should be done about those coastal vessels.

H.M.JR: Does that sound sensible to you, Harry?

MR. WHITE: Yes.

MR. ACHESON: The whole question depends on when you agree to have the British buy them. If you give them the ships under Lend-Lease, they have to give them back to you six months after the war is over. If you make some other arrangement, they keep them and pay for them.

MR. WHITE: The second one, Oscar says, doesn't interest them.

MR. ACHESON: Yes. Their paying for them now doesn't interest them. Some time or other if they want the ships they have to pay for them.

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MR. WHITE: Their answer to that is they don't want them on that basis.

MR. ACHESON: They do want them under the basis that they get them now and are under obligation to return them or buy them later on. In other words, they want to postpone the date when they agree on the price of these ships, because their guess is that they will depreciate in value. Isn't that it?

MR. COX: No, they want to postpone the decision as to whether they want the ships at all, and also the determination in price. Our proposal went so far as to say we would be willing to postpone the price until the actual event occurred, which was the end of the war use, provided they were obligated to take them at that price. The reason that was put in was that these are ships which are not as likely to be of as much use to the United States as other types of ships, and because it was so late in the stage of the European war.

H.M.JR: I gather as far as Admiral Land is concerned, the vessels other than the coastal vessels he has under contract.

MR. COX: Most of the coastal vessels are under contract.

H.M.JR: Which ones are not?

MR. COX: A few of the residual tankers are not under contract.

H.M.JR: Then a committee in FEA is working with War Shipping, and if and when you have something to report you will bring it up?

MR. COX: That is right.

H.M.JR: Now, what about oil?

MR. COX: They are working on that. They haven't concluded the discussions or the work on it.

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H.M.JR: And food--has Mr. Llewellyn arrived?

MR. COX: I don't know.

MR. ACHESON: They are trying to get him here, but they haven't heard.

H.M.JR: Raw materials?

MR. COX: That is still in process.

H.M.JR: You are going to have quite a number of pages of things under discussion. If it could be done as brief as this, then the President will read it, you see. If you go into pages, he won't.

"Ten, Reciprocal Aid - Subject to Army's decision on Tuesday (November 14th) U.S. will propose that Australia and India provide over-all in 1945 not more than was provided in 1944. Will ask British to pay for any quantity in excess of 1944."

We discussed that first. We are giving you until Wednesday to give us an answer.

"Eleven, Export Freedom - Principles tentatively agreed. FEA ready with alternative language on cutoff date. Statement of Principles and announcement need to be worked out."

MR. COX: That is right. We have a statement. I don't know as you want to take it up here. I think that might better be taken up on the datelines and the technical committees with the British.

H.M.JR: Then the things I take it we want to discuss with them are, we want to bring up the Navy, we want to tell them as far as reciprocal aid is concerned we will postpone discussion on that until next Wednesday. Is that correct?

GENERAL STYER: That is correct.

H.M.JR: Army Air Fleet, Air--do you have a report on that so we can talk about that today?

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MR. GATES: That is that seventy-five million, yes. I will report on that.

H.M.JR: Supposing we bring up those three things and then see what they bring up. Is that all right?

MR. ACHESON: Yes, that is agreeable.

GENERAL GILES: I would like to suggest one additional item, on bombs. We would like the British to keep their production of bombs up along with our production. They will not be able to cut back on their bomb production as much as they had hoped to in order to meet requirements.

H.M.JR: Anything else, Mr. White?

MR. WHITE: No, but I was wondering whether the last item the General suggested is something--I thought all that was being taken care of somewhere else. There may be other specific items in which they contemplate cutbacks that might not meet with the plans or approval of somebody else. I didn't know, in other words, that we were getting into that. If we were, they might assume that everything else they contemplate cutting back is all right, if we mention only the bombs.

GENERAL GILES: That is the only item that we want to keep production going on.

H.M.JR: Do you want to put this in as an afterthought? Everything has been agreed on, and this is sort of like their bringing up the seventy-five million the other day.

GENERAL GILES: Yes, sir, or any specific item such as wagons or locomotives or trains; on the Air Force program we have all agreed except on the bomb production.

H.M.JR: Supposing I put it this way, General Giles, that you would like to have another meeting with their air committee to discuss bombs, because you would like to bring that up at that committee?

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GENERAL GILES: That will be all right.

GENERAL STYER: There is one other item we should check with the Navy. If there is a duplication of LVT's, I wish you would cut it out of the Army program and leave it in the Navy.

H.M.JR: Might I suggest, General, that you consult with the Navy first before we bring it up so we know. Let's take a look at it ourselves and then if we find there is duplication, then bring it to their attention. Is that all right?

Mr. Coe, one thing somebody--and I think FEA--ought to be sort of keeping the score on this thing, because, after all, the thing they are interested in is releasing of a number of people to go to work on civilian jobs. And if a kind of box score could be kept, they have a definite objective. They want to release some people. As we go along, I would like to keep a kind of score of how many people we release that can go back to civilian production in England. Do you see?

MR. COE: Mr. Secretary, I am not sure. We have gone over the data which they presented on that as to what their program would do, but I think the manpower program which they presented in this report and the general export and import figures were put up in their Government by different people; they aren't put together and don't really jibe. They both are just rough indications, so we will give you some sort of picture, but it won't be a very good one.

H.M.JR: Well, after all, I think we have to keep the objectives that they have in mind. And it is their exports and their manpower, and as we go along, how near are we approaching that, and how much are we falling short. They will bring it up quick enough, but I would like to at least be prepared when they bring that up. If they say, for instance, that the Navy by cutting down X millions of dollars means they have to keep so many man hours on over and above their figures, that is that.

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ADMIRAL McCORMICK: I believe that would be rather hollow, sir, because they would say that this is material we have manufactured for them.

H.M.JR: But, Admiral, what I have in mind is this: They came here with a program. If it is hollow, I want you to expose it. I can't. I don't know enough, but I thought while we were working on this we would sort of keep a running score with them.

MR. WHITE: Push that a little further, Mr. Secretary. Could you ask the Army and the Navy, for example, to prepare a memorandum of the things which they have requested which for one reason or another you have not found it possible to give them? Then if you could indicate to what extent they will have to produce that at home, it may follow from what you said that though you have turned down requests, they are not going to produce it any more, and it has not affected their manpower. If the Army could do the same, and FEA could do the same, I think that would be very valuable.

H.M.JR: Yes, we have to do something like that, because Keynes or somebody is going to come in and say, "Well, we want so many hundreds of thousands of people released, and we have fallen short on it by so much," and I want to be prepared to answer that argument.

MR. ACHESON: That is right.

MR. TAFT: Mr. Secretary I have one major point, and that is the question of chapter three.

H.M.JR: I think, Mr. Taft, I did keep them waiting half an hour.

MR. TAFT: That is all right, but it ought to be on that list there, not for discussion, but on the list of things that are open. That is the final item.

H.M.JR: Will you note that, Mr. Coe. You are quite right, but I am not ready.

Incidentally, may I compliment Mr. Coe on this.

**TOP SECRET**  
**WAR DEPARTMENT**  
**WASHINGTON**

*Photostat 12  
to Mr. White  
11/11/44  
per [unclear]*

1 0 NOV 1944

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

The comments included in a memorandum for the Secretary of the Treasury from the Under Secretary of War, signed on behalf of the latter by General Somervell on 1 November 1944, are reaffirmed with respect to the tables of Stage II (U.S. Period I) requirements for Australia, dated 4 November 1944, New Zealand, dated 3 November 1944, and India, dated 4 November 1944. In fact, the figures appear to be identical with those in the document entitled "Amplification of Material in Chapter IV, Lend-Lease Requirements of Australia, New Zealand, and India", which was the basis of the comments transmitted to the Secretary of the Treasury referred to above.

With respect to the additional items which might be brought under Lend-Lease if the civilian and capital goods rules could be relaxed, which are furnished as a supplement to the memorandum on Australia's requirements, dated 4 November, and the memorandum on New Zealand's requirements, dated 3 November, it is observed that the original estimates will aggravate the present shortage and will intensify the conflict between military and civilian demands, thereby endangering the fulfillment of military programs. Thus, approval of additional items could not be viewed with favor by the War Department.

Questions were raised in a memorandum signed by A. W. Snelling, subject: Lend-Lease in Stage II, Australia, dated 2 November 1944, which relates to procedures in operations under existing rules and regulations. These are not within the purview of War Department activities and should be directed to the attention of the Director of War Production Board, and the Director of Foreign Economic Administration.

Sincerely yours,

For

Robert P. Patterson,  
Under Secretary of War.

  
W. D. STYER,  
Major General, U.S.A.,  
Chief of Staff, Army Service Forces.

**TOP SECRET**

Regraded Unclassified

November 10, 1944

STATUS OF PHASE II NEGOTIATIONS

1. Army Ground - Combined Report agreed, except as to reservation on reciprocal aid.
- X 2. Army and Fleet Air - Combined Report agreed, except as to reservation above. Supplement concerning Contingency Fund agreed.
- X 3. Navy - Combined Report to be signed November 10th.
4. Semi-Military Items - Army and FEA have agreed to these requests.
5. Indian Wagons - FEA requires more justification as to date of delivery and total quantity needed. Suggest purchase for cash without prejudice to later decision.
6. Shipping - Program agreed, except coastal vessels.
7. Oil ) Negotiations still proceeding. Stocks and other
8. Food ) policy problems not yet resolved.
9. Raw Materials )
- X 10. Reciprocal Aid - Subject to Army's decision on Tuesday (November 14th) U.S. will propose that Australia and India provide overall in 1945 not more than was provided in 1944. Will ask British to pay for any quantity in excess of 1944.
11. Export Freedom - Principles tentatively agreed. FEA ready with alternative language on cutoff date. Statement of Principles and announcement need to be worked out.

*Army Bombs*

TOP SECRETCOPY NO: 1USC/304  
CCLL

U.S. Committee on Mutual Lend-Lease Aid  
Between the United States and the United Kingdom

Minutes of Meeting In Secretary Morgenthau's  
Office on November 10, 1944 at 10:30 a.m.

Present

Secretary Morgenthau, Chairman  
Mr. White  
Mr. Casaday

Mr. Acheson  
Mr. Taft  
Mr. Collado  
Mr. Fetter

Mr. Cox  
Mr. Davidson  
Mr. Angell  
Mr. Griffin

Mr. Gates  
Admiral McCormick

General Giles  
General Styer  
General Jamison  
Colonel Stewart

Mr. Coe, Secretary

Military Reciprocal Aid

MR. ACHESON gave a resume of discussions in the subcommittee. GENERAL STYER said the Army would be able to report on Tuesday as to whether the new proposal was agreeable.

Navy

ADMIRAL MCCORMICK reported that Admiral Horne had signed a document today and the Navy was waiting to learn whether the British would also sign.

Air

MR. GATES reported on a supplement to the Air Program. MR. GATES said that agreement had been reached concerning the additional \$75 million contingency fund for air, but that this had to be checked with Mr. Patterson and General Arnold.

Bombs

GENERAL GILES wanted another meeting with the British on Air to request them to keep up their production of certain types of bombs, of which we were short.

Effects on Manpower

SECRETARY MORGENTHAU asked the Agencies concerned to prepare an analysis showing how much manpower would be released in Britain as a result of the aid to be granted, and also what the effects on manpower would be of the refusals to supply certain items.

War Production Board

SECRETARY MORGENTHAU asked Mr. Coe to call on Mr. Krug, Chairman of the War Production Board, inform him of the work of the Committee, and invite him to attend if he wished. The Secretary was also to make sure that the War Production Board received pertinent documents through such persons as Mr. Krug wished to designate.

Progress Report

SECRETARY MORGENTHAU asked Mr. Coe to have ready by Monday a brief progress report for the President.

*Copies to Coaf 6  
See - 11/19/44*

November 10, 1944  
11:00 a.m.

BRITISH LEND-LEASE NEGOTIATIONS

Present:	Lord Keynes	Mr. Acheson
	Hon. R. H. Brand	Mr. Gates
	Sir Henry Self	Mr. Taft
	Mr. Ben Smith	General Styer
	Sir Robert Sinclair	General Jamison
	Admiral Waller	Colonel Stewart
	Mr. Hutton	Admiral McCormick
	Mr. Brigden	Mr. Cox
	Mr. Opie	Mr. Collado
	Mr. Lee	Mr. Davidson
		Mr. Angell
		Mr. Griffin
		Mr. Coe
		Mr. Casaday
		Mr. Fetter
		Dr. White
		Mrs. Klotz

H.M.JR: I don't know whom to address myself to on the British side.

LORD KEYNES: Mr. Smith, I believe.

H.M.JR: Mr. Smith, we have followed a practice each time of putting our own points first. Possibly you'd rather take the lead this time.

LORD KEYNES: I think we'd like you to take the lead, sir.

MR. SMITH: Yes, we would.

H.M.JR: Well, we have a number of points, and I think we are continuing to make progress. I think possibly we might hear from the Navy first on their combined reports which I understand they got over to you just this morning.

MR. GATES: I'd like to ask Admiral McCormick to present the Navy part of it.

ADMIRAL McCORMICK: A copy of the report was signed for the U. S. side this morning and delivered to Admiral Waller about an hour ago, sir. As far as I know, through various give-and-take and talks around the table we are in virtual agreement, I believe, except on one point which was whether there should be any dollar value listed anywhere in connection with ships - that it doesn't appear possible to let the British have now. And even if they did get the ships, the United States Navy makes the point that the ships are in existence and would not be an additional charge against the United States budget. And if given to the British--loaned to the British-- as they must be, according to the Lend-Lease law, they would have no particular dollar value in that column, because they are sure they could not undertake the building of them for 1945 or some time thereafter.

So, as it stands now, we have shown the total value of the types that the British request, but make no estimate of dollar value which they might receive.

Incidentally, of the 157 million listed in ship requirements, it turned out that 84 million was a duplication of ships that they already received, and therefore that item should have read about 75 million. But the Navy Department really questions the appropriateness of listing naval ships in connection with the financial and budgetary considerations.

LORD KEYNES: I think the point there is that we wanted to be sure that the appropriation would be available if it is required. It is more a technical matter on your side, I think. If the ships do come our way, some corresponding appropriation in terms of dollars is required, isn't it?

ADMIRAL McCORMICK: Not in this case. The ships are in existence, sir, and it would simply be a question of loaning them to you.

(Sir Robert Sinclair leaves office temporarily)

MR. GATES: It is a question of whether you use them or we use them.

LORD KEYNES: Well--

MR. SMITH: Could we just hold this a moment until Mr. Sinclair comes back in?

ADMIRAL McCORMICK: We feel that it was not originally an appropriate charge, if it is a request in the dollar column. Eighty-four million--over half of it--was through, I suppose, haste in making sure that everything was listed. It was a duplication which seems to be cleared up, and that leaves the 75 million, rather, about 73 I think it is now, which is the value of the ships requested. But it has no value from a budgetary consideration.

LORD KEYNES: My impression is that Sir Robert Sinclair believes in that, but I think we should leave it until he returns.

ADMIRAL McCORNICK: Yes, sir, I know. I think he felt that was not entirely satisfactory.

LORD KEYNES: If we could pass that until he is back--

H.M.JR: Then we have here, "Take up the army and fleet air program."

MR. GATES: Sir Robert Sinclair is the one most familiar with that, too.

H.M.JR: Well, while we are on this matter of Army and Navy, General Giles said before he left that he would like to bring up with the appropriate committee the question of bombs. He feels that they would like to open that question of having to continue the manufacture of bombs. Is that right, General?

GENERAL JAMISON: That is correct.

H.M.JR: So they would like to have an opportunity to meet with your people on that matter.

LORD KEYNES: That, again, is Robert Sinclair's.

H.M.JR: He is rather important!

SIR HENRY: It is a matter of arranging for the two sides to come together to re-examine the bomb provision.

H.M.JR: Do you care to add anything to that, General?

GENERAL JAMISON: I think that should be discussed between the British and ourselves. We are going all out on bomb production. We have gone to the point beyond which we cannot go, and there is a deficit shown in the year 1945 if the British reduce their production. I think we can get together on that.

H.M.JR: Will you do that, Sir Henry?

SIR HENRY: Yes, sir.

H.M.JR: The other matter we have is reciprocal aid. Our people feel they are making real progress, but Mr. Patterson is out of town and General Somervell is, also, and they would like to take it up with them Tuesday. They feel that they will have an answer for you at the latest next Wednesday.

LORD KEYNES: Mr. Secretary, might I make a suggestion? This is something which was obscure to me when it was raised at an earlier meeting. Since then, we have been trying to get better informed about it. It is rather complicated and difficult. In order to arrive at the right decision, I think we want to have a common basis of fact. I believe that could be established. It seems to me to be the proper subject for the small combined committee to examine.

I think there are two quite separate issues which we must keep separate. One is the eligibility of meat for Reverse Lend-Lease. I don't believe that presents any difficulty. The Australian Government have put in their

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Lend-Lease requirements, and if more than what they are doing now is wanted from them by you, then they should be asked in quite clear terms what it is you want.

But from what we know--I consulted Mr. Brigden on that--there is no reason to suppose that any difficulty is likely to arise. There is no financial issue. It seems likely that within reason any meat which the Australian Government is called upon to supply to your forces they will supply on Reverse Lend-Lease. Exactly what you want has to be agreed with them and put to them, and they would like to have that forwarded at the same time as the Lend-Lease proposals they put up.

But behind that lies quite a separate issue, and that is the allocation of the Australian meat to the consumer in the United Kingdom, to the British forces in the Pacific, and to the U. S. forces. That is much more a combined food allocation problem, and the Australians will be supplying certain supplies and they will probably be content with any division of that supply between the various applicants that any combined authority approves as appropriate.

Again, there is no difficulty except that meat in that part of the world looks like being extremely short. There we, for our part, lack the facts. Various unverified calculations have been made, such as--and you mustn't take the time saying this is a fact--that the American forces are asking for eight pounds a head per week, that the British forces are asking for four pounds per head per week, and the British consumer is asking for two pounds per head per week.

There is also the question of stocks where large amounts have been built up and we have no information as to what those stocks are. The pre-arrangement is that--though it is of an informal character--if your forces in the Pacific take from Australia more than some basic quantity, you make that good to us ton for ton from the United States. But there is no formal arrangement of that kind. We don't know how far it would hold good if the quantities which are now not important were to become larger.

Well, on all these matters I think there is not at present a common basis for fact, and I believe this is not a financial issue nor is it a Reverse Lend-Lease issue, but is essentially a problem of the right allocation of the Australian meat supplies; they, themselves, being willing to accept whatever combined authorities they think reasonable, there being at present no very satisfactory means of allocation and no clear decisions and no clear data with which to reach those decisions.

DR. WHITE: I think the discussions on this point which are taking place among the Americans are pointing toward a suggestion which would solve many of these points which you are raising. So I think if you could reserve discussion among yourselves or further consideration until we are able to present our suggestion to you, it might expedite matters.

(Sir Robert re-enters conference)

MR. TAFT: Mr. White, may I say, though, that we did not discuss the question of the allocation.

DR. WHITE: No, but I think in the suggestion which we have, that problem doesn't arise anew in this committee. That is quite a separate problem.

LORD KEYNES: I think allocation is the only difficulty.

DR. WHITE: It might well be.

LORD KEYNES: And I thought it might be useful. You see, it seems to me that we are pursuing this rather difficult subject in two separate groups. We have never had any conversation together on the matter, and I believe a pooling of our evidence might help both of us.

H.M.JR: Why don't you, if it is bothering you, and it evidently is--we have what we call a sort of standing technical committee which I believe you have met with.

LORD KEYNES: Yes.

H.M.JR: Would it help clarify matters if you had a meeting with what I call the American technical committee?

LORD KEYNES: In my opinion, it would.

H.M.JR: Then why not let's have it?

LORD KEYNES: And have it soon--not wait until Wednesday.

H.M.JR: If you will stay behind and talk with the gentlemen here who are members of it and arrange a meeting among yourselves--

LORD KEYNES: Yes.

H.M.JR: Is that all right, Mr. Acheson?

MR. ACHESON: Yes, sir.

H.M.JR: I know you have to go, but you have Mr. Taft and Mr. Collado.

MR. ACHESON: Mr. Taft will stay.

H.M.JR: Could he arrange that?

MR. TAFT: Yes, I can arrange for it.

LORD KEYNES: There is one other point which I would like to see how we stand on. This clause about Reverse Lend-Lease appears in the two agreements put up by the War Department, and we wonder whether they couldn't be taken out of that and discussed separately. Sir Robert Sinclair is anxious to leave Washington today, and if everything else is cleared on his side, there doesn't seem much reason why he shouldn't. He has rather important duties to carry on in London which are calling him back.

We don't see a close reference between this problem which we agree must be settled and the War Department, because our requirements for munitions to carry on the war are the same whatever the solution of this problem. We don't see any connection.

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H.M.JR: May I interrupt? If this is an indication of the thing which Sir Robert is carrying I really think he ought to stay a few days long. I mean, a number of these things cannot be cleared up for a couple of days. I wish you would give that consideration, because when you left the room we were all sunk! (Laughter)

SIR ROBERT: I am sorry about that.

H.M.JR: A number of things are coming to a head very rapidly, so I do wish you would reconsider.

MR. TAFT: Mr. Secretary, may I inquire--one thing that bears on that is the extent to which the British Food Mission can handle this question of supply, as compared to the representative of the War Office. In our case we couldn't work it out, having the Army there. I don't know whether your situation with your Food Mission is such that the Army representative doesn't have to be there on this whole question of allocation, or not.

MR. HUTTON: Subject to what you think, I think we could handle it, because the Ministry of Food in England supplies all the food to both our Army and our Navy.

SIR ROBERT: And the British Army Staff here would be fully briefed.

MR. TAFT: Of course, that is only one of the problems that Mr. Sinclair is involved with.

MR. GATES: This question of feeding forces in the Pacific I think is very important and the Army should be in on it, Mr. Secretary.

H.M.JR: Well, let's just go over two or three of these things which Sir Robert seems to be carrying, do you see, and see how far we get before you leave town this afternoon.

SIR ROBERT: I'll certainly reconsider that if you think it is desirable that I should.

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H.M.JR: It hurts these negotiations if you, carrying as important a part as you are, leave in the midst of them.

SIR ROBERT: My plans were made, Mr. Secretary, on the assumption and the hope--and it seemed a reasonable hope--that the Navy agreement would be cleared by today. But if there are other things at which my presence is desired, then I am perfectly willing to stay.

H.M.JR: There are three things, I think, which were taken up during your absence, at all of which we needed you badly. One was the question of the Navy and the question of the 75 million dollars worth of ships.

SIR ROBERT: May I speak on that, sir?

H.M.JR: We are waiting on you.

SIR ROBERT: The original figure was, as you will remember, 157 million dollars. That has been reduced to seventy-four by reason of the fact that two of the landing craft ships representing a value of some 83 million dollars have been taken out because, in fact, they are being transferred during 1944, so I understand. The result is therefore mainly in respect of three--

LORD KEYNES: You put it slightly differently before, as I remember, Sir Robert, that these ships were already in commission and didn't require any further dollar appropriation, and the reason they were taken out was for that reason.

SIR ROBERT: The landing craft, do you mean? No.

LORD KEYNES: The figure was the same in both cases?

SIR ROBERT: The 83 represents the landing craft which I think, Admiral McCormick, you will agree are being transferred. That is why the total comes down to 74.

LORD KEYNES: But the point was raised in your absence that there were certain other vessels which would not require any dollars appropriation.

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MR. GATES: That is the 74 million.

LORD KEYNES: Why should we need any dollar appropriations there? In your absence we weren't clear why that should be necessary.

SIR ROBERT: Well, sir, I think the dollar appropriation is required if it is the obligation of this committee to present--as I understand it to be their obligation--an estimate of the amount of mutual aid which is agreed in the first year of Stage Two. These particular vessels in question are not promised by the U. S. Navy Department in any sense. They say that we must bid for those before the Assignment Committee according to the operational situation. That is perfectly accepted on our side.

But if they were, in effect, transferred to us during 1945, it would represent a value of 74 million. Therefore, we suggest that if you are going to give a correct picture of what may be the liability, it is wise to include that sum just as has been included in the case of a number of other items, sir, which are accepted subject to assignment.

MR. TAFT: But the difference is in the Lend-Lease Act which provides that title cannot be transferred. They are only loaned and they must be returned. The other items might eventually be settled in some other way. There will be no entry in the Navy Department's books if these ships do become available and are transferred. They are loaned, only.

DR. WHITE: How has that been in the past?

MR. COX: They have all been treated the same way.

SIR ROBERT: I hadn't heard the point that these ships were, in fact, in commission at this moment and there was going to be a transfer. I thought they were building.

ADMIRAL McCORMICK: There are some being built, but they are appropriated for or they wouldn't be building.

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H.M.JR: Lord Keynes said he didn't want to commit your side, but he felt this point was well taken but he wanted to wait until he heard from you.

SIR ROBERT: If that is consistent with the Lend-Lease Act, if they are going to be taken in by the U. S. Navy and transferred, then no question arises. Only the information I heard and the point from which I was talking a moment ago was that these ships were building and the question would arise before they were actually manned as to whether they would be assigned all or in part to the British, having regard to the strategical need.

If it happened that way, then I think you gentlemen would agree that it would be a proper Lend-Lease choice.

DR. WHITE: In other words, the amount of Lend-Lease aid which is reported to have been extended does not include, and never has included, the loans of ships which have been made under the conditions which you are specifying.

MR. COX: Oh, yes, it has. I don't think this is really a substantive point. With very few exceptions there has been no title conveyed to any Lend-Lease property, naval ships or otherwise. There are some statutory restrictions of the Naval Appropriations Act and in the Maritime Act; but if the ships are charged to the Navy appropriation from the standpoint of our appropriations or budget, we don't have to go up to Congress to get any more finance, and then all you do if the Munitions Assignment Board approves the transfer--that is the end of it and it is charged up on the books as a loan. I think Sir Robert is right that there are other similar cases where the item is either in existence or had already been financed by Congressional appropriation and is included in the dollar amount of the Lend-Lease aid; but as far as the substance is concerned, I don't see it makes any difference one way or other.

SIR ROBERT: No. My point was solely related to the one of giving the true picture of the potential value or the reasonable estimate of the value of mutual aid in the first year.

DR. WHITE: It seems to me that Sir Robert has got a point there that if you have included in the past in the value of Lend-Lease aid extended materials which are identical in character to this kind where you merely lend them with a return, and if further you wish to know what is the value of that Lend-Lease aid to be extended into Phase Two, then I don't see why you should distinguish between these ships which they may get and other items which they have got and may be included in extended aid, although it is clear they may not get these ships. But that is true of many other items--

ADMIRAL McCORMICK: The point may be true that it has been included in the past, but it seems to me that these figures are being looked at from another point of view now, that it is the effect on U. S. budgetary commitments and the effect on your production. And it seemed to me that as long as we couldn't arrive at any good guess that if we simply listed in this Annex here that the value of British ship requirements not now accepted is 73 million, 7 hundred thousand, that that would show what might be coming up.

SIR ROBERT: That would be a point--no, subject to assignment. That meets the point entirely. If that appears on the summary, that is all right.

ADMIRAL McCORMICK: But it didn't seem proper to us to include that in the list of dollar values which we are practically certain that you didn't get.

LORD KEYNES: I don't think we need press this point. What it comes to is that you are under-stating the amount of help you are giving us, and we needn't complain if that is the way you prefer to present it!

H.M.JR: Well, I wasn't going to put it that way, but! Then we could pass that point?

LORD KEYNES: Yes.

MR. TAFT: Mr. Secretary, I think one point is clear, either it is in both the total requests and total allowed or isn't in either. It is one of the two.

SIR ROBERT: Yes.

The point on which I was called to the telephone, Mr. Secretary, was in reference to these same ships. The message I had was that Admiral Waller was discussing at this moment with Admiral Horne an annotation, not on this dollar value point but on some other point in connection with the ships. And as I haven't the latest version of the agreement and it wasn't desirable to discuss it over the telephone and he was in fact discussing it with Admiral Horne, I am afraid I can't clear the point up. But I hope in the course of that discussion, it will be cleared up. I don't know whether Admiral McCormick knows the point.

ADMIRAL McCORMICK: No, sir, I do not.

SIR ROBERT: May I go on to ~~the~~ the next point?

H.M.JR: I just want to ask Admiral McCormick--now, of course, he only got this report this morning and I take it that the British have not yet signed. They couldn't have.

ADMIRAL McCORMICK: No, sir.

H.M.JR: Then there is one piece of unfinished business which I think should be cleared up before you leave. Do you want to mention anything else on this point?

ADMIRAL McCORMICK: No, sir.

MR. GATES: I have nothing on that.

SIR ROBERT: Then the next point which may have been already mentioned--if so, then I am wasting time--was the question of a certain amount of double-accounting in respect to amphibious vehicles called LCT's. These vehicles are procured through the Navy Department, the War Department acting on our behalf, bidding with the Navy Department.

The War Department put a value of 52 million dollars against a variety of types of vehicles in that class. That stands in the War Department schedules. The Navy Department having had the bid, been notified of the requirement, have included in their schedule the figure of 32 million dollars.

I think the main reason for the difference--Admiral McCormick will correct me if I am wrong--is that the guns and mountings and various other equipment for these vessels are provided by the War Department, and the 32 million dollars represents the value of what the Navy Department knew. Therefore, when we come to add up the total, we have got to deduct a total of 32 million dollars from the combined totals of the Navy and War Department agreement.

ADMIRAL McCORMICK: That is right. We understood that the War Department had not included it.

H.M.JR: I think that General Styer has a reservation on that--haven't you?

GENERAL STYER: We have noted that, Sir Robert, and we are going to get together with the Navy on that.

SIR ROBERT: Yes, I am simply making the point that there is a little bit of over-lapping there.

H.M.JR: Sir Robert, I think we were going on then to the question of Army and Navy Fleet Air.

(Admiral Waller enters conference)

SIR ROBERT: It was a point I referred to at our last meeting.

MR. GATES: I think I can report on that, that the working committee have reached an agreement that had to do with 75 million as a contingency to take care of potential additional production in the latter half of 1945--the Navy-type aircraft which would be available for the Royal Navy.

The agreement has been signed by Navy and by the British. The Army signers are away. We expect we'll have no difficulty in getting their agreement when they return.

SIR ROBERT: We are all most grateful, Mr. Secretary, for the consideration which Mr. Gates and his colleagues gave to that point.

H.M.JR: I think they have been quite generous.

SIR ROBERT: Thank you very much.

H.M.JR: Now, was there something else?

MR. SMITH: Bombs.

H.M.JR: Oh, yes. The Air Corps has raised a question which they would like to take up with your Air people. They would like to have England continue for the time being to make bombs. We'll continue our full production, but they feel that you should, likewise.

SIR ROBERT: Well, might I suggest, Mr. Secretary, I am afraid I haven't all the facts of that situation-- which types of bombs they have in mind. Do you mean five hundred pounds?

GENERAL STYER: That is the particular type.

SIR ROBERT: The whole point underlying all of this is the question of the efficient and optimum use of the very limited manpower resources in the United Kingdom, and I would suggest, if it is agreeable to the War Department, that we have a special meeting on that particular point outside.

H.M.JR: That is what they would like to do.

Was there something else?

SIR ROBERT: Admiral Waller has just come in. He might report on his discussion with Admiral Horne.

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I might say, before you start, that the value question has been dealt with--the question of the value.

ADMIRAL WALLER: This is with regard to our ordinary assignment procedure. Admiral Horne agreed that these words should be struck out, sir. Otherwise, I think the Navy Department has treated us in a handsome manner.

ADMIRAL McCORMICK: Will you tell me now what that was?

ADMIRAL WALLER: Under Section One, Ships and Craft: "The United States will not at this time make definite commitments regarding the assignment of any AR's, APA's, ARL's, LSD's. Any assignment of these types must be dependent on the strategic situation....." There was another phrase, "...and the U. S. requirement for planned operations," and we have agreed to omit that phrase.

H.M.JR: I'll have to have the Navy advise me.

ADMIRAL McCORMICK: I think the point he is making there is that only the U. S. requirement might be considered before the matter comes up before the Assignment Board.

MR. COX: It would be a limitation without those words on the procedures of the Munitions Assignment Board, and by omitting those last words, "...and consideration of the U. S. requirements," it leaves it now in the ordinary procedure of the way the Munitions Assignment Board works.

I gather from Admiral Waller that Admiral Horne has agreed to delete those words.

ADMIRAL WALLER: Yes, sir.

MR. COX: So it is just a caveat that all these things are assigned by the Munitions Assignment Board as they always have been assigned.

H.M.JR: I think everybody on the American side should have a chance to consider it, don't you think? I don't get the significance of it.

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SIR ROBERT: Mr. Secretary, that being so, I think there is no outstanding point of difference on the agreement. There are one or two particular items to which our British Navy attach especial operational importance and which are especially noted in the agreement where the production is inadequate for the combined needs and is inadequate even for the United States needs alone. And of course, in such items our requirements are subject to assignment. But it is, I think, incumbent on us all to do everything we can to try to step up production in the meantime on those items, and I don't think the United States Navy will fail in the least to appreciate that and do everything that they can to secure that. And we on our side, for the mountings that we make either in the United Kingdom or Canada, will do all we can to step up, also.

MR. GATES: We appreciate that.

SIR ROBERT: Was there any other point?

ADMIRAL WALLER: No, sir.

MR. SMITH: We are quite prepared to sign, Mr. Secretary.

H.M.JR: That is fine.

Mr. Smith, we discussed here, and you may be doing it, that as these committees wind up their business, like the Army and the Navy, we ought together to sort of keep a running score as to what it means toward your objective of how many people are going to be released, so that we don't wait until the end and then get into arguments such as, "Well, does this mean so many thousand, or doesn't it?"--and also what it means in the way of export trade, too.

After all, you have those objectives, and I think this should be examined in terms of man hours and that we come to some kind of an agreement.

MR. SMITH: As to what the net effect will be.

- 18 -

H.M.JR: And what it means in terms of your exports. That is more or less what you have come over for, and while these people are working together I think we should make a report, what does it mean in terms of man hours, because after all, if it is later on left to the non-Navy and non-military people, we may go very much astray in what it means.

LORD KEYNES: Mr. Secretary, I am not sure that Sir Robert Sinclair will agree--

H.M.JR: Do I make myself clear? I don't know whether you are doing it or not, but if you are not I think you should.

LORD KEYNES: We have that in mind, but my impression is that you have met us so handsomely on these munitions requirements that nothing has happened so far which affects the manpower position seriously. There are some things we have not got which we should like to have, but we'll just have to go without. It isn't a case of alternative-making.

On this bomb question, up to date, Sir Robert Sinclair can correct me if I am wrong, there is not any very important change. Is that right?

SIR ROBERT: The Fleet Air Arm is a case in point, Mr. Secretary. Undoubtedly, for the time, we have got to keep up our plans for the construction of a type which I mentioned at an earlier meeting--the Barracuda V--which will certainly involve the employment during the early stages of 1945 of a larger number of people on the aircraft program by some twenty-five or thirty thousand, I would guess.

We sent a cable back on that particular issue, but Lord Keynes is perfectly right in saying that there aren't many cases of that type, and I would suggest that it could only be in one or two important cases, if that met your need, where we could give such figures.

H.M.JR: What I'd like is a joint agreement from this Mission, from our side, as a result of this Mission coming over here, how many man hours will be released to go to

- 19 -

work on civilian production in England. I'd like to get an agreement among ourselves and not wait until we all disband and go to the four corners of the world.

LORD KEYNES: Yes, certainly. I think it would be most admirable. As you say, it is one of the objectives we are after, and we want to know how far we have attained it.

H.M.JR: I'd like to report to the President that we have met it by so much, but we have an agreement. That would be like Mr. Taft says, are you going to take these 75 million ships off or on? I mean, there are a number of things there which I think should be examined in terms of man hours.

Is there any other business that you gentlemen would like to bring up at this time?

LORD KEYNES: Mr. Secretary, I would suggest that perhaps the technical committee might have a meeting to discuss the Indian rolling stock which we have discussed before. I have been going into that more intensively in the last few days with our experts. We have General Abraham over from India who is only just arrived, and my impression is that the case is stronger than I, myself, knew it to be a week ago. I am not clear that all the evidence has been quite accurately employed, and we should welcome an opportunity at the technical level of explaining the situation as we now see it in the light of the latest expert information we have.

H.M.JR: Fine. I am sure our people will be glad to meet you. Mr. Coe will arrange for that.

Anything else?

MR. SMITH: Nothing else.

H.M.JR: How about on our side?

MR. TAFT: I was only going to raise the question, shall we get together in the technical committee now as

- 20 -

we adjourn for a few moments?

H.M.JR: If you people will arrange it among yourselves, whatever is convenient.

MR. COX: That is fine.

H.M.JR: If there is nothing else, we stand adjourned.

C.C.L.L.(44) 6th Meeting  
(105)COMBINED COMMITTEE ON MUTUAL LEND-LEASE AID  
BETWEEN THE U.S. AND U.K.

MINUTES of a meeting held in Mr. Morgenthau's Room at the  
U.S. Treasury on the 10th November, 1944  
at 11:30 a.m.

P R E S E N T :

Mr. Morgenthau (In the Chair)

U.S. Representatives

Mr. White  
Mr. Casaday  
Mr. Acheson  
Mr. Taft  
Mr. Fetter  
Mr. Collado  
  
Mr. Cox  
Mr. Griffin  
Mr. Angell  
Mr. Davidson  
Gen. Styer  
Gen. Jamison  
Col. Stewart  
Mr. Gates  
Adm. McCormick

U.K. Representatives

Rt. Hon. Ben Smith  
Lord Keynes  
Hon. R.H. Brand  
Sir Robert Sinclair  
Sir Henry Self  
Admiral Waller (part time)  
Mr. Opie  
Mr. Hutton

Australian Representative

Mr. Bridgen

Mr. Lee)  
Mr. Coe) Joint Secretaries

1. U.K. NAVAL REQUIREMENTS

ADMIRAL McCORMICK, SIR ROBERT SINCLAIR and ADMIRAL WALLER reported that agreement had been reached between the Navy Department and the U.K. representatives concerning the programme of U.K. naval requirements in Stage II, and that a memorandum incorporating that agreement had been signed earlier in the morning.

SIR ROBERT SINCLAIR, in expressing appreciation of the manner in which the Navy Department had dealt with the U.K. programme, said that he need draw attention only to three main points, as follows:

- (a) The combined report referred to one or two items, of considerable operational significance, where production in both the U.S. and the U.K. was at present on an insufficient scale to meet the requirements of the two countries. He felt confident that every effort would be made by both the U.S. and the U.K. Government to ensure the requisite expansion of production facilities as soon as possible.
- (b) Financial provision for one item (the provision for amphibious vehicles) appeared both in the schedules attached to the report on Ground Army requirements and in those attached to the report on Naval requirements. These vehicles were procured by the Navy Department, and consequently a sum had been included in the schedules to the report on Naval requirements to cover their full cost, but they were bid for by the War Department on behalf of the U.K. provision and consequently, already appeared in the report on ground army requirements to cover the cost to the War Department.

GENERAL STYER confirmed that the War Department were aware of this double counting and would take steps to see that the matter was cleared up.

- (c) No decision had been reached on the question of whether dollar provision should be included in the main schedules to the report in order to cover the cost of ships to the value of \$74 millions which might be allocated to the U.K. during 1945 if the U.K. were successful in obtaining these on CMAB assignment.

There was considerable discussion on this question. It was pointed out, on the one hand, that it seemed desirable to indicate in terms of dollars what the full scope of Lend-Lease might be in the first year of Stage II. On the other hand, reference was made to the special provisions of the Lend-Lease act applicable to ships and to the fact that in so far as the ships in question were already building or in commission no new appropriations would be required. It was finally decided to adopt a suggestion made by ADMIRAL McCORMICK that an appropriate footnote should be made on the itemised summary indicating the additional dollar provision which might be required, but that no dollar figure should be included in the main schedules.

## 2. U.K. AIR AND FLEET AIR ARM REQUIREMENTS

MR. GATES and SIR ROBERT SINCLAIR reported that agreement had been reached on the contingency provision of a sum of \$75 millions to cover the cost of providing additional naval aircraft of special types to the U.K. should circumstances make such provision possible. A supplementary memorandum of agreement on this point was being signed by all the signatories to the main agreement. SIR ROBERT SINCLAIR said that he wished to place on record the appreciation of the U.K. group at the way in which their request on this point had been met.

## 3. PROPOSED PROVISION OF BOMBS IN U.K. FOR U.S.A.A.F.

MR. MORGENTHAU said that the War Department wished to discuss with the U.K. representatives the desirability of maintaining the production in the U.K. of certain types of bomb (especially the 500 lb. bomb) for the U.S.A.A.F., since there would be a deficit unless U.K. production could be maintained. SIR ROBERT SINCLAIR said that the U.K. group would be very ready to discuss this question: he felt it right, however, to point out that in this connection it would be necessary to take into account the effect which the War Department proposal might have on the problem of the utilisation in 1945 of available manpower in the U.K.

## 4. EFFECT OF AGREEMENTS ON U.K. MANPOWER POSITION IN 1945

MR. MORGENTHAU said he would be grateful if the U.K. representatives could make available a note indicating the effect on the U.K. manpower position of the agreements reached with the U.S. group as to the scope of Lend-Lease in 1945. LORD KEYNES and SIR ROBERT SINCLAIR agreed to make such a statement available; the latter said that, broadly speaking, the scope of agreements reached meant that the programme of the release of manpower for civilian and export work in 1945, as indicated in Annex B to the U.K. case, could be pursued, although in one or two cases (notably in the field of Fleet Air Arm requirements, where it would be essential to continue the production of Barracudas in the U.K.) alterations in the programmes as agreed would involve continued calls on U.K. manpower for war production beyond what had been allowed for in the calculations given in Annex C to the U.K. case.

5. RECIPROCAL AID

MR. MORGENTHAU said that the U.S. group would not be in a position to deal with this subject until the 14th November. LORD KEYNES said that, in his view, there would be advantages in having the subject examined at the sub-committee level. He felt that in this way it would be possible to ascertain exactly what was the basis of the War Department's anxieties in this field which had led to the insertion in the combined agreements on the Ground Army and the Air and Fleet Air Arm requirements of clauses concerning reciprocal aid from the Dominions and India which were unacceptable to the U.K. group. Thus it should be possible to establish whether the difficulties apprehended were financial or (as he suspected) were rather concerned with questions of allocation (especially of meat supplies).

It was agreed that the procedure suggested by Lord Keynes should be followed and a sub-committee meeting was arranged for the afternoon of the 11th November.

6. LOCOMOTIVES ETC. FOR INDIA

It was agreed that this question should also be considered at the sub-committee meeting referred to above, in the hope that it would be possible to reach agreement at any rate on the basic factors affecting the requirements and the question of whether they could be made available on Lend-Lease terms.

Washington, D.C.  
22nd November, 1944.

Meeting held at the U.S. Treasury,  
on 10th November, 1944 at 11:30 a.m.

CCLL(44) 6th Meeting

C O R R I G E N D U M

Page 1. Item 1(b) LINE 9.

Should read

"behalf of the U.K. and consequently provision  
already"

Washington, D.C.

TOP SECRET

COPY NO. 20

LEND LEASE IN STAGE II

ADDITIONAL ITEMS FOR INDIA

The attached table lists the items in the Indian programme of requirements from the United States in the first year of Stage II which, it is submitted, might be brought under Lend Lease, if the range of goods that India is eligible to receive in this way could be widened. All the requirements mentioned below are additional to those tabulated in the amplified version of Chapter 4. The values specified are based on the best information available to the India Supply Mission in Washington at the present moment, but may have to be modified later.

(Signed) A.W. Snelling

Washington, D. C.  
10th November, 1944

<u>Description of Goods</u>	<u>Value</u>	<u>Remarks</u>
<u>Equipment for use in producing coal by the open cast mining method.</u>		The main equipment for this project (mostly used) has been purchased for cash. Items (a), (b) & (c) are being obtained from the United States War Department. Item (d) represents the estimated value of spares (over and above those already purchased) to maintain the equipment in full working order.
a) 20 reconditioned dump trucks.	\$225,000.00	
b) 5 earth moving shovels	\$165,000.00	
c) Spares for above.	\$ 42,000.00	
d) Spares for other similar equipment.	\$300,000.00	
<u>Coal Cutting Equipment for deep mining.</u>	\$300,000.00	Represents the value of orders just received from the Government of India for use in Collieries operated by the Indian State Railways. The necessary production has been scheduled by the War Production Board, and orders are about to be placed.
<u>Additional Agricultural Equipment.</u>		Required in connection with the Government of India's "Grow more Food" plans.
a) Tractors including spares.	\$3,750,000.00	
b) Implements including spares.	\$835,000.00	
c) Dairy equipment including spares.	\$225,000.00	
<u>Additional Canteen Stores.</u>		The demand for Canteen Stores for Allied troops based in India is large and very varied. It includes (in addition to certain food items already accepted for supply under Lend Lease-the value of these-\$3,000,000.00-was included in the previous statement of requirements) the broad range of goods listed in Column 1. At present the bulk of the Indian Canteen Stores (other than the Lend Lease items referred to above) are purchased for cash through the American Army Exchange Service. In respect of many items the Canteens Directorate specify branded goods to meet the tastes of the military forces concerned.
a) Food stuffs	\$3,000,000.00	
b) Drugs and medicines,	\$150,000.00	
c) Stationery.	\$1,500,000.00	
d) Toilet goods.	\$5,000,000.00	
e) Hardware.	\$300,000.00	
f) Miscellaneous.	\$1,000,000.00	

<u>Description of Goods.</u>	<u>Value</u>	<u>Remarks</u>
<u>Plywood for Teachests.</u>	\$2,500,000.00	<p>Apart from a relatively small quantity obtained from indigenous sources, India must look to the United States to meet the very large demand for this material. Plywood for Teachest must conform to certain very rigid specifications. For example, it must be free from odour; it must be termite proof; and it must stand up to rigorous climatic conditions. Hitherto, the requirements have been purchased for cash from two American companies who have specialised in producing material of the type required. It should be mentioned that all Indian tea is purchased in the first instance by the United Kingdom Government, and that the Government of India are meeting American direct war requirements on Reciprocal Aid terms.</p>
<u>Textiles</u>	\$10,000,000.00	<p>The question of meeting the Government of India's request for relief in the textiles field, by the importation of certain higher grade clothes is now under discussion at the Combined Planning level. \$10,000,000.00 is an estimate of the value of 40,000,000 yards.</p>
<u>Military Medical Supplies</u>	\$500,000.00	<p>Ordinarily the Indian military demand for medical supplies is met by the United States War Department. That Department finds itself unable to accept certain so-called "non-standard" items. Consequently, on such decisions by the U.S. War Department, recourse must be had to Cash Purchase. It is suggested that in such cases responsibility for procurement might be accepted by F.E.A.</p>

<u>Description of Goods</u>	<u>Value</u>	<u>Remarks</u>
<u>Locomotive Boilers</u>	\$2,500,000.00	For the Indian State Railway.
<u>Locomotive and Wagon Spares and Components.</u>	\$2,000,000.00	For the Indian State Railways.
<u>Construction Equipment.</u>	\$1,000,000.00	Required for dam construction. Much of this equipment will be "used", and will be obtained from such agencies as T.V.A.
<u>Cranes and Hoists, etc.</u>	\$1,000,000.00	For Ports, Harbours, Ship Repair Yards and Ordnance Factories.
<u>Motor Boats and similar Craft.</u>	\$400,000.00	For Ship Repair Yards, Ports, Harbours.
<u>Precision Instruments.</u>	\$400,000.00	For Government and general use.
<u>Portable Diesel Generators and Engines.</u>	\$500,000.00	For fishing craft and general use.
<u>Air Conditioners and spares.</u>	\$1,000,000.00	For ambulances, hospital and Government buildings.
<u>Business Machines.</u>	\$250,000.00	For use by the Military and Government Departments
<u>Chains, Shackles, etc.</u>	\$60,000.00	For Ports, Harbours, etc.
<u>Pneumatic Tools.</u>	\$100,000.00	General purposes.
<u>Machine Tools and attachments.</u>		In the main, the requirements of the Indian Ordnance Factories have been satisfied, either under Lend-Lease or by Direct Cash Purchase. This estimate represents residual and replacement demands.
a) For Ordnance Factories.	\$200,000.00	
b) Railway Workshops.	\$300,000.00	
<u>Miscellaneous Engineering Equipment.</u>	\$1,500,000.00	Electric pumps, oil storage tanks, oil pipeline material, etc., for Ports; ovens and furnaces for Ordnance Factories; air compressors for Railway Repair Shops; pipe fittings for Ordnance Factories, Ship Repairs and Railroads, etc.

<u>Description of Goods</u>	<u>Value</u>	<u>Remarks.</u>
<u>Consumer Goods.</u>		
a) Cutlery.	\$300,000.00	
b) Sewing machines.	\$100,000.00	
c) Enamel Ware.	\$100,000.00	
d) Refrigerators, Fans, etc.	\$1,500,000.00	
e) Movie Films.	\$200,000.00	
<u>Special Foods.</u>	\$500,000.00	e.g., Skim Milk.
TOTAL	\$41,702,000.00	

Treasury Department  
Division of Monetary Research

75

Date... November 10, 1944

To: Secretary Morgenthau

Appended is the famous Article VII of the Mutual Aid Agreement frequently referred to by the British in discussions of lend-lease arrangements.

The agreement was signed in Washington February 23, 1942 by Sumner Welles and Lord Halifax.

H. D. W.

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

Agreement Between the Governments of the United States of America and of the United Kingdom on the Principles Applying to Mutual Aid in the Prosecution of the War Against Aggression, Authorized and Provided for by the Act of March 11, 1941.

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Article VII

In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 12, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments.

77  
November 10, 1944  
12:25 p.m.

HMJr: Henry talking.

General  
Watson: Yes, sir.

HMJr: Have you had any better cocktails than I gave  
you on election night?

W: (Laughs) They're pretty damn good.

HMJr: Yeah.

W: They are pretty damn good.

HMJr: Right. Well, our optimism was rewarded.

W: Damned if it wasn't. It couldn't have been  
nicer, could it?

HMJr: They got the little fellow with the mustache  
down to ninety-nine now.

W: The little mustachio son-of-a-bitch.

HMJr: That's right. And how!

W: Yes, sir.

HMJr: Well, listen.

W: Yeah.

HMJr: I've not asked for an appointment, I think, in  
about six weeks.

W: Yeah.

HMJr: So I would like one. I see he's making  
appointments according to the ticker.

W: Yeah.

HMJr: When do you think you could give me half an hour?

W: Well, I'll say Monday around -- he's -- he's --  
I'll tell you what -- he's going out to the  
Armistice Day tomorrow.

HMJr: That's right.

W: And then he's got Lord Halifax.

HMJr: Yeah.

W: And I think that will be about all he can take care of.

HMJr: I see.

W: I might -- and then -- I can ask him for tomorrow.

HMJr: He might want it, maybe, in the afternoon.

W: All right. Let me ask him.

HMJr: What?

W: Let me ask him tomorrow.

HMJr: If not, try to work me in the first one Monday.

W: All right.

HMJr: Would you do that for me?

W: I will.

HMJr: I thank you.

W: All right.

HMJr: Thank you.

November 10, 1944  
12:28 p.m.

79

Governor  
Kerr: Hello, Mr. Secretary.

HMJr: Hello, Governor.

K: How are you, sir?

HMJr: Never better.

K: Fine. I called for you the other night and I couldn't get you and I talked to your assistant.

HMJr: Yes.

K: What's his name -- FitzGerald?

HMJr: That's right.

K: About an authorization for a new battleship Oklahoma.

HMJr: Yes.

K: Did he talk with you about it?

HMJr: They mentioned it to me, yes.

K: You know the -- our battleship is out and our quota down here for this War Loan Drive is \$90 Million.

HMJr: Yeah.

K: But if they'll let us pay for a new Battleship Oklahoma, we'll sell \$125 Million.

HMJr: I see. Well, now ....

K: He told me that he'd look into it and let me know.

HMJr: Yeah. Well, it sounds mighty good. I'll have to talk it over with Ted Gamble. See? And find out just what he has in mind for me to do during this War Loan.

K: Yes.

HMJr: Did you have any definite time in mind?

K: You mean when I should know about it?

HMJr: Yeah.

K: Well, we ought to know as soon as possible. We're getting ready to start it, you know.

HMJr: Well, he's not in town today but he will be here tomorrow, I believe, and I'll talk it over with him, and we'll let you know not later than Monday.

K: Fine. Now, would the Secretary of the Navy be able to help us on this?

HMJr: I don't know, but I'll talk the whole thing over with Gamble.

K: And you'll let me hear from you Monday morning?

HMJr: Not later than Monday.

K: All right, sir. Thank you, Mr. Secretary.

HMJr: I thank you.

K: All right.

HMJr: Bye.

Operator: Yes, sir.

HMJr: Is my wire clear?

Operator: Yes, sir.

HMJr: Let me dictate into this.

The conversation with Governor Kerr, I want a copy sent over to Mr. Gamble and Gamble should discuss it with me on Saturday and see that we keep our word and get an answer to Governor Kerr not later than Monday.

82 -  
November 10, 1944  
4:24 p.m.

Oscar  
Cox: Are you going to have about ten minutes in the next day or two on this press stuff on these Stage Two things?

HMJr: Oh, yes.

C: I think you may want to consider the advisability of press conference stuff as against a series of probably three or four releases.

HMJr: Yes.

C: And if you have some time, I'd like to come over and tell you what my rough ideas are on the thing.

HMJr: Well, can it wait until Monday?

C: I think so. On the other hand, it might be wise to put one of them out shortly and follow up slowly with the others.

HMJr: How long would it take, Oscar, to do it?

C: It wouldn't take more than five minutes.

HMJr: Well, if you'd come in at ten forty-five tomorrow -- is that all right?

C: Yes, sir.

HMJr: What?

C: Yeah.

HMJr: At ten forty-five.

C: Right.

HMJr: And -- I'll tell you, I'd like for you to bring Frank Coe with you.

C: Be delighted.

HMJr: And I'll have White and Gaston.

C: All right.

HMJr: Thank you.

# TREASURY DEPARTMENT

83

## INTER OFFICE COMMUNICATION

DATE Nov. 10, 1944

TO Secretary Morgenthau  
FROM Mr. White  
Subject: Status of International Matters before  
the Treasury

1. Current negotiations with the British on Phase 2.

See attached memorandum.

2. Bretton Woods proposals.

See attached memorandum. # 2

3. The German "book".

We will have a first draft ready for your perusal Monday. It will be, of course, only the first of many drafts and needs a thorough going over and rewrite before it will be in good enough form to turn over to some outside writer. However, the sooner an outside writer is selected, the better.

4. Military directive for Germany.

Your comments on British draft are probably now being discussed in London but we have heard no word about its status since your last talk with Mr. McCloy. If there were some way of getting Colonel Bernstein back for a conference with us, it would surely be helpful.

5. Foreign Financial Policy Committee.

You remember that on October 5 you wrote the President that:

- 2 -

"Mr. Hull's memorandum of September 26, which I am returning, seems to reflect a complete misunderstanding of what I propose, namely, the creation of a Foreign Financial Policy Committee.

"I would like to suggest postponement of this important matter until after your re-election."

According to a State Department memorandum of October 6 (a copy of which is appended) the President agreed that the matter should be referred to the Executive Committee on Economic Foreign Policy for consideration and recommendations. That Committee is now pushing for a consideration of their recommendation. Their recommendation is described on pages 2, 3 and 4 of the appended memorandum.

#### 6. Italy.

An Italian economic mission has arrived in Washington and want to contact the Treasury soon. They seek financial assistance. A letter from the Prime Minister of Italy to you has just been received and given to Mrs. Klotz. Reconstruction of Italy presents a very tough problem but one that may yield valuable and important economic consequences if handled properly, but, as you indicated some weeks ago, it probably should be first taken up with the President. We would like to discuss this with you.

#### 7. France.

The French situation is muddled, interesting and rather crucial. The Treasury interest can be either expanded or not, as you decide. The subject is worth a fifteen-minute conference at your convenience.

#### 8. China.

The situation in China is deteriorating both economically and politically. It is a question whether we ought to do anything now to in any way strengthen the Generalissimo's position.

- 3 -

I think you would be interested in seeing Jack Service who has just returned from China and Yunan and who was the political adviser to General Stilwell. He is an able man and knows China and the current Chinese situation thoroughly.

With respect to the negotiations on adjustment of Army expenditures in China, the next move is Kung's.

9. Russia

Is the time propitious for reopening the question of some large financial arrangement for Russia?

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**TREASURY DEPARTMENT**

**INTER OFFICE COMMUNICATION**

**DATE** November 10, 1944

**TO** Secretary Morgenthau

**FROM** Mr. White

**Subject:** The Fund and the Bank Program

In the past three months we have been doing a good deal to explain the Bretton Woods program to the public and to gather support for the Fund and the Bank. The time has now come to push our program more forcefully in preparation for Congressional action. In this connection it would be helpful to call the American delegation together to discuss plans with them. We hope it will be possible for you to see some leaders from labor, industry and the peace foundations. We also hope you will make some speeches on the Bretton Woods program.

The following is a brief summary of what we have done:

1. We have held a number of meetings at the Treasury with representatives of labor and business. Mr. Easton, Mr. Lufford, Mr. Bernstein, and I have made about 15 speeches before various groups in New York, New England, and the Middle West. At present Ness and Mikesell are on the Pacific Coast addressing meetings in Washington and Oregon which we were urgently requested to attend. In addition, we have some 20 or 30 meetings scheduled all over the country during November, December and January. As you know, there is an invitation from the Economic Club of Detroit for you to address the industrial leaders of that area on the Bretton Woods program. I hope it will be possible for you to make that and other speeches in the next three months.

2. We have prepared a good deal of material which we are timing for publication about the time Congress is ready to act. In addition to your paper in Foreign Affairs, we have prepared technical papers on the Fund and the Bank for publication in Foreign Affairs, the American Economic Review, and other technical journals. We also have in preparation non-technical discussions of the Fund and the Bank on a popular level which we hope to issue late this month.

3. A number of groups are now considering the Fund and the Bank. The New York State Bankers Committee and a joint committee of the American Bankers Association and the Reserve City Bankers Association have been studying the question.

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We have discussed our program with both groups, but it is likely that their reports will not endorse the proposals. The National Foreign Trade Council has also appointed a committee to consider the Bretton Woods program. A group of 100 leading economists are preparing a statement urging Congress to approve the Fund and the Bank.

4. We are proceeding with our program of cooperation with the Foreign Policy Association, the Council on Foreign Relations, the American Association of University Women and other groups interested in national cooperation. Some of these organizations have published pamphlets of their own giving support to the Bretton Woods program. We expect to consult them again to consolidate the support of their groups in favor of the Fund and the Bank.

5. You may shortly wish to discuss the problem of timing of presentation of an appropriate bill to Congress, and which Senators and Congressmen should sponsor it. The legal division has prepared a draft of the bill. Some of the points in it need discussion with you.

INTER-AGENCY COORDINATION OF FOREIGN FINANCIAL  
ACTIVITIES

The President's Desire for Coordination

The President, in his memorandum of August 21, 1944, to the Secretary of State, pointed to the need of coordinating the foreign financial activities of the government and of integrating policy in this field with domestic fiscal policy and raised for consideration in this connection the question of the establishment of an interdepartmental board to deal with foreign financial policy.

The Secretary of State, in his reply of September 26, referred to Executive Committee on Economic Foreign Policy and to the fact that it has been assigned the functions of formulating unified and consistent government policies for governing our international economic activities. He pointed out that the establishment of a separate interdepartmental group to deal with financial matters would have the effect of splitting off financial policy from the remainder of the foreign economic field of which it is an integral part, with serious results to our whole program. He recognized the possible need for inter-agency coordination of our foreign financial activities, to be viewed, however, from the broad standpoint of general economic policy. The President agreed that this matter should be referred to the Executive Committee for consideration and recommendations.

Copies of the memoranda exchanged between the President and the Secretary are attached.

Considerations Involved in Inter-Agency Coordination of  
Financial Matters

Although international financial activities have in general an important bearing on policies in other economic fields such as trade, reconstruction and development, labor, and cartels, there are nevertheless many international financial problems of a specialized nature. Many of these may not be within the scope of the responsibilities or interests of all the agencies represented on the Executive Committee, and would, moreover, require a disproportionate amount of the Committee's time. There would appear to be need therefore for some specialized interdepartmental group operating in conjunction with, or as a part of, the Executive Committee, to coordinate the activities of

government

government agencies having responsibilities in the foreign financial field. Some considerations to be taken into account in creating such a body are as follows:

- (a) The interdepartmental financial group should include in its membership officers who can speak for their agencies and should be of such rank that its recommendations would carry weight with the government authorities concerned.
- (b) Although it should be free to submit purely financial recommendations directly to the responsible agencies concerned, or in appropriate cases, to the President, recommendations which have an important bearing on economic policies other than financial should be submitted first to the Executive Committee.
- (c) Ultimate determination of what activities of the financial group may have an important bearing on foreign economic policy should rest with the Executive Committee since it is the body responsible for formulation of such policy and means therefore should be provided for keeping the Executive Committee fully informed of the activities of the financial body.
- (d) Likewise, the financial group should have full opportunity to express its views regarding financial aspects of economic foreign policy considered by the Executive Committee.

Establishment of a Financial Section of the Executive Committee

With these considerations in view, it is proposed that there be established a Financial Section of the Executive Committee in accordance with the following provisions:

Membership The membership of the Financial Section should consist of representatives of the Treasury Department, the Department of State, the Reconstruction Finance Corporation, the Foreign Economic Administration, and the Export-Import Bank. There should also be an observer from the Bureau of the Budget. Representatives of the Board of Governors of the Federal Reserve System, the Office of Economic Stabilization, the Surplus Property Board, the Securities and Exchange Commission,

and

-3-

and other agencies may be invited to participate when subjects of particular interest to them are under consideration. The Chairman of the Section should be the representative of the Treasury Department.

Secretariat The Executive Secretary of the Executive Committee should be the Secretary of the Section and the Executive Committee Secretariat should perform for the Financial Section and such sub-sections as it may have the same functions which it performs for the Executive Committee and its subcommittees, namely, keeping a record of proceedings, distribution of documents, surveying the activities of sub-groups with a view to assuring coordination and consistency and performing other work of administration. Of course, the documents to be considered would, as in the case of the Executive Committee, be prepared by technical experts in the interested agencies.

Terms of Reference Within the framework of broad economic policy formulated by the Executive Committee and approved by the President, the Financial Section should make recommendations to the responsible agencies concerned and, in appropriate cases, to the President and, as occasion warrants, to the Executive Committee, regarding:

- (a) Policies for guiding the foreign financial operations of United States Government agencies.
- (b) General directives for the guidance of American representatives on international financial agencies such as the International Monetary Fund and the International Bank for Reconstruction and Development or any interim financial groups or consortia in which this Government may participate pending establishment of the Fund and Bank.
- (c) Coordination of the foreign financial activities of government agencies relating to monetary stabilization, foreign funds control, lend-lease, financial problems in military and liberated areas, procurement contract settlements, and extension of credits, including those arising in connection with the disposal of surplus war property.
- (d) Coordination

- (d) Coordination of United States foreign financial activities with those of international financial organizations in which the government participates and also with domestic fiscal policy.
- (e) Policies in respect of private investment abroad.
- (f) Financial aspects of foreign economic policy referred to it by the Executive Committee.

The Financial Section should not attempt to pass on individual financial transactions of national or international agencies except in so far as it may be necessary to do so to carry out the functions indicated above. Such transactions would continue to be carried out by the responsible agencies.

Relations between the Financial Section and the Full Committee

Subjects under consideration by the Financial Section which are deemed to be of interest to the Executive Committee or subjects under consideration by the Executive Committee which have important financial aspects should be referred to the other body (a) at the request of that body, (b) on the motion of the body in which they originate, or (c) by the Executive Secretary with the concurrence of the chairmen of both bodies.

The bi-weekly report of Executive Committee Secretariat on the activities of the Executive Committee, its subcommittees and other interdepartmental committees should include also a review of the activities of the Financial Section and its sub-sections. This report should be made available to all regular members of the Executive Committee and of its Financial Section so that they may be kept currently informed of the activities of the other body which may be of interest to them.

When the Executive Committee considers matters referred to it from the Financial Section, the members of that Section, and also representatives of interested agencies not members of the Executive Committee or its Financial Section, should be invited to be present.

October 6, 1944

*not read file.*

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MEMORANDUM FOR THE SECRETARY.

*AM*  
November 10, 1944.

Mail Report

From the mail received this past week, no one could gather that an exciting election campaign was going on. The correspondence concerned routine bond or check matters. Mention of politics was almost entirely absent from the mail.

Much of the comment on the Sixth Drive came from bankers who had been requested by form letter to guard against speculative practices in connection with bond purchases. Replies were usually favorable, but now and then a writer complained of past experiences in investing in Treasury bonds or protested against the over-the-counter plan for cashing bonds. Otherwise, this plan met little opposition, although the decrease in bonds submitted here for redemption doubtless is due to increased local facilities for immediate cashing. Only 15 bonds were received in the Secretary's office to be redeemed. This week saw the start of the usual pre-Christmas drive for smaller bonds, such as the G. I. issue, to be used as gifts. This suggestion came quite frequently from those in the Service.

The group of complaints about delays in receiving bonds purchased by Army personnel through the pay roll deduction plan, which was noted as attaining quite a volume last week, has not developed to any extent during the current week. There has been, in fact, a slight decrease in the number of these complaints, so no permanent difficulty may be experienced in this line.

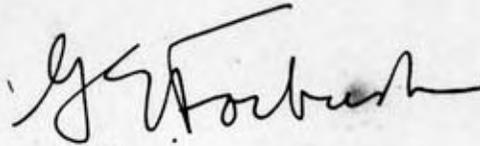
Requests for tax revisions come in steadily and continue very urgent. There were 6 small contributions

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Memorandum for the Secretary.

November 10, 1944.

ranging from \$5.00 to \$100.00, although only a half-dozen comments on the so-called Morgenthau plan for post-war Germany were received. They approved it unanimously.

A handwritten signature in cursive script, appearing to read "J. G. Forbush". The signature is written in dark ink and is positioned in the center-right of the page.

Favorable Comments on PostwarPlan for Germany

Hugo Schwarz, Kent Manor, Kew Gardens, Long Island, New York. (Letter written in German). \* \* \* Newspapers, politicians, demagogues, etc., now like to attack Your Excellency because of the alleged proposal to transform Germany into an agrarian state. In this connection the most ridiculous thing is the assertion that by doing so Your Excellency has played into Goebbels' hands, providing him with a weapon for stiffening immeasurably the resistance against the Allies. In order to check these unfounded reproaches, I take the liberty to offer Your Excellency the following comments: \* \* \* In August 1940 the Nazis issued a newspaper in Paris in the German language called "Pariser Tages-Zeitung". This newspaper published prominently, at the time, a semi-official article of the Nazis, the substance of which was that agricultural experts from the Reich inspected the occupied and unoccupied areas of France and came to the conclusion that France must close down its industries as the soil of France predestined that country for conversion into an agrarian state in order to supply the whole of Europe with food. For this reason French industry was to send its factory equipment, machines, etc., to Germany, which would be credited to the account of France's war debt to Germany. On the other hand, Germany obligated itself voluntarily, in order to attain this end, to supply France with seeds and to exchange seeds with France, as this was necessary for good crops. \* \* \* The Nazis seriously proceeded to take such action. For instance, in Issy les Moulineaux, where the Renault plant is situated, the largest machines were taken apart and sent to Germany. The same took place in the Citroen factories, in the Ford automobile factories in France, etc. Actually, large quantities of clover seeds arrived from Germany. The French clover seeds enjoy a world reputation. The Nazis ordered that all French clover seeds be exchanged and severe penalties were provided for those who failed to do so. And what was the result? Most of the German seeds delivered to France failed to sprout as they were old,

rotten and unclean. In consequence, the French farmers had to sell much cattle to the Nazis in the following year as they lacked fodder. \* \* \* I believe, Your Excellency, that with the foregoing information the critics mentioned above can be silenced speedily and forever. \* \* \*

Selma Taeni, New York, New York. I am taking the liberty of writing you to wish you every success in the future of the 6th War Loan. Certainly, of all our leaders in this War emergency, you, Mr. Morgenthau, are one of the most necessary, but unfortunately, one of the least appreciated by the people whom you have, and I hope will continue to serve, for many a new levy of taxes, or preferably, many a reduction. As a lasting memento of World War II, and especially as the founder of the Peace Plan which you have formulated, and with which I am thoroughly in accord, I would be eternally proud and grateful if you could honor me with your signature. \* \* \*

George B. Cavanagh, Baltimore, Maryland. Am writing you this short note concerning the Republican nominee's reference, so unjust and unethical, to you on Saturday night. The re-action of everyone whom I come into contact with, which represents a pretty good cross-section, is that it is difficult to believe that one, a candidate for this high office in wartime, can reach this level when the subject concerns the only logical plan to safeguard against future war. Everyone hopes you will never weaken in this humanitarian foresight.

J. Czechowicz, London, England. I have read that your excellent plan of stopping the future wars in Europe by reducing the German nation to small farming proprietors has been turned down because of impossibility. As an economist of Polish nationality,

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whose home has been destroyed by the Germans I take leave to say to you that I share entirely your opinion, but I would draw your attention to some points (which very briefly exposed) would disperse some objections aroused. \* \* \*

Florence Wade, Philadelphia, Pennsylvania. I am writing to you in regard to material on the topic "Germany Should be Reduced to an Agricultural Nation After the War." I would like the material for use in a debate in our English class. Our team has the affirmative of the above topic. We've been told that you are the most ardent champion of this opinion. We realize that you are a very busy man, but we would appreciate it very much if you would take time to send us the material desired. Thank you very much.

General Comments

Arthur C. Wheatley, Mountain Lakes, New Jersey. My attention has been called to the fact that the Treasury Department is now selling homing pigeons which are surplus birds that the Army and Navy have. I personally want to lodge a protest against this because I feel that when the homing pigeon fanciers gave to the Army and Navy the pigeons they did, these birds should not be sold. In some instances they gave birds that were so valuable to the individual owners that they would not have sold them to anyone. I feel that these should be retained by the Army or Navy until the members of the Armed Forces, who are interested in homing pigeons, get back to their civilian status and then these birds should be given to them to start their new flocks with. I do not know whether you know it or not, but there is a movement under way now to get each pigeon fancier to donate either one or two pair of his best birds to some young soldier, who is interested in homing pigeons, when he returns to civil life.

Ginette Robert, Cleveland, Ohio. I am very sorry for not having sent any contribution for some time, but I have been in very bad health and not able to work. Please accept this small check (\$10.00) for "My Uncle Sam", and thank you again and again for all what has been done to help my former country, France.

Unfavorable Comments on Bonds

Walter Wilson, Chairman, War Savings Bond Committee, Union Pacific Railroad Company, Omaha, Nebraska. There are attached copies of correspondence in connection with the loss of a War Savings Bond purchased through our payroll savings plan by one of our employees. It will be noted from information contained in this file that we purchased this bond over two years ago, and that the last communication from your Department was dated June 19, 1944. Some months after the bond failed to reach the purchaser, I personally made a trip to the Post Office, and was met with the usual lack of interest. However, I did obtain some forms and got the claim started. At that time, I assured Miss Miller that she would, in a reasonable length of time, have the bond re-issued and that she would not lose her investment. Now after all these months, if your Department has not developed enough information on which an \$18.75 Bond can be re-issued, if you will issue duplicate bond, sending it to me COD, I'll make the delivery after paying for the bond out of my personal funds, thus making good my promise to one of our good bond buyers. Things of this kind are most discouraging when we are doing all we can to sell our employees bonds, even spending our own money to get the job done as we think it should be done, to say nothing of the railroad's expense involved in the handling of the allotment plan, and other expenses incident thereto.

First National Bank of Export, Export, Pennsylvania. We have your letter relative to Sixth War Loan Drive, and am sorry since this new plan to cash outstanding bonds over the counter we are so busy cashing bonds that we will have little time to devote to trying to sell the new issue. Will you be kind enough to explain what prompted this change?

Miss Mildred McLean, Boston, Massachusetts.  
Because I am a bank clerk (Workingmen's Co-operative Bank) with a reasonable knowledge of business and would be classed, I think, as fairly intelligent, I am writing you this letter. In 1938 I inherited from my grand-aunt an HOLC Bond in the amount of \$10,000.00. Against the advice of my friends, who told me to redeem it and invest the money at a better interest rate, I kept the bond thinking that the funds would be safe, and that a reasonable rate of interest would be assured. However, on November 1, when I received my coupon at the First National Bank of Boston, I was told that the bond had been called six months ago. Upon inquiry as to how a person would know of this, I was told that one must always consult the financial page of the newspapers for this information. I was also told not to think that I was the only one who suffered such a loss -- that there would be many who would be "caught" in the same way. This was no consolation to me, and because I felt so badly myself at having lost \$150.00, I am writing this letter humbly requesting that something be done to protect people who are inexperienced in such matters against such losses. \*\*\*  
In this bank, in which I am employed, we are obliged to send written notices to all shareholders whose accounts are "forfeited", and thus cease to draw interest, and although I realize that there may be many more owners of "called" bonds than there are forfeited shareholders, I do not feel that a small insertion on the financial page of a newspaper is a proper notice in a matter of this kind. \*\*\*  
I feel that at least as much publicity should be given to the fact that bonds are being "called" as to the fact that they are for sale. A radio announcement could easily be made to cover situations like this. Although I am told that nothing could or would be done about a matter of this kind, I still have faith that perhaps a small voice calling (not in a wilderness, but to intelligent men operating the business of the greatest nation on the earth) may be heard and that losses of this nature may be prevented in the future.

R. L. Hulbert, Cashier, The State Bank of Shortsville, Shortsville, New York. Your circular letter of November 1, regarding the Sixth War Loan received. Your last paragraph in this type of letter always expresses your deep appreciation of the great help that we and other bankers have given the Treasury in the sale of securities. However, I wish to protest vigorously on the treatment you give commercial bankers in respect to the short term notes. In this particular drive, the  $1\frac{1}{2}$  of '47 and the  $7/8$  certificates. You do not permit us to subscribe to either of these, but say we can purchase them in the open market after December 16, 1944. Each time that we have attempted to purchase some of the short term loans, after the close of the previous drive, we have been confronted with the necessity of paying brokers a profit, which seems to us entirely unjustified, inasmuch as we serve you without any pay, the year around, in issuing Government Bonds. I cannot see why it is any more inflationary for us to be allowed to apply for these bonds at par or whether we go into the open market and purchase as soon as the drive is over, but with the necessity of paying someone a profit.

Unfavorable Comments on Taxation

Elroy Pollard, Lebanon, New Hampshire. I am appealing to you to rush my refund on my Tax return, to me. Winter is nearly here and I need this money to dress my children and put fuel in my house. I am sure that a mear triffle of \$94.00 doe'snt mean much to you, but it sure means a lot to me. I am down right poor and the Father of thirteen children with my sick father and wife makes sixteen to support, if you would kindly help me in this case I will be ever grateful to you. PLEASE

Fred B. Anderson, Sheet Metal Workers' International Association, Oakland, California. I wish to bring to the attention of the Treasury Dept. the loss of manpower caused by the method of computing amount of withholding tax from wage and salary earners. In my capacity as a shop steward it is my duty to see that the overtime work is distributed equally. \* \* \* I have found it very difficult to get men to work overtime, or an extra shift toward the end of each pay period because of the \$4.00 jump in the withholding tax on each \$20.00. For instance, if on the last day of the pay period he has earned \$159.00, more or less, he would rather go home than to stay 2 hours' overtime because he claims he would work for nothing if he has to pay \$4.00 more tax at \$160.00, or more. Also, if on the next to the last day of the pay period he finds his earnings just under the next bracket, he will lay off on the last day. It does no good to explain that any overpayment will be returned, or that they will have to pay any shortage on their tax after March 15, 1945, as most working men live on a payday to payday basis. Therefore, I believe the Govt., industry, and labor would benefit if the withholding brackets were closer together, and kept nearer the actual amount owed.

TO:

Mrs. Klotz

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11/10/44

Possibly the  
Secretary might  
be interested in  
this.

(WGS)

FROM: MR. GASTON



INTELLIGENCE UNIT

CHICAGO

(Name of Division)

2 103  
TREASURY DEPARTMENT

INTERNAL REVENUE SERVICE

Chicago 90, Illinois,  
November 8, 1944.

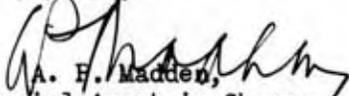
MD

Mr. E. L. Ireys,  
Chief Coordinator,  
Treasury Enforcement Agencies,  
Room 109 Treasury Building,  
Washington, D. C.

Dear Mr. Ireys:

There is attached hereto a clipping from The Daily Jewish  
Courier, of November 8, 1944.

Very truly yours,

  
A. F. Madden,  
Special Agent in Charge.

Enclosure:  
Clipping.

# HENRY MORGENTHAU JR.

## THE VOICE BEHIND THE WAR REFUGEE BOARD

By MURIEL LEVIN

WASHINGTON—It is generally known, but Henry Morgenthau Jr., for twelve years Secretary of the Treasury, is the weighty voice behind the War Refugee Board.

A tall, dry man whose relations with the press—and consequently the public—have been awkward, Morgenthau is the type of administrator who fosters initiative in the experts he harnesses for the Treasury Department, though he maintains the whiphand throat. Legendary are the daily meetings of his "9:30 group." Gathered at a round table every morning, each of his assistants in turn has a chance to voice his problems and gripes, and the group, very much dominated by Morgenthau, seeks ways out of dilemmas.

It was not at one of these meetings that the idea of the War Refugee Board was advanced, according to Herbert E. Gaston, senior Assistant Secretary of the Treasury, upon whom Morgenthau leans heavily for public relations. But it might well have been, and it was this willingness to listen to his underlings that resulted in his being approached by a group of young Treasury Department aides, among whom were Randolph Paul, then general consul, and John W. Pehle, a special assistant in charge of the foreign funds control.

They knew, too, that Morgenthau, son of a distinguished Jewish lawyer and philanthropist, who made a fortune in Bronx real estate, has had a well-developed "social conscience" since his teens when, his desire to improve social conditions drew him to work at the Henry Street Settlement in New York. Later, when he had forsaken real estate and banking for farming in upstate New York, he and his young wife, Eliner Patman, a niece of the Lehmans, furnished East Fishkill Township with mobile library, and ran a crusade's first clinic, organized a small log farm magazine.

Appalled by the terror in Europe, brought into focus for them thru their dealings with refugees here whose funds they controlled, the Treasury Department aides broached to Morgenthau the idea of U. S. action to save the Jews from the fate decreed by the Nazis. They talked fast and often—and sold Morgenthau the bill of goods. He agreed to talk to the President.

The Roosevelts and the Morgenthaus have been friends for more than thirty years. In 1912 when Roosevelt was a New York State Senator, Morgenthau Sr., whom Wilson later appointed U. S. Ambassador to Turkey, was chairman of the finance committee of the Democratic National Committee. It was at Democratic headquarters in Manhattan, then, that the two men met, and they began to see a good deal of one another a few years later when both were country squires in Dutchess county. All during Roosevelt's serious illness the Morgenthaus were around. Then, in 1928, Morgenthau participated in gubernatorial campaign tours, and went to Albany with Roosevelt, first to head his Agricultural Advisory Committee, which drafted farm-relief measures, and later to act as Conservation commissioner. He followed Roosevelt to Washington in 1933 as chairman of the Federal Farm

Board. He quickly consolidated all government farm lending agencies into the Farm Credit Administration, which soon was lending millions to farmers.

He became Roosevelt's Secretary of the Treasury in January, 1934, when Secretary Woodin resigned because of ill-health just three months after Morgenthau had been appointed Under-Secretary of the Treasury. His relations with his boss have continued to be intimate, despite the "model of formality" by which he communicates with the White House. Both families visit one another and make merry together.

Just how Morgenthau convinced his old friend is something that he has not revealed. But on January 23, 1944, the President set up by Executive Order a War Refugee Board consisting of the Secretary of State, the Secretary of the Treasury and the Secretary of War, to rescue from the Nazis as many as possible of the persecuted minorities of Europe. He stressed that "it was urgent that action be taken at once to forestall the plan of the Nazis to exterminate all the Jews and other persecuted minorities in Europe."

Appointed acting executive director was one of the young Treasury Department aides, John W. Pehle, whom Morgenthau granted leave of absence from his regular post. The WRB office was set up in the Treasury Department building, and drew much of its personnel and equipment from that Department.

Whether or not Morgenthau directly dictates the day-to-day policy is a moot question, but the Secretary is kept fully informed of what is going on at every moment. There is little doubt, that he of the three Board members plugs, backs, fights for the WRB. When the President's policy on immigration to the United States appeared a little hazy, Morgenthau and Pehle were seen crossing the street from the Treasury Department to the side entrance of the White House. Next press conference, the President's policy on immigration to the United States appeared a good deal less hazy, and in the not too distant future he announced the establishment of Fort Ontario as an "emergency refugee shelter." One thousand refugees were to be admitted to the United States as a talking point before the rest of the world, for the WRB had been severely hampered by leaving our country's failures thrown in its face.

When it appeared that something might be done for the Hungarian Jews thru Admiral Horthy's offer to the International Red Cross to release those with entrance visas to Palestine and elsewhere, the British provided hotlikeness. Morgenthau, on a tour of war theaters to investigate currency matters, hid himself in the top man in England and talked turkey. In short order, the United States and Great Britain issued a statement accepting Horthy's offer. Unfortunately, mass deportations were resumed after a shake-up in the Hungarian cabinet, and so his efforts appear to have been of little avail.

Meanwhile, the progress of the war in Europe has been solving many of the War Refugee Board's problems. Employees are optimisti-

cally placing bets that they will be out of jobs within a few months, for the fall of Hitler means finis for the War Refugee Board.

But it looks very much as though Morgenthau may remain in Washington for another four years. Anyway the odds are with him.

(Copyright, 1944, J. T. A. Inc.)

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE November 10,  
1944

TO Secretary Morgenthau  
FROM Ted R. Gamble

These for your information. We will send  
over the others as soon as we receive them.

Attachments

# THE INDIANAPOLIS STAR

Established as The Indianapolis Journal in 1823.  
The Indianapolis Sunday Sentinel absorbed in 1908.

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*"Let the people know the facts and the country will be saved."*—Abraham Lincoln.

## In Defense of Morgenthau

Probably no man in American public life works more diligently or with greater earnestness to get a hard job done well than does Henry Morgenthau Jr., secretary of the Treasury. From personal experience we know that Mr. Morgenthau is thoroughly devoted to his job.

The eagerness with which he tackles his work comes out of a genuinely patriotic heart. Of course, he is loyal to President Roosevelt. We wouldn't have much respect for him if he were not loyal to his chief. We have not always agreed with the policies and many of the tax proposals which Secretary Morgenthau has submitted to the Congress. Always he has been a spokesman for the administration on fiscal affairs. Always he has carried the ball, and when he has been thrown for a loss he never once in all these years has complained or cried on anybody's shoulder.

Take this most recent discussion of Secretary Morgenthau and the Quebec conference. The truth is that Secretary Hull did not go to Quebec because of illness. The truth also is that Secretary Morgenthau at no time proposed the so-called "Morgenthau Plan for Germany." He took that on the chin as has been his custom, without passing the buck where it belonged. We like him for being that kind of a man, but we don't like the abuse which has been heaped on him so unjustly.

We think it was quite unfortunate that Governor Dewey accused Secretary Morgenthau of prolonging the war needlessly at the cost of American lives. This rather far-fetched attack on Secretary Morgenthau compelled the New York Times to take Governor Dewey severely to task for his charges. In closing its comments the Times said:

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

We have supported Governor Dewey for the presidency, but we cannot indorse his attack on Mr. Morgenthau. The truth is that when the impartial story of this war is finally written, the name of Henry Morgenthau Jr. will shine forth as one of the great civilian patriots of this era.

# New York Post

FOUNDED 1801

75 WEST STREET · NEW YORK · WHITEHALL 4-9000

T. O. THACKREY  
EDITOR AND GENERAL MANAGER

November 7, 1944

Mr. S. George Little  
Washington Building  
Room 629  
Washington, D. C.

Dear Mr. Little:

I am enclosing, as you suggested, an editorial from yesterday's Post bearing on the Morgenthau Plan, as well as an excerpt from a radio broadcast over Station WOR made by Mrs. Thackrey and me on Sunday, pertaining to the same subject.

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.

Furthermore, 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 serving notice that it bitterly opposes a plan to which Dewey had 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 good deal 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 that 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.

November 10, 1944.

My dear Senator:

I am writing to convey the heartiest congratulations of Mrs. Morgenthau and myself on your election as Vice President of the United States, a position you will fill with efficiency, dignity and honor. It seemed to me that you conducted an admirable campaign and contributed substantially to the very fine result over which we are all rejoicing.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable Harry S. Truman  
United States Senate

HEG/mah

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Copy to Mrs. Morgenthau

November 10, 1944.

Dear Bob:

Permit me to offer for Mrs. Morgenthau as well as myself hearty congratulations to you on the magnificent success of the campaign.

The result is just about all any of us could have hoped for and certainly reflects the greatest credit on your strategy and hard work.

Sincerely,

(Signed) Henry

Mr. Robert Hannegan  
Chairman, Democratic National Committee  
Mayflower Hotel  
Washington, D. C.

HEG/mah  
*[Handwritten initials]*

Copy to Mrs. Morgenthau

November 10, 1944.

Dear Bob:

I offer you most hearty congratulations on your re-election and shall look forward to further opportunities to benefit from your wise counsel and to work with you.

Sincerely,

(Signed) Henry

The Honorable Robert L. Doughton  
House of Representatives

HEG/mah

MSA

November 10, 1944.

*Walter*  
My dear Senator ~~George~~:

Accept my heartiest congratulations on your fifth election to the Senate. I look forward with the greatest pleasure to being able to call on you for advice and help and continuing to work with you.

Sincerely,

(Signed) Henry

The Honorable Walter F. George  
United States Senate

HEG/mah

WFG

November 10, 1944.

*Bob:*  
My dear Senator:

Mrs. Morgenthau and I rejoice with you on your triumph in the election. It gives new evidence of the affection and respect in which you are held by the people of the State of New York.

We offer you our most hearty congratulations.

Sincerely,

(Signed) Henry

The Honorable Robert F. Wagner  
United States Senate

HEG/mah

WJ

Copy to Mrs. Morgenthau

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November 10, 1944

The President  
The White House

Dear Mr. President:

The undersigned respectfully submit the following recommendations and requests with respect to the extension of the "termination date" set forth in the Renegotiation Act, enacted February 25, 1944.

Subsection (h) of such Act provides in part as follows:

"This section shall apply only with respect to profits derived from contracts with the Departments and subcontracts which are attributable to performance prior to the termination date. \* \* \*

"(2) The term 'termination date' means--

"(A) December 31, 1944; or

"(B) If the President not later than December 1, 1944, finds and by proclamation declares that competitive conditions have not been restored, such date not later than June 30, 1945, as may be specified by the President in such proclamation as the termination date; or

"(C) If the President, not later than June 30, 1945, finds and by proclamation declares that competitive conditions have been restored as of any date within six months prior to the issuance of such proclamation, the date as of which the President in such proclamation declares that competitive conditions have been restored;

except that in no event shall the termination date extend beyond the date proclaimed by the President as the date of the termination of hostilities in the present war, or the date specified in a concurrent resolution of the two Houses of Congress as the date of such termination, whichever is the earlier."

Pursuant to the provisions set forth above, the Renegotiation Act will not be applicable to the recovery of excessive profits derived from contracts with the Departments and subcontracts and attributable to performance subsequent to December 31, 1944, unless the termination date, as set

forth above, is extended by Presidential proclamation or by legislation. By reason of this situation, consideration and study have been given by those charged with the procurement of materiel and services needed for the effective prosecution of the war as to whether the continuance of renegotiation is necessary to protect the interests of the Government with respect to profits realized subsequent to December 31, 1944 in performing war contracts.

The result of such consideration and study has led to the following conclusions on the part of the undersigned:

1. The progress of the war has required and continues to require the development and production of new weapons and new materiel, as well as constant changes and modifications in those which have heretofore been in use. As to many of these articles, there is no past experience in their production and no adequate basis for determining prices which will yield a fair and reasonable profit.
2. The changing course of the war requires constant changes in the volume in which the various types of war materiel are needed. Fluctuations in volume requirements present a problem which is of the utmost significance in the fixing of proper prices. Until greater certainty is established with respect to this factor it is difficult in most cases and sometimes impossible to determine prices which will not result in excessive profits.
3. Even with respect to those products as to which experience has been had in procurement and pricing, our wartime requirements are still such that the Government, in many fields, must necessarily utilize the productive capacities of all segments of an industry. Consequently, competitive conditions are not such as to enable the Government to enter into contracts upon a normal competitive basis. Particularly is this so in the subcontract field where the Government has no direct control over the letting of contracts or the establishing of prices and where, except for renegotiation, it has not yet been possible to develop effective methods for curbing excessive war profits.

In view of the circumstances set forth above, it is apparent that competitive conditions (within the meaning of the Renegotiation Act) have not been restored to the point where either original pricing or repricing can prevent the realization of excessive profits from the performance of such contracts and subcontracts. It is, therefore, believed that the interests of the Government and of contractors alike require the continuance of renegotiation.

With respect to the points set forth above, there is annexed hereto a copy of a resolution adopted by the Procurement Policy Board (an inter-agency committee composed of representatives of the various procurement

agencies) of the War Production Board.

4. Moreover, in connection with the settlement of war contracts under the Contract Settlement Act of 1944, we have been advised by the Director of Contract Settlement that the continuance of renegotiation will expedite and facilitate such settlements. Annexed hereto is a statement from the Director.

Accordingly, it is respectfully recommended and requested that you find, and by proclamation declare, that competitive conditions (within the meaning of the Renegotiation Act) have not been restored and that you specify June 30, 1945 as the "termination date" as defined in the Renegotiation Act.

The proposed proclamation, in the form attached hereto, will be submitted to the appropriate agencies for approval and for presentation to you in accordance with the provisions of Executive Order 7298, dated February 18, 1936.

Respectfully,

Henry L. Stimson  
Secretary of War

James Forrestal  
Secretary of the Navy

E. S. Land  
Chairman of the United States  
Maritime Commission

W. M. Rutherford  
Secretary of the Treasury

James H. ...  
On Behalf of the Reconstruction  
Finance Corporation and  
Subsidiaries

E. S. Land  
Administrator of the War  
Shipping Administration

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RESOLUTION ADOPTED BY THE PROCUREMENT POLICY BOARD  
OF THE WAR PRODUCTION BOARD

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The Procurement Policy Board approved the following resolution  
1 November 1944:

1. That the President be requested to exercise the authority granted him under Section 403(h)(2)(B) of the Renegotiation Act to extend the application of the Renegotiation Act to June 30, 1945.
2. That the 79th Congress be requested to enact legislation to continue renegotiation for the remainder of the calendar year 1945.
3. That the determination to request the foregoing is based on the following reasons:

A. It is the opinion of the Procurement Policy Board that for an indefinite period competitive conditions in war procurement which will establish an adequate bargaining position on the part of the Government will not be restored. It is still impossible to determine when the present volume of war procurement will substantially diminish. As it does diminish the needs for civilian production will be greater so that war procurement demand will continue to exceed supply.

B. The procurement agencies have made substantial progress in analyzing prices from the viewpoint of estimated costs and margin of profit as a partial substitute for competition. It is the opinion of the Board, however, that price analysis and other war-time purchasing procedures, however skillfully applied, cannot prevent large amounts of excessive profits because

(1) It is still impossible to adequately forecast or evaluate many major cost factors such as volume changes, specification changes and increasing efficiency on the part of suppliers due to experience with the product. Prices may cover uncertainties and risks which do not materialize.

(2) Without huge skilled personnel increases which are believed undesirable and impractical it is impossible to devote the time and study required to analyze the prices of all Government prime and subcontracts. Procurement is measured in terms of hundreds of thousands of purchase actions in contrast to renegotiation which, being handled on an over-all company basis, is measured in numbers of contractors and subcontractors.

C. It is estimated that 50% of the total dollar amount of war procurement is supplied by subcontractors. In the case of subcontract items proper initial pricing is even more difficult than in the case of prime contract items not only because of the tremendous number of transactions involved but also because Government procurement and negotiating officers, in the ordinary case, are not able to deal directly with subcontractors. The current results of renegotiation indicate that a large area of excessive profits is in this group.

D. It is the opinion of the Board that better initial pricing will result if renegotiation is continued than if it is discontinued. The knowledge on the part of suppliers that the amount of profits ultimately to be retained on renegotiation depends in part on the reasonableness of prices and the risks assumed tends to make contractors agree to more reasonable prices than they might otherwise accept.

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OFFICE OF CONTRACT SETTLEMENT  
FEDERAL RESERVE BUILDING  
WASHINGTON 25, D. C.

DIRECTOR

November 10, 1944.

Hon. Henry L. Stimson,  
Secretary of War.

Hon. Henry Morgenthau, Jr.,  
Secretary of the Treasury.

Hon. James V. Forrestal,  
Secretary of the Navy.

Hon. Jesse Jones,  
Secretary of Commerce.

Vice Admiral Emory S. Land,  
Chairman, U. S. Maritime Commission.

Dear Sirs:

You have advised me that you have under discussion a proposal to request the President to issue a proclamation, as permitted by the Renegotiation Act, extending renegotiation to June 30, 1945; and you have requested an expression of the position of this office concerning such an extension.

It is the opinion of this office that such continuance of renegotiation will expedite and facilitate the settlement of contract terminations. The procedures under which settlements are now taking place are materially assisted by the existence of renegotiation and would continue to be so assisted during the mass terminations anticipated at the conclusion of the European war. Since it can not now be predicted that these terminations will take place before January 1, 1945, this office favors the extension of renegotiation to June 30, 1945.

Sincerely yours,

*Robert H. Healey*

Director.

SPECIFICATION OF THE TERMINATION DATE AS PROVIDED IN  
THE RENEGOTIATION ACT

BY THE PRESIDENT OF THE UNITED STATES OF AMERICA

A PROCLAMATION

WHEREAS subsection (h) of the Renegotiation Act (section 403, as amended, of the Sixth Supplemental National Defense Appropriation Act, 1942, approved April 28, 1942 (56 Stat. 226, 245), as amended by section 701 of the Revenue Act of 1943, enacted February 25, 1944 (58 Stat. 26, 78)), provides in part:

"This section shall apply only with respect to profits derived from contracts with the Departments and subcontracts which are attributable to performance prior to the termination date. For the purposes of this subsection -

\*\*\*\*\*

"(2) The term 'termination date' means -

"(A) December 31, 1944; or

"(B) If the President not later than December 1, 1944, finds and by proclamation declares that competitive conditions have not been restored, such date not later than June 30, 1945, as may be specified by the President in such proclamation as the termination date

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except that in no event shall the termination date extend beyond the date proclaimed by the President as the date of termination of hostilities in the present war, or the date specified in a concurrent resolution of the two Houses of Congress as the date of such termination, whichever is the earlier.";

AND WHEREAS hostilities in the present war have not terminated, and the continued necessity of devoting a very large

proportion of the production of the nation to the successful prosecution of the present war has prevented the restoration of competitive conditions:

NOW, THEREFORE, I, FRANKLIN D. ROOSEVELT, President of the United States of America, under and by virtue of the authority vested in me by the statutory provisions above set out, (1) do hereby find and declare that competitive conditions have not been restored; and (2) do hereby specify June 30, 1945, as the termination date within the meaning of subsection (h) of the Renegotiation Act.

IN WITNESS WHEREOF, I have hereunto set my hand and caused the seal of the United States to be affixed.

DONE at the City of Washington this            day of November  
in the year of our Lord  
nineteen hundred and  
forty four, and of  
the Independence  
of the United States  
of America the one  
hundred and sixty ninth.

By the President:

Secretary of State

November 10, 1944.

Memorandum to Mrs. Roosevelt:

I am enclosing a memorandum from the Commissioner of Narcotics with respect to the letter to you, dated October 15, from Wade H. McCree, a colored Narcotic agent stationed in Chicago. The substance of it is that in his twenty years employment in the Narcotic service he has made frequent efforts to obtain advancement through political appeals, but that his record does not warrant either the promotion or the transfer he seeks.

I am also enclosing a suggested draft of a letter to Agent McCree.

(Signed) H. Morgenthau, Jr.

Enclosures  
HEG/mah

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*MS*

S. S. Agent 11/11/44 5:20  
Regraded Unclassified

November 7, 1944.

MEMORANDUM for ASSISTANT SECRETARY GASTON:

Wade H. McGree was appointed a Narcotic Inspector in January, 1924, at a salary of \$1800 per annum. He is now in Grade CAF-7, at \$2900. His post of duty is Chicago, Illinois. He is 58 years old. He has had assignments in seven different districts during his service.

For the past twenty years he has complained that he is a victim of discrimination because he has not been appointed supervisor of a district.

There are four negro agents in the Bureau of Narcotics. This is the largest number of negro agents in any enforcement agency of the Government. The other negro agents in this Bureau are Jaushawan L. Taylor, Grade CAF-9, \$3200, assigned at Chicago, Illinois; James R. Fletcher, Grade CAF-7, \$2900, assigned at New York, New York; and James T. Fields, Grade CAF-7, \$2700, assigned at Washington, D. C. Agent Fields was a messenger, was promoted to a clerk, and then to a narcotic agent. This Bureau has leaned over backwards in the appointment and treatment of colored agents.

Agent Taylor is our best colored agent and has been promoted to Grade CAF-9. Mr. McGree has complained about this several times and states that Taylor is a disgrace to the colored race. He is jealous of Taylor's promotions. The other two negro agents are also far above McGree in efficiency.

Mr. McGree has an exaggerated idea of his own ability. His efficiency rating from 1940 to 1943 has been "Good". His supervisors have not given him a yearly rating of "Very Good" or "Excellent". He

-2-

is below the average in his work as an agent. He does not like to make street cases. He claims that it lowers his dignity.

When our supervisors ask for the assignment of a negro agent they usually specify that McGree should not be sent as he cannot produce. They prefer any one of the other three negro agents.

Supervisor Clark reported as to McGree: "This officer displays little ability to initiate an investigation and develop a case except as assistant in certain criminal investigations, the burden of which is borne by other officers." Another supervisor reported that "he is not energetic and is inclined to neglect his work to attend to his so-called social responsibilities." This is the consensus of all the supervisors under whom he has worked.

Mr. McGree has many times suggested that he should be a district supervisor because of the number of negro violators in the United States. He does not like enforcement work. He wishes to lecture to the colored groups to carry on an educational campaign. This would be a waste of money. He has told me a number of times that certain negro professional men always chide him about being only a narcotic agent.

Mr. McGree has asked to be transferred to Boston to be near his family. We do not have a negro narcotic problem in that city. He also wishes an increase in salary so that his retirement pay will be higher. On October 6, 1944, he wrote that he expected an upgrading in salary in order to take care of his domestic obligations and he would appreciate any favorable action as he must make an important decision; the decision evidently being the writing of a letter to Mrs. Roosevelt.

In March, 1936, a request was received from Senator McKinley that McGree be made supervisor of the Honolulu Division. In May, 1936, Agent in Charge at Honolulu advised that McGree was boasting that he had received a raise through political pressure, and would be made Agent in Charge by the same means. In 1938, Senator Densen of Illinois requested his assignment as a special investigator directly under the Commissioner. In 1939,

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he applied for appointment as United States Minister to Liberia. In 1930, he attempted to obtain a position with the United States Public Health Service for the purpose of gathering data to analyze and organize facts to suppress drug addiction. In 1933, Congressman Tinkham and Senator Walsh protested against his transfer from Boston. He frequently resorts to politics to promote himself.

The important point we have to make regarding this agent is that in 1937 it was necessary to drop a number of agents for reasons of economy. We selected agents who were non-productive. McGree was one of these. On April 6, 1937, he was dropped on account of reduction of force. Mr. McGree called on me before the termination date of his services. He sobbingly pleaded that his family would suffer shame and that he would bring discredit to the colored race. I reinstated him and urged him to do better in the future. The white agents who were dropped at the same time could very properly have complained about discrimination.

H. J. Anslinger,  
Commissioner of Narcotics.

Mr. Wade H. McCree  
5248 Wabash Avenue  
Chicago 15, Illinois

Dear Mr. McCree:

Since I received your letter of October 15 I have had an inquiry made through the Secretary of the Treasury.

After careful review of the facts he does not feel that discrimination is being practised against you and he regrets that your promotion or transfer would not seem to be warranted.

Sincerely,

THE WHITE HOUSE  
WASHINGTON

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November 2, 1944

Referred to The Secretary of the Treasury  
for investigation.

E. R.

*Earl Kuyper*  
*St. Michigan*

5243 Wabash Ave.,  
Chicago, 15, Illinois,  
October 15, 1944.

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

OCT 19 1944

Dear Madam:

I think you will be interested in this recital of what I believe will show conclusively that for a great many years I have been the victim of crass discrimination, and as a result of that discrimination my wife and children have suffered undeservedly at the hands of those who direct the policy of the Narcotic Bureau.

I know that it would be presumptuous of me to bother you with what may seem on the surface to be a personal matter, but I believe that the facts that I shall disclose will have implications beyond the personal category. For the past several years various persons and organizations have interested themselves in Negroes whose lives have been placed in jeopardy, but there seems to be a dearth of interest shown in the plight of thousands of Negroes who are charged with no crime but who nevertheless suffer mental torture and protracted death over and over again, at the hands of Fascist-minded people some of whom derive their subsistence from taxes paid by their unfortunate victims.

Because I have noted your fairness and great interest in the under dog, whether he be white or black, I am laying my problem before you, for people in high places are very resourceful and some of them will resort to misrepresentations and other devices to discredit one who may be in a less favored position. They would not have the temerity to flout your disapproval.

On August 25, of this year, I was granted a personal interview with Mr. H. J. Anslinger, Commissioner of Narcotics, in the Treasury Department. I explained to him that because of racial discrimination I had not been upgraded in salary in years past; consequently my retirement pay would be so small that it would be impossible for me to meet the payments on a home that I had contracted to purchase some 12 years ago and to maintain any sort of a decent standard of living. I explained further that according to the trend of retirement legislation that is currently being proposed, the retirement age would probably be lowered at the close of the war, to provide jobs for the ex-servicemen; and that under the Ramspeck Act, it would be impossible for me to reach a salary level before my forced retirement that would be adequate to meet the minimum needs of my family.

Mr. Anslinger agreed that I was about right in the matter of earlier retirement legislation. I then asked him to correct the Bureau's

failure to upgrade me several years ago and to give me an assignment as a Field Representative of the Bureau, to visit the 5000 or more Negro physicians and other registrants throughout the country who are amenable to the provisions of the Harrison Anti-Narcotic Act. In making the request, I had in mind a recent investigation in Chicago which disclosed that a reputedly mentally deficient Colored physician had purchased nearly 100,000 morphine tablets of  $\frac{1}{4}$  and  $\frac{1}{2}$  grain each and sold them to street addicts. The prevailing price for such tablets of morphine ranges from \$1.50 to 3.00 each. It is reasonable to suppose therefore that if some one in an official capacity had been assigned to make periodic inspections of this physician's narcotic records, the violation would have been detected and this waste of that critical medicinal item would not have occurred; and by no means is this an isolated case.

Several years ago, when I was stationed in Boston, I requested Mr. Anslinger to give me the inspection assignment above referred to, but his answer then was the same as it was on August 25th., viz., that he had no appropriation for educational work. For the past 14 years, however, during which time Mr. Anslinger has been the Commissioner of Narcotics, I have observed that a number of persons have spent most of their time checking the records of persons permitted to purchase and dispense narcotic drugs and lobbying for the passage of various bills designed to aid in the narcotic enforcement program.

The Narcotic Bureau spends annually from \$1,000,000 to \$1,500,000 and employs around 200 field agents and inspectors to enforce the Narcotic and Marihuana Laws. Besides the Commissioner, Deputy Commissioner and Assistant Commissioner, there are approximately 25 persons employed who hold key positions, such as Supervisors, Administrative Officers and the like. They receive in salary anywhere from \$3500.00 to \$6000.00 per year and enjoy Civil Service rights, but have not been compelled to compete by an examination with the other civil servants for these higher paid assignments. Many of these favored ones do not excel the less favored ones in point of experience or educational background. Of the total number of field agents and inspectors, four are Negroes and not one holds a position of responsibility comparable to the 25 persons above referred to. Moreover, of the total number of persons convicted annually for narcotic and marihuana violations, fully 50% are Negroes, with the possible exception of those convicted in New York and Hawaii, where the Oriental elements seem to be in the majority. The disproportion of Negroes to white breakers of the narcotic and marihuana laws does not indicate, I believe, that the Negro is more criminally inclined than other other groups, but is attributable to the Negro's poor background, and also to the fact that the Negro retail dealer in narcotics is more often exposed to arrest and conviction than is the higher-up who is usually white and only finances the drug traffic.

I called to the attention of Mr. Anslinger the obvious injustice and unfairness of the Bureau in not giving some Colored man

a representative position. I suggested that there should be at least one Negro Supervisor and I asked him to give me the position, in view of my long years in the service, familiarity with the various phases of the work and my educational background. He replied that if he made me a Supervisor, he would have to appoint a Jew and an Italian.

I am a graduate of Fisk University and of the College of Pharmacy of the State University of Iowa. My experience in narcotic work and educational background are the equal of the average of the narcotic personnel. Notwithstanding, Mr. Anslinger has been unwilling to give me an opportunity to prove that I can be efficient in a higher capacity than running down "dope" peddlers; and my salary for doing that has been from \$400.00 to \$600.00 per year less than that paid to a large number of Agents and Inspectors whose record of cases and general efficiency does not exceed mine, and in several instances does not equal mine. There are at least two men in the service whom I rank in length of service who receive from \$300.00 to \$400.00 per year more than I and neither one of them can pass a third grade examination. They are used to make purchases of narcotics and marihuana from peddlers while under the surveillance of directing agents. After the sale, the directing agents take over the evidence, organize it and write up the case. I have nothing personal against these persons and only cite them in order that a fair evaluation may be made of the relative efficiency of the men among whom I work. Many of my fellow workers have expressed in confidence their surprise that I do not receive adequate recognition for the service that I have rendered the Bureau.

I am listing here some criminal cases that I have either initiated during the past five years, or participated in as co-director:

Case No. Ill-5352; Ill-5360; Ill-5368; Ill-5366; Ill-5370; Ill-5383; Ill-5517; Ill-5519; Ill-5521; Ill-5506; Ill-5509; Ill-5652; Ill-5615; Ind-22-M; Ind-44-M; Ill-49-M; Ill-63-M; Ill-64-M; Ill-92-M; Ind-27-M; Ind-28-M; Ind-30-M; Ind-31-M; Ind-32-M; Ill-110-M; Tex-851-M; Tex-854-M; Tex-867-M; Ill-119-M; These cases fall short of the total number that I have either initiated or taken an active part in directing over the five year period. I have 'nt all my records with me; but I am confident that the aggregate sentences meted out to defendants that I have played a directing role in apprehending, will equal if not exceed the sentences given to defendants reported and apprehended by 95% of the Agents of the narcotic force.

Since July 1940, there have been four Jacketed cases placed in the files of the 9th. District, my headquarters; SE-187; SE-189; SE-204 and SE-205. These cases are not made often in any of the Districts; but as a rule, when an agent makes a Jacketed case, unless he has recently received an increase in salary, he usually receives a promotion apart from the automatic increase provided for under the Ramspeck Act. I believe the facts that set forth here entitle me to the major share for developing SE-187, one of the four outstanding cases made in District No. 9 during the year 1940;

On May 2, 1940, an anonymous letter was mailed from Chicago to Mr. J. Edgar Hoover, Director of the Federal Bureau of Investigation, in which the informant stated that from 150 to 200 addicts were served daily by a syndicate of narcotic peddlers who operated in and from a tavern owned by Nathan Banks and located at 126 E. 33rd. street, Chicago. A civic organization and several individual persons had reported similar facts to the Bureau. Several of the agents working out of the Chicago office had made numerous purchases of narcotics from peddlers who were reported to be working for the Banks' syndicate; but following the receipt of the Bureau letter every agent who had been operating on the south side put forth extra effort to procure evidence against Nathan Banks and his principle peddlers. The Bureau at Washington had made a Jacketed case of the Banks' investigation and demanded action from the Chicago office.

Meanwhile on May 13, 16, 23, 28 and June 3, 1940, an informer working under my direction purchased an ounce of heroin hydrochloride from Nathan Banks and his associates on each of the above dates, but the sales were made on the inside of the tavern. I had searched the person of the informer to make sure he had no narcotics in his possession, and had kept him under surveillance from a vantage point, in a nearby church as he entered Banks' tavern, until he came out and turned over to me the purchased narcotics. There was some corroboration of the informer's meeting Banks' and his chief peddlers inside the tavern, but in order to make a strong case, it is always desirable to have an agent witness the transaction. That I was able to do on June 7, 1940.

My informer had repeated the conversations he had had with Nathan Banks and his chief peddler, Ralph Alexander, and when it was apparent that my informer had made definite progress in securing the confidence of Banks and Alexander, I instructed the informer to lure Alexander away from the tavern, so that I could witness the delivery of drugs to the informer by him. I suggested further that the informer complain to Alexander that he was losing so much rest and sleep while waiting for the delivery of his narcotic purchases, that he was afraid that he could not hold his job as cook on the dining car; and that he would appreciate it if Alexander in the future would either deliver his supply of narcotics to the apartment where he roomed, or designate some other place where he would be willing to meet him. Alexander agreed as requested to deliver an ounce of heroin to my informer in his apartment, and as he did so, I was secreted in a closet and observed the sale made to the informer, and heard Alexander make incriminating statements about himself, Nathan Banks and Rosalie Banks (See Case No. 5388). Five days later I witnessed a delivery of 2 ounces of heroin for \$97.00, to my informer by Rosalie Banks at the same address, and likewise heard her make statements about her mother's and step-father's involvement in the narcotic traffic (See Exhibit 7, Ill. 5388).

When I prepared and submitted memorandum copies of the above-witnessed transactions, the Bureau wrote the following letter to the District Supervisor at Chicago:

" E:MLH  
Ill-5388  
SE-187

June 18, 1940

In re: Nathan Banks, et al

Mr. J. J. Biggins,  
District Supervisor,  
Chicago, Ill.

Dear Mr. Biggins:

The Bureau has been very much pleased to note your memorandums concerning the purchase of narcotic drugs made from Nathan Banks, et al.

All correspondence in this investigation should also bear the symbols SE-187.

Very truly yours,  
(Signed) H. J. Anslinger  
Commissioner "

The letter quoted above was placed in my case file Ill-5388; and I knew by that the Bureau had at long last credited me with developing a very important case. After the various defendants were arrested, my Supervisor told me that the Bureau wanted a summary of the facts in the case pending the submission of a complete report, and I complied on June 25, 1940.

Later the trial was held in Federal Court and all the defendants were convicted except one. I was the first witness to take the stand and when I stepped down, various officials and spectators congratulated me on the testimony I gave. The sentences imposed were as follows:

Nathan Banks ----	15	years,	to	run	consecutively
Emma Banks -----	10	"	"	"	"
Rosalie Banks ---	10	"	"	"	"
Kermit Dawkins --	10	"	"	"	"
Ralph Alexander -	10	"	"	"	"
Helen Ridley ---	5	"	"	"	"

All of my fellow agents who followed the case thought I would get an increase in salary. I neither got an increase nor a letter of commendation from the Bureau. When I wrote to Mr. Anslinger on October 6, reminding him of certain obligations concerning which I had previously spoken to him, he replied in a letter on October 7th., informing me that I would receive an automatic increase of \$100.00 per year under the Ramspeck Bill, effective October 1, 1944, but that since I was at the middle of Grade CAF-7, I would "not be eligible for further automatic increase in that grade unless I obtained an efficiency rating of at least 'Very Good' ".

During my conference with Mr. Anelinger on August 25, last, I told him how hard it was for a Negro to get full credit for his work, and I suggested that I should have received at least "Very Good" as a result of my work in Texas, during the winter of 1943, where I made 14 cases. He told me that I should protest; but I have observed that often when a Colored man protests, he is regarded suspiciously. However, I inquired the other day to ascertain if a letter of commendation for work done in Texas during 1943, had been received, and I was handed a copy of a letter written by the Chief of Police of Corpus Christi, Texas, which reads as follows:

" February 23, 1943  
Corpus Christi Police Department  
Mr. T. E. Middlebrooks,  
Bureau of Narcotics,  
Houston, Texas.

Dear Sir:

I want to take this means of expressing my appreciation for the work done by your Department in arresting and filing on the Marihuana Peddlers in Corpus Christi recently by Agents W. J. Kelly, and Wade McCree. I think that agent McCree, and his assistant Henry Wright are as smooth a pair of workers as I have ever had any dealings with. Agent McCree was tireless and persistent in obtaining this information, and I don't think he can be too highly commended for the work he did, and the way in which he did it. I also wish to express my appreciation for the work of Mr. Kelly in taking the statements, and filing the cases.

At any time our department can be of any service to you, we will always be at your service. Again I want to thank you for the work done by your agents.

RWW:hj

District Supervisor,  
Chicago, Illinois.

Sincerely yours,  
/s/ Roy W. Flett  
Chief of Police

Houston, Texas,  
Feb. 24, 1943

For your information  
CC-Bureau /s/ Geo. O. Wilson  
Acting District Supervisor. "

I am persuaded after considerable hesitation to conclude this letter with reference to my family. I see very little of them. It is my understanding that because there are relatively few Colored people in New England, it is not the policy of the Bureau to assign a Negro inspector to work in that District. Consequently I have been assigned here in Chicago for several years, presumably because there are a great many Negroes. That is the situation that obtains at the present, although there is a shortage of inspectors and agents in the Bureau just as there is in all of the agencies. My father-in-law is 88 years old and has only one arm and my wife's aunt is 80 and I have a young son 10, who is in Boston Latin School. Consequently I can not

take my family everywhere that I may be sent and railroad fare between Chicago and Boston is a big item.

My wife is a native of Springfield, Mass., having graduated from the high school there in the class, I believe, with President Wriston of Brown University. She later graduated from Fisk University; taught a year in Mrs. Bethune's School and two years in Hilo, Hawaii while I was stationed there. Our three older children did their high school work in Boston and later graduated from Fisk: Betty, Cum Laude; Wade Jr., Summa Cum Laude; and Catherine, Cum Laude. My older daughter traveled around the world on a scholarship and later married Dr. Wm. B. Price, who is now Capt. Price with the Medical Corps, Fort Huachuca, Arizona. She has 2 children, Billy 2 and Charlotte Ann-1; Wade Jr. after completing his freshman year in law at Harvard with Scholarship rank a u with a membership in Prof. Seavy's Club, ~~he~~ entered the Army in Sept. 1942; graduated from O.C.S. at Fort Benning; was promoted to 1st. Lieutenant and became Plans & Training Officer of the 3rd. In., 365 Inf., 92nd. Division. Three weeks ago, he sailed from an Atlantic Port for overseas duty. Catherine is an Inspector in a Boston defense plant and plans to marry some time this winter an Intern now assigned to Harlem Hospital.

I hope my intrusion will not be judged too severely, and I shall be grateful and satisfied with whatever action you may take in the matter above referred to.

Very respectfully,



Wade H. McCree.

C O P Y

P.S.

In all the large cities, particularly here in Chicago, a great many young colored persons are being arrested by the Secret Service for stealing checks, bonds, etc.

The Secret Service frequently calls on negro police officers to help them in apprehending persons living in negro communities. There has never been a negro Secret Service Agent and it does seem as if our group rated at least one. Mr. Anslinger, in talking with me, justified his attitude towards the negro by asking me how many "negroes were in the Secret Service", and "how many were in the F.B.I." I told him there was at least one, James Amos, who grew up in President Theodore Roosevelt's family in the F.B.I. but none in the Secret Service.

Some seven years ago the Secret Service borrowed me to make a confidential investigation for the late Mr. Herman Oliphant, General Counsel for the Treasury. I got along well with him and was complimented by my Bureau for satisfying him. If he had lived, I believe he would have assisted me in obtaining a transfer to the Secret Service. It would be a very happy circumstance if I could transfer and have my headquarters in Boston or even in New York, where I could be with my family a little more often.

/s/ Wade H. McCree

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Woke H. M. C. ree

BOERNER'S PHARMACY

115 Washington Street

Earl L. Boerner,  
Proprietor

Iowa City, Iowa,

October 9th, 1913.

TO WHOM IT MAY CONCERN:

This will introduce Mr. Wade Hampton McCree.

It was my privilege to have the services of Mr. McCree in my pharmacy during so much of the time as he could spare from his college duties while attending the College of Pharmacy of the State University of Iowa, from which he was graduated in June last. In addition to being a registered pharmacist Mr. McCree has also had the advantages of a collegiate training.

During the two years Mr. McCree was with me I had abundant opportunity to study him. I am thoroughly impressed with his sterling worth as a man. I believe him to be of unimpeachable character, of excellent habits, capable, industrious, a willing worker and a perfect gentleman. I can heartily commend him to any pharmacist who has a considerable trade with the colored people, or where race prejudice would not seriously lessen efficiency.

Respectfully,

(signed) Earl L. Boerner

The Honolulu Advertiser

January 15, 1926.

To Whom It May Concern:

I have known Wade H. McCree, U. S. Narcotic Inspector, for upwards of a year, during his services on the Island of Oahu, and later Agent-in-Charge of narcotic inspection on the Island of Hawaii. His very efficient handling of cases while in Honolulu, coupled with his excellent reputation and high qualities as an official, command general esteem and respect, both in Honolulu and in Hilo where he is now located.

I sincerely recommend any promotion to which he is entitled under the service regulations of Division. He has been a worthy citizen and official during his stay in Honolulu, and is a credit to the Federal service to which he is attached.

Sincerely yours,

(signed)

Raymond Coll  
Managing Editor  
The Honolulu Advertiser.

RC/L

CIRCUIT COURT OF THE FOURTH CIRCUIT

HILO

CHAMBERS of  
HOMER L. ROSS

December 12, 1925

JUDGE

TO WHOM IT MAY CONCERN,

Mr. Wade H. McCree, Narcotic Inspector for the Island of Hawaii, Territory of Hawaii, has his office in the same building and on the same floor with mine; and for several months I have observed his conduct and deportment, and it is pleasure to say that Mr. McCree is an educated and cultured gentleman, and at all times conscientious, courteous, and alert and active in and about the duties of his official position. His reputation in this community for intelligent and efficient work is generally established, and deservedly so, I believe.

Respectively,

(Signed) Homer L. Ross,  
Judge, Fourth Circuit Court,  
Territory of Hawaii.

(Official Seal)

District Court of South Hilo,

Stephen L. Desha, Jr., District Magistrate  
W. H. Smith, Second District Magistrate  
Jas. K.K. Keola, Clerk

Hilo, Hawaii. December 31, 1925.

TO WHOM IT MAY CONCERN:-

The undersigned, as District Magistrate for the District of South Hilo, County and Territory of Hawaii, and also as United States Commissioner for the Island of Hawaii, has experienced the pleasure of holding official relations with Wade H. McCree, Federal Narcotic Inspector.

During a period of almost two years, Mr. McCree has brought many offenders before me, and from my very first acquaintance with him, I have found him to be conscientious in the discharge of his duties, very much on the job, and always the gentleman while doing so.

It is therefore with considerable pleasure that I recommend Mr. McCree, and bespeak for him a fitting recognition of his services and ability.

Very respectfully,

District Magistrate, S. Hilo, Hawaii,  
and United States Commissioner.

# MARIAN McCREE

## SOPRANO

ARTIST - PUPIL OF BOSTON CONSERVATORY

will be presented by the  
Chicago Chapter of the Woman's Auxiliary to the  
National Medical Association  
for the benefit of  
PROVIDENT HOSPITAL



"The real delight of the evening was the lovely soprano voice of MARIAN McCREE. . . . She deserved all the applause she received, for her voice is one of luscious tone and good power." . . . The BOSTON HERALD.

"Miss MARIAN McCREE appeared as vocal soloist with the Boston Symphony 'Pops' Orchestra under my direction on Colored-American night, June 25, 1944, at Symphony Hall. She sang an aria with orchestral accompaniment, gave a very creditable performance, and won the immediate approval of the audience and the Boston press. . . ."

ARTHUR FIEDLER, Conductor  
"Pops" Symphony Orchestra.

Sunday, October 1, 1944 - 3:30 p.m.

Wendell Phillips High School

Freshing Road and Prairie Avenue

GENERAL ADMISSION \$1.00, Tax Included

RESERVED SEATS \$1.50, Tax Included

MRS. WILLIAM J. WATERS  
President

MRS. SAMUEL R. PEYTON  
General Chairman

Treasury Department  
Division of Monetary Research

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Date...Nov. 10.....19 44

To: Secretary Morgenthau

I think you will be interested  
in reading this.

H.D.W.

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

## TREASURY DEPARTMENT

AA 143

INTER OFFICE COMMUNICATION

DATE NOV. 10, 1944

TO Secretary Morgenthau  
FROM Mr. White

Subject: Mao Tse-tung on how to handle the Generalissimo.

The following is an excerpt from a conversation of Mao Tse-tung with Mr. Service of the State Department in which Mao gives us advice on how to handle the Generalissimo.

"Chiang is stubborn. But fundamentally he is a gangster. That fact must be understood in order to deal with him. We have had to learn it by experience. The only way to handle him is to be hardboiled. You must not give way to his threats and bullying. Do not let him think you are afraid: then he will press his advantage. The United States has handled Chiang very badly. They have let him get away with blackmail--for instance, talk of being unable to keep up resistance, of having to make peace, his tactics in getting the 500 million dollar loan, and now Kung's mission to the U. S. and the plea for cloth. Cloth! Are we or are we not fighting the Japanese! Is cloth more important than bullets? We had no cotton here in the Border region and the KMT blockade kept us from getting any from the parts of China that did have it. But we got busy and soon we are going to be self-sufficient. It would be 100 times easier for the KMT, and if they were a government that had an economic policy they would have done it themselves.

"With Chiang you can be friendly only on your own terms. He must give in to constant, strong and unified pressure. Never relax on your objectives: keep hammering at him.

"The position of the United States now is entirely different from what it was just after Pearl Harbor. There is no longer any need or any reason to cultivate, baby or placate Chiang. The United States can tell Chiang what he should do -- in the interest of the war. American help to

- 2 -

Chiang can be made conditional on his meeting American desires. Another way for American influence to be exerted is for Americans to talk American ideals. Every American official meeting any Chinese official, in China or in the United States, can talk democracy. Visits like Wallace's give good opportunities; there should be more of them. Kung's presence in the United States should not be wasted".

Mr. Service has made a number of reports on his visit to Yen-an available to Mr. Adler. They are being photostated and the more interesting ones will be shortly submitted to you.

Treasury Department  
Division of Monetary Research

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Date November 10, 1944 19

To: Secretary Morgenthau

Appended are excerpts from letters of Michael Lindsay from Yen-an, China - the area controlled by Chinese "Communists" - to his father A. D. Lindsay, the Master of Balliol College, Oxford.

I think you will find much of it interesting and probably worthwhile reading in view of the increasingly critical military and political issue in China.

H.D.W.

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

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Extracts from a letter of Michael Lindsay from Yen-an to his father, A. D. Lindsay, the Master of Balliol College, Oxford.

(a) WRITER ESCAPES BEING CAPTURED BY THE JAPANESE.

Extract:- "...There is a chance to get some stuff back to Chungking so I have hastily written something for the Times which I enclose. If they won't take it you might try other people. (I've done an actual article and a longer thing for background material). You should have got letters I gave to Bond in August last year which he should have sent from Chungking in February. Since August we have had quite a lot of adventures. I've written the details in a long family letter I'm sending to Dru to pass on. Briefly we just had a 3 months Japanese offensive, the longest they have ever had in ChinChaChi. As a very valuable technical expert they kept me as safe as possible and from the middle of September to the end of November we were quite safe only very bored with nothing to do. I started to write a work on "The Theory of Economic Organisation" which unfortunately got lost. Then during the last two weeks of the offensive we had a very hectic time and twice missed the Japs by only a few minutes, and lost most of our things.

I had been getting more and more annoyed at the way in which no news about North China had been getting abroad, judging from foreign broadcasts, and decided to come to Yen An to try to get contracts going. My class in ChinChaChi was practically finished and all the wireless sets had been rebuilt and most of the components used up too, there was not so much more to do there and the other work in wireless I wanted to do, like trying to make bulletins, etc., could not very conveniently be carried on there. The H.Q. people quite agreed with my ideas and when I had finished the class and the weather was slightly warmer we set off from here. We started on March 8th and got here on May 17th stopping for 3 weeks in N.W. Shansi to rebuild some of their apparatus and teach their technicians. The journey was quite safe though rather strenuous. We went with 400 - 500 troops from a military training school under an extremely competent commander who always got us off on time and carefully avoided the two places where we afterwards learnt the Japs had tried to ambush us...."

(b) REFERENCE TO THE VISIT OF FOREIGN CORRESPONDENTS TO YENAN.

Extract:- "...I've been busy helping the foreign correspondents who got here about a month ago. If their stuff can get out it ought to have a big effect but so far they have not been able to get any replies to telegrams from Chungking so they are afraid all their stuff may be being cut out by the censor. Since starting this letter one of Forman's despatches came in on Reuters so apparently it is getting out alright. There will certainly be a big row when they get back if that is happening and even if it is getting through they will be able to give quite a headache to the Chungking dichts when they get back. For example Chungking declared there was no blockade but the newspaper people here gave them notices from the Sian post office saying

- 2 -

the censor had stopped copies of the paper addressed to high up Kuomintang people. There had been one saying that papers addressed to Chiang Kai Shek had been stopped but that was put to Chiang Kai Shek's secretariat when they wrote to complain about not getting the paper. Even the more open minded Kuomintang correspondents are quite impressed by things here. I can't quite make out why they ever let them come. My theory is that the KMT may really have wanted to believe their own propaganda and thought that things in the communist area were really so bad that it would be a good thing for reporters to see them. The reporters say the stuff they were given at Sian was quite fantastic. Hu Tsung Wan's chief of staff declared the 8th Route Army had not fought at all for the last 6 years (apparently Ho Ying Chin says the same) and that 1/3 of the land was planted with opium and lots more like that...."

(c) CRITICISM OF THE CHUNGKING GOVERNMENT - ALLEGED COOPERATION WITH THE JAPANESE AND ANTI-COMMUNIST ACTIVITIES.

Extract:- "...I gather from the correspondents and foreign papers reaching here that people are getting pretty fed up with the Chungking Government but I don't think they really know all their villainies. I've put some in the stuff for the Times' but I'm afraid they wouldn't publish it if I put everything in. It seems to me fairly clear that since 1939 the Chungking people have been more interested in fighting the communists than in fighting Japan. The 8th R.A. has captured lots of documents showing that the Kuomintang armies had definite orders to attack the communists and in some cases to go over to the Japanese if that were the most convenient way to do it. In one case I could check this fairly directly, S.E. Shansi sent Students to my class and one of them had been a wireless operator in Chu Hwien Ping's army until he was captured by the 8th Route in the beginning of 1940. He lived with the cypher staff and so saw all the telegrams. He told me that at the beginning of the war they really fought the Japs but later they were re-equipped and sent further North and that from then on the majority of instructions from the Military Affairs commission were for attacks against the 8th Route Army. They didn't actually say in so many words "attack the 8th Route Army" but after Chu Haien Ping had reported some place as held by the 8th Route Army telegrams would come telling them to attack and occupy that place. Also they discussed joint operations against the 8th Route Army with Shih Yu San who was later shot by Wei Li Huang for working with the Japs. (All the S.E. Shansi people speak well of Wei Li Huang. He apparently really tried to fight the Japs but in 1941 he was let down by Yen Hsi-San and Peng Pin Hsun so that the Japs outflanked him and he lost most of his troops).

It really is a scandalous record, 67 full generals going over to the enemy since 1942 and 62% of the puppet troops being former Kuomintang troops. The Kuomintang people got very indignant in defending some of the people who went over and say that Pang Pin Hsun was captured after being wounded. But I have seen a copy of the Peking Hsien Min Pao repeating a speech he made at a Japanese meeting and referring to him as a general in the puppet army so the distinction between being captured and deserting is not very great. Lu Cheng Tsao told me that when the EFA captured Pang Pin Hsun's MP after his army had become puppets they found telegrams from Chungking telling him to go over to the Japs if that seemed the best way of fighting the communists,

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and Yeh Chin Ying (the 8 R.A. chief of staff) say, that his troops are still in contact with Chungking. I can also check about Kuomintang puppet troops to some extent as in Chin Cha Chi I have heard people discussing the puppet army among themselves and saying that the only puppet troops who really fight for the Japanese are the former Kuomintang troops who have had a long anti-communist training. The locally recruited puppets do as little fighting as possible and mostly try to get some agreement with the 8 R.A.

There is also definite evidence of cooperation between local Kuomintang organisations and the Japanese. In S.E. Shansi and in Chin Cha Chi during the offensive last autumn there were several cases of members of the Kuomintang organisation helping the Japanese as guides or betraying hiding places of food stores etc. In some cases the younger people turned states evidence and told how people had persuaded men to join the Kuomintang by saying that after the war the Central Army would come and kill all the communists. Later they were given various spying jobs to do and eventually told to help the Japanese. Charlie Chao (who came with us on our trip in 1934) and who is now in the Public Safety Department told me that they had got hold of a report of a meeting of one hsien committee of the Kuomintang which had detailed decisions of the signals to be used in contacting the Japanese. I also heard of captured Japanese documents with this method for trying to suppress the 8 R.A. organization which referred to probable help from Kuomintang members in finding out hidden stores or identifying people in the local government or Home Guard organization.

I heard one other story which shows the cooperation between Chungking and the puppet troops. The American Air Force asked Ho Ying Chin for a map of the area behind the Jap lines showing guerilla areas where it would be safe for an American airman to bail out and make an emergency landing. When the map was produced one man who knew something about China thought it looked rather queer and took it to the 8 R.A. Chungking office. They at once saw that all the areas occupied by the 8 R.A. or New 4th Army had been marked as unsafe for Americans and nearly all the areas marked as safe were occupied by puppet troops. The Americans were rather annoyed and went back to Ho Ying Chin who quite calmly admitted that the areas he had marked as safe were occupied by puppet troops but said there were very few Japanese there and if Americans landed they would be sent back to Chungking alright.

No one here is at all surprised by the recent Chinese defeats in Honan and Hunan. All the reports they have had have been of scandalous conditions in the army and very bad relation between army and people. A fair number of deserters from the Kuomintang armies come to this area and they all report very bad treatment. The coats of the winter uniforms hardly come down to their waist and the trousers only just below their knees, apparently because so much of the issue of cloth etc. had been stolen by the higher officers. Some deserters from Sinyuan had not been issued winter uniforms in November. Much of the food allowance also gets stolen before anything gets to the men. The Japs only had 70,000 to 80,000 men attacking in Honan but though Tung En Po had several hundred thousand they simply collapsed and ran away. Large

numbers just deserted and went home. When Hu Tsung Nan sent reinforcements the staff work was so bad that they started fighting one lot of Tang En Po's men thinking they were Japanese. This battle ended with Hu Tsung Nan's troops running away. The Hunan troops are said to be a bit better in fighting but their relations with the people are very bad. I met one man whose family was in Hunan and their letters said that there was not very much to choose between the Kuomintang troops and the Japs. The Kuomintang troops didn't kill people so much but for looting and raping they are just as bad. Quite apart from the army all I've heard about conditions in Chungking or other places like that, from Chinese and from foreign reporters, sounds extremely bad. On the one hand a small gang with lots of money from profiteering, speculation, or graft and on the other the mass of the people practically starving. Students or teachers and lower officials are especially badly off.

Here conditions are completely different. Our food was rather scarce in Pincha Ji because the Japs had destroyed such a lot in the offensive but even there the government was doing all it could to help. Here, north of the Yellow River where the Japs had never been, the people are, by Chinese standards, very prosperous although it used to be one of the poorest areas in China. The government organised a big plan for increasing production, partly by organising the people to cooperate in their work and partly by putting all the government and army personnel into part time productive work. Everyone either has some land or either does spinning or something like that. Chu Te runs quite a big vegetable garden. Some units of the army are not only self supporting but actually hand back supplies to the Government. (Of course there is not any fighting here as the Japs are on the other side of the Yellow River and the Kuomintang troops have never made a big attack).

The latest reports of communist Kuomintang negotiations are not very hopeful. I don't see how you can hope for much from the present KMT lot. Ho Yin Chin and the other high up people are frantically anticommunist and the gestapo people (Tai Li etc.) have a tremendous influence. Also so many of the high up people are so mixed up in various forms of crooked speculations and so on that they would almost certainly find themselves in prison under an honest and democratic government. The whole basis of the ruling groups in the KMT is the old Chinese landlord and the crooked official class on the one hand and the new "speculator with government connections" class on the other and I don't see how either can do anything but resist democratic government as hard as possible as obviously the first step in any reform will be to deal with them or at least remove much of their power of income. Chiang Kai Shek has always been to some extent under the influence of the Chekiang financier group but for a long time he didn't definitely commit himself and appeared to have some democratic tendencies. Now he seems to have come out definitely against democracy and to be starting typical dictators megalomania. I'm now reading "China's Destiny" which they have not dared to translate into English. (I heard they appointed a distinguished board of translators but the result in English was so obviously impossible that they stopped the whole thing). As far as I have got it is pure de Valera mentality. Everything wrong in China, comes, not from Cromwell, but from the unequal treaties with England and America. There is nothing about the Mo-Metau agreement or

the other very unequal treatment CKS himself made with Japan, except as instances of Japs aggression. The later part, as far as I can tell from the review, is simply Chinese style fascism with praise of the old heirachal imperial structure of society and the collective responsibility Pao Chia system which the Japs use to secure the loyalty of the puppet government and troops and which is practically a systematization of the Nazi hostage system. The Japs comments on the book were that CKS was really in full agreement with the "spirit of greater East Asia" and it was a great pity he could not cooperate in practice as well as theory.

It seems to me that England and America are making a big mistake in being so considerate to the present KMT government and not really putting pressure on them to reform. There is still a liberal KMT group though they are powerless at present because they don't control the organisation. If the KMT doesn't reform it seems to me that there is a very big probability of China coming under exclusive communist control which would be a pity in many ways as I feel that the real weakness of the democratic system here is that there is not enough real discussion which comes from having no real opposition party. If the KMT does not reform enough to come to an agreement with the CP then the war will almost certainly end with the CP in control of at least everywhere N of the New Yellow River, perhaps N. of the Yangtse. At present they have all the country outside the railways organised and are the only anti-Japanese forces in the area. They are rapidly smashing the puppet armies which the KMT probably hopes will occupy N. China for them when the Japs collapse. When the Japs collapse the 8th Route and New 4th armies will almost certainly get a lot of abandoned equipment so they will be better off than now for supplies. I don't see how the KMT could reconsider N. China. They would have a bigger army and better equipped but judging from the fighting there is no comparison at all in fighting effectiveness. Our troops can put up quite a good fight against equal numbers of Japs while most of the KMT armies collapse even when they outnumber the enemy 3 or 4 to 1. In a civil war the KMT troops would really have nothing to fight for while the S.R.A. soldiers would really know what they were fighting for. The result would probably be a period with the communists in control in N. China and the KMT in the South but if the relative efficiency of government continued at the present level the relative strength of N. China could rapidly increase and in a few years the C.P. would be strong enough to organise a revolution in the KMT area and send an army to support it. That seems to me the sort of way things may go if the present reactionary groups in Chungking are allowed to continue in power. The C.P. Leaders don't want things to go that way and would make a lot of concessions to keep Chinese unity of only they could get their fundamental demands about democracy realised but they are obviously not going to give away their present position with large armies and a big area under their control if their is any risk of another anti-communist terror period like 1927 - 37...."

(d) EXCHANGE RATE AND UNITED AID TO CHINA.

Extract:- "...There is one minor scandal which you might try to clear up in England, that is the United Aid to China. The first point is the exchange rate. The funds are exchanged at CN\$160 to the £ while the market rate is about CN\$200 to the US\$. The American organisations have arranged with the American Treasury to convert a large part of their money by selling Treasury

drafts in the open market and only to convert part at the official rate so they get on the average between 100 and 150 CMC\$ for US\$1. If you compare this with the UAC method, the UAC are simply giving nearly half their money to the general sterling funds of the China government and not using it for relief at all. Secondly the money is simply handed over to Madame CKS with a British committee which can only make suggestions. As a result of the strongest suggestions the committee could make about £16,000 out of a total of about £1,000,000 went to the China Defence League for Bethune hospital etc., but when the last grant of £10,000 was made they said it was uncertain when there would be any more. (The China Defence League had close connections with Madame Sun Yat Sen and is interested in the 8th Route and New 4th Army areas.) Epstein, one of the reporters who is connected with the China Defence League and told me about all this, said he suspected that a good deal of the rest of the money found its way into the pockets of KMT officials. Judging from the general way things appear to work in Chungking this sounds not improbable though I can't check it.

Our areas have a population of 80,000,000 under Chinese control. (Paying taxes to the various governments,) and they are all (except nearly 2,000,000 round Yen-an) actually in the fighting for at least a part of each year so they really have a much better claim to relief money than the Chungking people in whose areas the distress is mostly due to their bad government. Again the 8 R.A. and New 4th troops are engaging about 60% of the Japs and over 90% of the puppets, and so should have a claim to a fair proportion of medical supplies. It seems to me that the money should be handed over with a stipulation that at least some definite proportion say 1/3 or 1/4 should be allotted to the communist areas and with some guarantee that supplies would not be stopped by the Sian people. (At present there are about 100 cases of medical supplies sent by the China Defence League which have been held for a long time by the Tsung Nan's troops, and we cannot get stuff like typhoid vaccine which is actually produced in Sian. The doctor says the medical people hate the KMT more than anyone else as they see their patients dying for lack of medicines while they know they could have but for the blockade.)

If it is felt that it would be too insulting to Madame CKS to start making conditions after first giving her a free hand then there should be a split in the UAC and people with progressive sympathies should try to raise money to go direct to Madame Sun Yat Sen and the China Defence League. I felt like writing to the Oxford Times to say that I was glad my photographs had been used to help raise money for China but that if Madame CKS was allowed to distribute the money none of it would be used anywhere near the areas where the photographs were taken...."

(e) NEED FOR RESPONSIBLE NEWSPAPER REPORTERS.

Extract:- "...One other point is that the Times really ought to send MacDonald out again or perhaps get Ian Morrison to go to China. Forman would be a first class man for the Daily Express as he is very active and always trying to get sensational news but he isn't really interested in anything but sensation and has no feelings at all about accuracy. Some years ago he stayed a few months in a place near the Tibetan border in Fansu and there

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published a book about his travels in Tibet full of fantastic adventures. I met the missionary family he stayed with and they said he never went more than 20 or 30 miles from Labrang. Some of the stuff he has sent off from here has had a lot of stupid inaccuracies, nothing very important but simply that he isn't interested in getting his facts right or in getting enough background really to understand things...."

(f) FOOD CONDITIONS IN YENAN.

Extract: "...We are living in a cave about 15 feet deep by 9 feet wide in what you might call the main hotel in Yen An. It is comfortable though our particular group of caves are very damp and we will move as soon as the Chinese correspondents have gone back to Chungking. They feed us very well. Probably much better food than you are getting. They make quite good bread and there are unlimited supplies of butter from Mongolia and eggs and all sorts of local vegetables and meat.

We can get some sugar though not very much and Erica gets 1/2 pint of milk per day. Except for bread and butter and some jam and cheese we have all Chinese food. All the area round here is very prosperous...."

(g) POST WAR DEVELOPMENTS IN JAPAN.

Extract:- "....One good thing about Yen An is that there are quite a lot of English books, mostly Marxian stuff. Also we get some foreign magazines some up to the beginning of the year. "The New Statesman" "Spectator" "Time" "Newsweek" etc. The impression in many ways is rather depressing. There seems to be so little in the way of constructive ideas. As regards Germany the purely negative Vansittart school and other people with no ideas of how really to reeducate the German; and as regards Japan people like Grew working to keep the emperor. The Jap leaders here are much more sensible. Oka says that "down with the Emperor" is a bad propaganda slogan at the present stage of development but he has no doubt about wanting to get rid of him. He says he hopes they can manage to get rid of the whole military feudal system by themselves and if they can't manage it they would welcome allied armies of occupation to help them, but there is really no point in an American army going to Japan to prevent a revolution...."

2. THE OPPORTUNITY IN CHINA.

Copy of enclosed article dated 10.7.44.

On most fronts guerilla activity is subsidiary to positional warfare but in China it has been guerilla warfare which has occupied the larger part of the Japanese forces. In March 1944 no less than 22 divisions, 64% of the Japanese forces in China, were engaged against communist troops behind the regular front. Even after the start of the Honan offensive the proportion was still 47%. In addition to these Japanese forces nearly the whole of Wang Ching Wei's puppet army of 780,000 was engaged against the communists.

In this fighting behind the regular fronts there were few large battles and the average enemy losses per engagement, in killed, wounded and prisoners, was under ten, but the total results have been quite impressive. The

- 8 -

communist forces claim that in the year to June 1944 they killed or wounded 198,370 Japanese and puppets, took 73,288 prisoners, and that 18323 deserters came over. Of the killed and wounded about 45% were Japanese but all except a few hundred of the prisoners and deserters belonged to the puppet armies.

Over large areas there is typical guerilla fighting with the Chinese forces operating in small groups but there are also large Chinese base areas where the Japanese only penetrate on occasional "mopping up" offensives. The Japanese have tried to combat these forces behind their regular front by attacks against the Chinese base areas, in some of which more than 50,000 troops have been employed, and by the building of an elaborate system of forts, motor roads, and blockade ditches. North of the Lunghai railway there were no less than 40,000 forts and garrison points.

During 1941 and 1942 the Japanese gained some ground but since 1943 they have been losing. The population paying taxes to the Chinese governments rose from fifty million to eighty million, the Japanese lost or abandoned 13,000 forts, and in the first half of 1944 the Chinese recaptured 24 hsien cities and retained control of eight of them.

It is only the communist forces which have been able to carry on this way behind the enemy lines even though they have received no supplies from outside. In 1941 there were nearly a million central government troops operating behind the Japanese lines, many of whom received ammunition and equipment from the rear, but by now their number has been reduced to twenty or thirty thousand. Many of these forces were destroyed by Japanese offensives but a disgracefully large proportion deserted to the Japanese and have now been incorporated in Wang Ching Wei's puppet army of which more than 60% consists of former Kuomintang troops. Since 1942 67 generals of the Kuomintang armies have gone over to the Japanese.

At present the main forces operating behind the Japanese regular front are the 8th Route Army with 320,000 men operating in an area extending from the Lunghai railway up to Southern Jehol and Liaoning in Manchuria. The New 4th Army with 153,676 men operating south of the Lunghai railway in Kiangsu and parts of Anhui, Hupeh, and Chekiang, and small forces operating near Hongkong and on Hainan island. These regular troops are equipped with rifles, light machine guns, and Japanese pattern grenade throwers and have some heavy machine gun and trench mortar units and a very small number of captured Japanese guns. Supporting these regular forces is a Home Guard organization with 2,130,000 members. They have some rifles but their main weapons are hand grenades and land mines. Mine warfare has developed greatly in the last two years and now causes considerable losses to the Japanese and greatly slows up their movements. The limiting factor in the operations of these armies is shortage of ammunition. They have nothing but what is captured from the enemy or made in small local arsenals which often have to hide their equipment because of Japanese attacks. As a result only hand grenades and the simpler types of land mines are available in anywhere near sufficient quantity. This shortage of ammunition enforces tactics of only fighting at short ranges, preferably with hand grenades, and often makes it

impossible to finish off a Japanese force which has been surrounded. The extent to which cartridges are economised can be judged from the fact that men in a special musketry training course were only issued three rounds per week.

While the Chinese forces have kept occupied a large part of the Japanese army and have to a large extent prevented the Japanese from exploiting the agricultural resources of the occupied areas this shortage of ammunition has prevented them from causing any serious dislocation of Japanese railway communications or damage to industrial installations. However, nothing but a reasonable supply of small arms ammunition and some easily portable weapons capable of piercing the brick walls of Japanese forts are required to change the whole situation in North and Central China. A large part of the Japanese fort, motor road, and blockade ditch system would become untenable and the boundaries of the Chinese base areas would approach in most places close to the railways. This in itself would be a serious loss to Japan as instead of getting some food and cotton from the occupied areas they might have to send in food for their armies and the workers in the rapidly expanding munitions industry in the North China cities. Furthermore with reasonable ammunition supplies and with bases near the railways the Chinese forces would be in a position to cause serious dislocation of Japanese communications and to make raids on important Japanese centres.

This situation clearly offers a great opportunity in the allied war effort against Japan. The Japanese position in North and Central China could be seriously weakened simply by the supply of ammunition and light guns in amounts considerably smaller than those required for fighting on any regular front.

At present nothing whatever is being done to exploit this opportunity. The situation has never been investigated by military observers and the allied intelligence is making no use of the organisation with agents all over the occupied areas and wireless stations within less than 20 miles of the main occupied cities which could obviously give invaluable information to the American air force.

The reason for this is the opposition of the Kuomintang which has for some years enforced a strict blockade of the communist areas. Negotiations are proceeding between the two parties but so far with little prospect of agreement. The point at issue is democratic government in China. The communist party considers that it is impossible to overcome China's military and economic difficulties without the introduction of democratic reforms. The statements of the leaders contrast the comparative success of their armies operating under extreme difficulties of supply but with full popular support and democratic organisation behind them, with the rapid collapse of the Kuomintang armies in Honan and their serious defeats in Hunan. They compare the work of social and economic reconstruction carried out by the democratic governments in their areas, in spite of continual Japanese attacks, with the economic and financial crisis in the areas under Chungking.

It is only after the introduction of democratic reforms in the Chungking areas that the problems of the communist party having its own armies and territories can be solve . The communist leaders would go to considerable lengths to preserve Chinese unity and would exchange their present position for that of a legal party under an effectively functioning democratic constitution, but they can hardly be expected to place their party unamed at the mercy of a government which includes most of the leaders of the anti-communist terror from 1927 to 1937 who still express their violent hatred of communism. The plans for an elected assembly after the war do nothing to solve the present crisis in China's military and economic situation, and, so long as the government retains a powerful secret police force and controls the press and free speech, opposition parties cannot place much confidence in the results of an election.

The communists have no confidence in the present Kuomintang leaders. It is said that since 1939 they have been at least as interested in fighting the communists as in fighting Japan, and a lot of evidence can be given to support this view. It is generally believed that the widespread desertion of Kuomintang forces to wang Ching Wei is the result of a deliberate policy aimed at building up a force which can preserve North China for the Kuomintang after the collapse of Japan.

If there is such a policy it is not likely to be successful as the puppet armies are suffering defeat after defeat and many of them have some understanding with the communist forces. If there is no agreement between the two parties the present indications are that the collapse of Japan will leave North China in the hands of the communist forces, even if they continue to receive supplies, and that it would be extremely difficult for the Kuomintang to dislodge them.

Under the circumstances it seems doubtful whether any action can be taken against the Japanese in North and Central China with the cooperation or even with the consent of the Chungking government. The question then arises as to whether the allies are prepered to insist on taking action. There is a strong case for believing that supplies to North and Central China could produce a marked influence on the course of the war against Japan and if the allies continue to refuse even to investigate this opportunity, they will in effect be sacrificing British and American lives for the sale of Chinese internal politics..."

3. CLAIMS BY THE 8TH ROUTE ARMY.

Extract from enclosed Background dated 9.7.44.

Extract:- "...The 8th Route Army claims the following results for the year to June 1944. Engagements 23,327, Japanese casualties 85,432, Puppet casualties 79,831, Japanese prisoners 303, Puppet prisoners 59,343, Japanese deserters 45, puppet deserters 6,948. Rifles captured 50,677, machine guns captured 626, guns captured 105. 8th Route losses are given as 10,934 killed and 17,976 wounded. There are several interesting features of this compared with previous years; firstly the proportion of puppet casualties has been increasing. In 1941/42 the puppets lost 33,526 killed and wounded 17,914 prisoners against 50,306 Japanese killed and wounded. This no doubt reflects

the success of the struggle against the armies of Wu Hua Wen and others. Secondly the casualty ratio has steadily turned in favour of the 8th Route forces for the last three years. In 1941/42 the ratio was 1.31.1 while in 1943/44 it was 5.01.1. This is partly due to the increased proportion of fighting against puppet troops but even if 8th Route army casualties are compared with Japanese casualties alone the ratio changes from 1.79 in 1941/42 to 2.26 in 1943/44. Thirdly the number of engagements has greatly increased. In 1941/42 it was only 12,221. The New 4th army does not give separate figures for Japanese and puppet and its figures for the year to June 1944 are :- Engagements 5,318, Japanese and puppet casualties 53,107, Prisoners 13,642, Deserters 11,320, Rifles captured 33,976, Machine guns captured 376, Guns captured, 20, New 4th Army losses 9,015 wounded and 8,058 killed. Here again the casualty ratio has improved from 1.39.1 to 3.2.1 between 1941/42 and 1943/44...."

UNRESTRICTED

From: London

Dated: Nov. 10, 1944

Recd.: 2 p.m., 16th

SECRETARY OF STATE

Washington

A-1355, November 10, 1944

The Embassy carried out the suggestion made in the Department's telegram No. 7438 of September 13 and designated Mr. Sidney H. Browne as American member on the expert commission to draw up a form of travel document for stateless persons.

In view of Mr. Browne's transfer to the Hague it is probable that he will no longer be in London when the commission meets for the first time. It is therefore suggested that the Department may wish to appoint another officer to the commission in Mr. Browne's place. Dr. Carlos J. Warner is now handling refugee matters and would appear to be the logical person to be designated.

GALLMAN

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

158  
November 10, 1944

3 p.m.

AMEMBASSY

LONDON

9419

The cable below for Gallman and Mann is WRB 21.

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.

STETTINIUS  
(ACTING)  
(GLW)

WRB:JMV:KG  
11/9/44

BC

SWP

FEA

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

CABLE TO AMBASSADOR KIRK, AMPOLAD, CASERTA, ITALY.

Prior to Ackermann's departure he had discussion with Offie regarding Jews in Croatia whose evacuation by plane had been arranged. After 29 persons had been evacuated, movement was delayed for several reasons. Please furnish information as to possibility of completing evacuation promptly. Major Klugman of British Military Mission and Merrill in Bari should be acquainted with situation. Refugees are now located at Topusko near Karlovac. Please advise whether it is now considered by military that this area is on possible line of retreat of Germans. If at all feasible we consider it important that evacuations be completed.

4:45 p.m.  
November 10, 1944

LAckermann:lab 11/10/44

CABLE TO ANEMBASSY, MADRID, SPAIN

Reference your 3640 of November 3. The following is the substance of a message from Amlegation Bern dated November 4:

QUOTE Permission for entry into Switzerland for 155 Sephardic Jews was obtained from Swiss Federal Police some weeks ago. Problem is how to get them out of Bergen Belsen. Swiss would welcome formal request from Spanish Government concerning this group as this might permit Swiss to specifically raise question of their departure with Germans. UNQUOTE

Please take necessary steps to ensure Spanish action in accord with foregoing suggestion.

4:45 p.m.  
November 10, 1944

BAkzin:LSLesser:hh 11-8-44

EMBASSY OF THE  
UNITED STATES OF AMERICA

CONFIDENTIAL

No. 3395

Madrid, Spain, November 10, 1944.

Subject: Transmitting Copy of Embassy's Note Verbale to  
Ministry of Foreign Affairs concerning Negotia-  
tions on Subject of Proposed Exchange of German  
and Paraguayan Nationals

The Honorable  
The Secretary of State,  
Washington.

Sir:

With reference to the Department's telegram No. 2974, of November 7, 1944, 10 p.m., concerning the present status of negotiations on the subject of the proposed exchange of German nationals in Paraguay against persons in German-controlled territory in possession of documents issued in the name of the Paraguayan Government, and to my telegram No. 3708 of November 9, 1944, 6 p.m. in reply, I have the honor to enclose a copy of the Embassy's Note Verbale No. 3353 of November 9, 1944 to the Ministry of Foreign Affairs to which reference was made in the latter telegram.

Respectfully yours,

/s/ Carlton J. H. Hayes

Carlton J. H. Hayes

Enclosure:

To Ministry of Foreign Affairs,  
No. 3353, November 9, 1944.

File No. 704  
NWB/jf  
Original to Department  
(for Osalid machine)  
Copies to Bern and Asuncion

COPY

Enclosure to despatch No. 3395 dated November 10, 1944, from Carlton H. Hays, American Ambassador, at Madrid, Spain on subject of Proposed Exchange of German and Paraguayan Nationals.

\* \* \* \* \*

No. 3353

NOTE VERBALE

The Embassy of the United States of America presents its compliments to the Ministry of Foreign Affairs and has the honor to refer to its Note Verbale No. 3147 of September 27, 1944 informing the Ministry of the Embassy's understanding that the Government of Paraguay had advised the Spanish Government on September 22, 1944 that it had empowered the United States Government to represent it in negotiations relating to the proposed exchange of German nationals in Paraguay against persons in German-controlled territory in possession of documentation issued in the name of the Paraguayan Government, the receipt of which communication was acknowledged by the Ministry in its Note Verbale No. 739 (1-A-Fr. Parag.) of September 30, 1944.

The Embassy would inform the Ministry, in this connection, that, in order that the United States Government, pursuant to the above-mentioned mandate of the Paraguayan Government, may be enabled effectively to carry on the requisite negotiations with the German Government on this subject, it now proposes to utilize the intermediary facilities of the Swiss Government, as protecting Government with respect to the interests of the United States in Germany and German-occupied territory.

In the light of Spain's acknowledged position as representative of Paraguayan interests in Germany, the Embassy would express the hope that the Spanish Government will find it possible to convey to the Governments of Germany and Switzerland, at its earliest convenience, its recognition of the right of the United States Government to act on behalf of the Paraguayan Government in this matter, together with an expression of its agreement to the negotiation of the proposed exchange by the United States Government through the intermediation of the Swiss Government.

In order that the Embassy may convey to its Government the appropriate assurances in this respect, it would appreciate being promptly advised by the Ministry of any measures which may be taken in pursuance hereof.

Madrid, November 9, 1944.

CABLE TO MINISTER JOHNSON FOR OLSEN, STOCKHOLM, SWEDEN

Several lists of relatives of United States citizens have been sent to you by courier pursuant to Department's cable No. 1701 of August 24, items 2 and 3, as WRB Nos. 95, 99, 100, 102, 112, 114, 116, 222, 229, 231, and 238.

Also lists of relatives of resident aliens, pursuant to Department's cable No. 1701 of August 24, as WRB Nos. 104, 108, 111, 221, 224, 229, and 237.

Also lists of persons to whom American visas had been authorized since July 1, 1941, pursuant to Department's cable No. 1501 of July 28 and dispatch No. 677 of September 11, as WRB Nos. 82, 87, 98, 103, 107, 232, and 234.

Please confirm receipt of the foregoing and advise Board what action has been taken by you and by Swedish authorities. The Board would also appreciate your views as to the extent that such action has resulted or may be expected to result in benefits to intended beneficiaries.

THIS IS WRB STOCKHOLM CABLE NO. 244.

4:45 p.m.  
November 10, 1944

BAkzin:LSLesser:hh 11-8-44

MFD-819  
Distribution of true  
reading only by special  
arrangement. (SECRET W)

Stockholm

Dated November 10, 1944

Rec'd 12:10 p.m.

Secretary of State,

Washington.

4598, November 10, 3 p.m.

This is our No. 103 for WRB.

Under date of November 8 Swedish Minister in Hungary has reported to the Foreign Office that Hungarian Jews are the object of extreme terrorism by the Arrow Cross party. Brutality is increasing, ration cards have been withdrawn and conditions in the labor camps are severe. However, Swedish Legation has so far succeeded in obtaining the release of more than 1,000 Jews with Swedish or Swiss protective passports from labor camps or other confinement.

On November 9 the Swedish Minister advised by telephone the Swedish Foreign Office that about 200 Jews under Swedish protection had been arrested during the night. He was instructed by cable to make the strongest possible representation to the Hungarian authorities that Jews under Swedish protection must continue to have personal safety until their transportation from Hungary can be arranged.

JOHNSON

BB

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

Please deliver the following message to Isaac Sternbuch, St. Gall,  
from rabbi Aron Kotler and Abraham Kalmanowitz of the Vaad Hahatzala Emergency  
Committee:

QUOTE RECEIVED FURTHER INFORMATION RE EVACUEES FROM KAUNAS:  
INNERQUOTE FOLLOWING ADDITIONAL WELL KNOWN PERSONALITIES INCLUDED  
IN LIST EVACUEES FROM KAUNAS TAKEN BY GERMANS RABBIS DANIEL MOWSHOWITZ  
BORUCH GINZBURG WOLF HELLER. ALSO IN GROUP OF SIXTEEN THOUSAND TAKEN  
ALMOST ENTIRE KOLLEL KOVNO AND MANY SCHOLARS FROM RABBINICAL COLLEGE  
END INNERQUOTE OUR COMMITTEE DEEPLY PERTURBED PRACTICALLY NOTHING  
DONE RESCUE OF LITHUANIAN JEWRY URGE YOU AGAIN SPARE NO EXPENSE DO  
EVERYTHING ENDEAVOR SAVE ALL THOSE LISTED OUR CABLES AND MAXIMUM POSSIBLE  
NUMBER THIS GROUP MUST IMPRESS THAT GREATEST RABBIS RELIGIOUS LEADERS  
SCHOLARS IN THIS GROUP UNQUOTE

THIS IS WRB BERN CABLE NO. 268

1:00 p.m.  
November 10, 1944

RDrury 11/10/44

CABLE TO MINISTER HARRISON FOR MC CLELLAND, BERN, SWITZERLAND

Several lists of relatives of United States citizens have been sent to you by courier pursuant to Department's cable No. 2918 of August 24, items 3 and 4, as WRB Nos. 193, 202, 207, 208, 221, 222, 224, 235, 253, 254, and 263.

Also lists of relatives of resident aliens, pursuant to Department's cable No. 2918 of August 24, as WRB Nos. 210, 215, 219, 234, 242, 252, and 262.

Also lists of persons to whom American visas had been authorized since July 1, 1941 pursuant to Department's cable No. 2605 of July 28 and dispatch No. 2317 of September 12, as WRB Nos. 160, 179, 199, 209, 212, 256, and 261.

Please confirm receipt of the foregoing and advise Board what action has been taken by you and by Swiss authorities. The Board would also appreciate your views as to the extent that such action has resulted or may be expected to result in benefits to intended beneficiaries.

THIS IS WRB BERN CABLE NO. 269.

4:45 p.m.  
November 10, 1944

BARzin:LSLesser:hb 11-8-44

ORIGINAL TEXT OF TELEGRAM SENT

167

FROM: Secretary of State, Washington  
TO: AMLEGATION, Bern  
DATED: November 10, 1944  
NUMBER: 3830

SECRET

To Minister Harrison and McClelland.

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/

STETTINIUS  
ACTING

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

EL - 782  
This telegram must be  
paraphrased before being  
communicated to anyone  
other than a Government  
Agency. (RESTRICTED)

Bern

Dated November 10, 1944

Rec'd 9:21 a.m.

Secretary of State,

Washington.

7440, November 10, 9 a.m.

FOR WAR REFUGEE BOARD FROM McCLELLAND FOR WEISSMANN OF  
SELF-HELP FROM COMITE REFUGEES INTELLECTUALS.

"Our Paris representative Vavasseur. Hope meet her  
there next week. Next week in Brussels Ciselet organizing  
office where assistance urgently needed".

HARRISON

WSB

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

DCG - 784  
This telegram must be  
paraphrased before being  
communicated to anyone  
other than a Government  
Agency. (RESTRICTED)

Bern

Dated November 10, 1944

Rec'd 9:20 a.m.

Secretary of State,

Washington.

7/41, November 10, 10 a.m.

FOR WRB FROM MCCLELLAND.

In line with Department's 3710, October 30,  
reliable information has been received from Bucharest  
that of 5 to 6,000 Hungarian Jews sent to work copper  
mines at Borin some 400 have reached Bucharest and  
700 Timisara, Transylvania. 700 Hungarian Jews also  
said to have been deported for labor to Ukraine have  
succeeded returning as far as Timisara.

HARRISON

RH

PFM-216

This telegram must be paraphrased before being communicated to anyone other than a Government Agency. (SECRET-0)

Bern

Dated November 10, 1944

Rec'd 1:03 p.m., 11th

Secretary of State,

Washington.

7464, November 10, 8 p.m.

FOR WRB FROM MCCLELLAND.

One. Expression of appreciation and assurances contained in paragraph one your 3786, November 7 have been conveyed to Mr. Pilet. Information requested in paragraph two is being collected and will be wired shortly.

Two. On November 8 Swiss Political department still had no news from its Budapest Legation regarding composition or departure of group of 8,000. A third wire requesting clarification was sent on November 7.

Situation in Budapest is most unsettled so that it is doubtless increasingly difficult for Swiss Legation to supply precise information concerning possibility departure these persons. Communications with Budapest are also becoming uncertain. It now seems most unlikely operation can be effected by November 15.

Three. We have credible intimations that balance of Hungarian-Jewish group from Bergen-Belsen some 1,300 souls will be sent to Switzerland shortly.

HARRISON

RB

FBI-75

PLAIN

Bern

Dated November 10, 1944

Rec'd 11:59 p.m.

Secretary of State,

Washington.

7475, tenth.

FOR WRG FROM MCCLELLAND

FOR JOSEPH SCHWARTZ OF JOINT DISTRIBUTION COMMITTEE

FROM UNION OSE

"Lazar Gurvitch and Joseph Weill recently visited Paris, Lyon, Marseille, Chambéry and Grenoble. Unified OSE organization has been reestablished comprising institutions in Paris and southern zone. Central board French OSE in Paris presided over by Justin Gogard and Dr. Minkowski. Needs Jewish population very great. About 50,000 persons are receiving financial assistance from social organizations. OSE has initiated action reunite parents and children and is responsible for 5,500 children, 2,000 of whom receiving aid with their families while 3,500 have been placed in adoptive families and children homes. 4 OSE homes have been reopened and before years end 1,200 children will be transferred into newly opened colonies there is great need of medicines clothing and household equipment these homes. Medical and social consultation centers have been opened in Paris, Lyon, Marseille, Toulouse and Limoges which care for a considerable number of sick people particularly tuberculars. View widespread need have had to increase budget 60 percent. Have established close contact with French Ministry of Public Health and united front French mutual aid which has recognized OSE activities within general frame of French war relief program.

Please communicate possibilities sending medicines to liberated Poland.

Morevski quite well and working with OSE.

Kindly relay substance this message to Leo Hulmann." 34.60

MJF

HARRISON

Miss Chancy (for the Sec'y) Abrahamson, Ackermann, Alvin, Cohn, Drury, Dulac, Friedman, Garton, Hjal, Lerner, Motta, Rosen, ...

DEPARTMENT  
OF  
STATE

INCOMING  
TELEGRAM

172  
DIVISION OF  
COMMUNICATIONS  
AND RECORDS

EOC-59

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

Paris

Dated November 10, 1944

Rec'd 11:30 p.m.

Secretary of State,

Washington.

US URGENT

438, November 10, 9:00 p.m.

PERSONAL AND SECRET FOR THE SECRETARY OF THE TREASURY  
FROM SAXON.

DEPARTMENT OF STATE  
RECEIVED  
NOV 11 1944  
COMMUNICATIONS

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

One. Lepercq, Minister of Finance and Riquebourg were killed yesterday in an automobile accident in the south of France.

Two. Previous communications on the subject of French finances by subject should be seen in the light of the fact that the new Minister of Finance may not follow Lepercq policy.

Three. I gather from conversation with Brunet of the Ministry of Finance that there is considerable indecision in the Ministry of Finance concerning future financial policy. It appears that the most definite views are held by the banking community headed by Monick, Governor of the Bank of France. There seems to be a developing tendency on the part of some to favor indirect measures. For instance, importance is attached to the

expected

-2-#438, November 10. 9 p.m. from Paris.

expected percentage of notes which would be withheld from declaration and deposit in the case of any note exchange program. Brunet pointed out that the illicit excess profits tax under the October 18 ordinance reaches 80 percent. Brunet emphasized that this measure is of course applicable only to industrial and commercial concerns and does not affect agriculture. The French seem anxious to avoid measures which would penalize agriculture because among other reasons of the high cost of replacement of equipment and stock. Brunet stated the initial indications are that the sales of the Liberation Loan had reached the figure of 30 billion francs.

CAPFERY

JMS

SECRETCOPY NO 4NOT TO BE RE-TRANSMITTEDOPTEL No.365

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

1. NAVAL

On 7th an LST sunk by mine off OSTEND. On 2nd one of H.M. Submarine bombarded MALACCA; ANDAMAN ISLAND, sinking several small craft and damaging three landing barges.

2. MILITARY

Western Front Attack by U.S. Third Army going well with advances up to 5 miles on 25 mile front. Last German bridgehead south of MAAS at MOERDIJK cleared by Polish troops. On WALCHEREN two small enemy parties cut off North of MIDDELBURG, otherwise all resistance ceased.

Italy 4th. Division have captured FORLI after heavy fighting S. and S.E. of the town. Leading troops of 46th Division have now reached general line of River MONTONE West of FORLI and South of Highway 9. Poles still advancing North astride upper reaches this river have occupied more important features after sharp engagements.

Burma. In TIDDIM area our troops have captured FORT WHITE and advanced a further 4 miles towards KALEMYO. Troops advancing down the railway from MOGAUNG are now within 8 miles of INDAW. Chinese have crossed IRRAWADDY, West of BEAMO and captured SINLUMKABA.

3. AIR OPERATIONS

Western Front 9th. 248 escorted bomber command heavies attacked synthetic oil plant WANNE-EICKEL area dropping 1312 tons. 726 escorted U.S. Heavies dropped 2194 tons in METZ and THIONVILLE areas and 332 others dropped 949 on SAARBRUCKEN railway centre. All these attacks unobserved through cloud. 16 bombers, 25 fighters missing; 2 fighters believed landed BELGIUM.

211 fighter bombers attacking railway targets East of RHINE and in MANNHEIM area destroyed or damaged 39 locomotives, 128 rolling stock and damaged track in over 60 places. Of 514 medium bombers despatched only 67 (8 missing) could attack troop concentrations, etc., METZ area owing to weather. 126 tons dropped with good results. 521 fighters and fighter bombers flew armed reconnaissances in COLOGNE and DUSSELDORF areas dropping 82 tons DUREN railway centre.

Mediterranean 8th. 91 escorted bombers, (1 missing) dropped 246 tons roads, road junctions, bridges, etc. YUGOSLAVIA. 306 aircraft (5 missing) bombed communications and military targets Northern Italy.

German Activity 28 flying bombs plotted during night to 7 a.m. 10th.

November 11, 1944  
10:45 a.m.

WAR BOND SPEECHES

Present: Mr. Gaston  
Mr. Gamble  
Mrs. Klotz

H.M.JR: General Marshall suggested that what was true of Aachen would be true of the whole line; the whole line from now on would be a succession of Aachens.

Now, this is what General Marshall has written.

(The Secretary reads from "Memorandum for General Somervell, by General Marshall, dated November 11, 1944, as follows:)

"Mr. Morgenthau suggested that we could cite as a single example the consumption of ammunition required to take Aachen and then carry that comparison along the line that the entire front will be a series of Aachens from now on.

"Will you have someone work up data on this purely as such and then also some suggested paragraphs for Mr. Morgenthau."

- 2 -

A copy of that went to Surles. I want to put down here very confidentially that he said that up to now our troops had been on a rationed basis on ammunition and sometimes they had so little ammunition that they couldn't fire more than one round a week.

MR. GASTON: That is for the whole force?

H.M.JR: Yes, for the whole force. He particularly mentioned General Patton, that he was on a basis where they were so short of ammunition that they couldn't fire more than one round a week. And the reason I am mentioning this is that this thing of our troops being held up on account of something I said is so ridiculous when you find out the main trouble is this shortage of ammunition.

Now, I said to him, "How about shortages at home? Aren't there shortages at home?"

He said, "Yes."

I said, "Well, are you willing that I say something about shortages at home and exhort the people to produce more?"

He said, "Definitely."

I said, "Already things have been said publicly, but I will see they give you that material as well."

This is what Marshall dictated. Take a minute to read it. (Hands Mr. Gamble Memorandum for General Somervell)

Then I thought we would sort of get organized to write this thing. He kept saying, "This is a good line."

I said, "You like what I have said, don't you?"

He said, "Well, yes. It is terribly important that we get this thing across now."

I always do get something from him, do you see?

- 3 -

MR. GASTON: Yes, that is along the very lines we were thinking of - some of those things that Tickton suggested there.

I assume that we are going to get up a draft for the President, aren't we - for his Sunday night thing?

H.M.JR: Yes.

MR. GAMBLE: I called Steve Early this morning to ask him if they wanted from us, as they have in the past, a suggested outline, but he is not in, and they are not sure whether he will be in today at all or not.

H.M.JR: Well, I believe that Steve has gone away somewhere for a rest. I spoke to him about the thing, and he said that if he was away to take it up with Hassett.

Now, just hold that thought a minute, will you, because I want to talk on the over-all thing. I want to get myself organized for you.

MR. GAMBLE: Fine.

H.M.JR: Now, Gaston has Vanderpoel coming here Tuesday, and you are having whom?

MR. GAMBLE: Robeson, Monday. Would you rather have him Tuesday?

H.M.JR: I was thinking I would set aside all of Tuesday morning as a sort of conference to talk out what I have got. This stuff won't come through by Monday, anyway, from these people.

Will you make a note, Mrs. Klotz, to keep all of Tuesday morning? If I could sit around here for a couple of hours and sort of talk this thing out, based on what we have got from these people - do you see - then we are ready to go to town. It is terribly hard. I have been groping to say the right thing, and I think Marshall is right.

- 4 -

MR. GAMBLE: He has given you the key to one very important talk.

H.M.JR: Well, you can elaborate. It is like the time I went to the West Coast, they gave me enough stuff, you know. I can't make more than one important talk. That is another thing we have got to decide - where that will be.

MR. GAMBLE: I think New York.

MR. GASTON: You have eight minutes at Chicago to follow King, and you have to use up a lot of that time in paying your respects to the Navy, and so forth, and you won't have much opportunity to say anything there. In New York you will have fifteen minutes of air time with a brief introduction which we can have made very brief; so you can have thirteen or fourteen minutes at the Waldorf Astoria in New York, and that goes out on the network, paid for by the New York Committee. It is a very good spot.

H.M.JR: What time?

MR. GAMBLE: Nine to nine-fifteen, Eastern War Time.

H.M.JR: If that is correct, that is the best time.

MR. GAMBLE: Either nine to nine-fifteen or eight fifty-five to nine-ten. It is in that neighborhood. They haven't confirmed it yet. Even if we have to take a commercial program off the air, that will be definite.

H.M.JR: Well, I want to get this thing. I think the thing to do is to do it Tuesday morning, concentrate the thing into that time.

Mrs. Klotz, you might phone General Somervell's office and say that this information they have, I get at the latest Monday afternoon.

MR. GASTON: Somervell has the best people.

- 5 -

H.M.JR: Now, I don't know whether I should ask for any of this or not.

MR. GASTON: I think you have enough on that. That is the main theater of action for the present. That is the main interest.

MR. GASTON: That Navy stuff would be worth getting in connection with the Navy speech.

H.M.JR: Well, I am having lunch Monday with King and Forrestal, and they are on notice what I want. So that is another reason why we do this thing Tuesday. You see, I plan this thing so I get this stuff; they know what I am coming for.

MR. GASTON: Then we can get in touch with Navy Public Relations later so as to match the speeches one against the other, because they have to be complementary.

H.M.JR: Will you be here Tuesday?

MR. GAMBLE: Yes, sir, Monday, Tuesday, and Wednesday. I will only be away one day next week.

H.M.JR: I think if we start in, let's say at nine-fifteen Tuesday morning - will he be in from Chicago by then, do you think?

MR. GASTON: Yes, the Liberty Limited - it will be about--

MR. GAMBLE: Ten o'clock will be safe.

H.M.JR: All right, ten to twelve.

MR. GASTON: If you want some material for today, I wrote a memorandum and then I have a rough draft of a speech which Henry Murphy did, and I have some stuff coming from Peter Odegard and from Mager, today.

- 6 -

H.M.JR: I will have to stop. For Tuesday, who will you bring with you from the War Department?

MR. GAMBLE: I think I will only bring Mager.

H.M.JR: Will Peter be in town?

MR. GAMBLE: He won't be here. He will be in Chicago for us. But he has finished a speech this morning.

MR. GASTON: He has done it?

MR. GAMBLE: It may not be what you want, but it is very good.

MR. GASTON: I was kind of ashamed to ask him for it because he has so much.

MR. GAMBLE: He dropped everything and did it.

MR. GASTON: So we have coming today a draft from Peter for Navy Day, and a draft from Mager for the President, and a draft which I have already gotten from Henry Murphy for the other one.

H.M.JR: The thing for the President ought to really be more on unity.

MR. GAMBLE: Mager did the President's speech last time and I thought it was good.

H.M.JR: If Herbert or you will get these speeches to Mrs. Klotz, I will take them home Sunday to read.

MR. GAMBLE: You appreciate they are in original rough form. I think you will like this idea that Peter came up with.

H.M.JR: Now, will you contact Robeson? We will start Tuesday morning at ten o'clock.

MR. GAMBIE: Yes, sir.

H.M.JR: I will see you again. Will you be here tomorrow?

MR. GAMBIE: I will be here all day today and tomorrow.

H.M.JR: I will see you tomorrow.

11 November 1944

MEMORANDUM FOR GENERAL SOMERVELL:

I have just been discussing with Mr. Morgenthau the basis for his appeal for the new War Loan; something a little different from the statements in the past and of a nature that can be readily understood by the public.

It seems to me that the best text would be an illustration of the fact that with the virtual completion of the deployment of the Army, air and ground, and particularly with the opening of the port of Antwerp, the consumption of munitions, gasoline and clothing and similar items as well, will be on a tremendously increased scale. As an illustration the comparison between the consumption of four divisions in the Tannian battle with the present consumption in France and Italy would be very effective.

He will need telling paragraphs that make clear the great difference in our necessities between a division training here in the United States or in England and that same division actively occupied on the front.

A further effective comparison would relate to the Pacific where the operations at Tarawa, Kwajalein, Saipan and in the Palau Islands, while difficult and vicious, were of short duration but from now on the action will be continuous in the Philippines and the consumption in munitions accordingly greater.

I mentioned the port of Antwerp. I think a very telling play can be made on this without involving ourselves in security control, and that is that from now on the consumption will be tremendously increased because of easier deliveries through the Port and because of the fact that we shall be free to deploy a maximum number of divisions which has not been the case in the past.

Mr. Morgenthau suggested that we could cite as a single example the consumption of ammunition required to take Aachen and then carry that comparison along the line that the entire front will be a series of Aachens from now on.

Will you have someone work up data on this purely as such and then also some suggested paragraphs for Mr. Morgenthau.

G.C.M.

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

*Draft* 183

DATE NOV. 11, 1944

TO: Mr. Gaston

FROM: Harold Mager *Hlu.*

I am transmitting herewith suggested draft for the President's speech opening the Sixth War Loan Drive, and suggested draft for Secretary Morgenthau's introduction.

*2*

Attachments

Suggested Introduction of President by  
Secretary Morgenthau

Ladies and Gentlemen:

We Americans have a lot to be thankful for. Not the least of our blessings is that in times of grave national crisis, when the fate of our nation has hung in the balance, there has emerged from our midst leaders with the authentic stamp of greatness.

When our people's task was to create and weld together a nation, we had George Washington.

When the task later on was to preserve the nation from disruption within, we had Abraham Lincoln.

And when the task - which is absorbing the best of our talent and efforts today - is to save the nation and its institutions from disruption from without, we have Franklin Delano Roosevelt.

In launching the Sixth War Loan Drive from the White House tonight, the President will address the nation on some of the broader aspects of the war finance program.

-2-

It is my privilege, Ladies and Gentlemen, to introduce  
..... Our Commander-in-Chief.

-oOo-

Suggested War Bond Speech for the President  
(1500 words)

My Fellow Americans:-

On this the eve of the Sixth War Loan Drive, when all Americans will be asked again to lend a hand to the financing of this greatest and costliest of wars, I think we ought to glance back for a moment and see how far we have already come - and look ahead to see how far we have still to go.

I believe you will agree with me that we've come a long way since the outbreak of war. What has been accomplished is a tribute to the heroism and foresight, the spirit of self-denial and voluntary cooperation of the American people.

All over the world, in Europe and in Asia, we are on the offensive - not the defensive.

The initiative rests with us - not with the enemy.

He fights on our terms - not we on his.

Today the United Nations represent the mightiest armed coalition in the world. The enemy no longer strikes terror in our hearts; we strike terror in his.

We've built the most powerful army, navy, and air force in history - to protect and safeguard our future as a free nation; to give aid and comfort to our embattled Allies.

We've assured the freedom of the seas, and thus removed the threat of an imposed Chinese wall of isolation that would have ruined our commerce and industry and forced us to pour our resources indefinitely into more and more armaments.

We've safeguarded our future as a free, democratic people - the whole fabric of working life as we know it. American workingmen - the dignity and power of their

standard of living now protected - no longer have to fear competition with slave labor in the rest of the world. American farmers need fear no longer the prospect of a totalitarian victory that would reduce them to the status of peasants on the land. American business men can look forward with renewed hope in the future, secure in the knowledge that they will not have to knuckle under to the arbitrary dictates of a regimented economy.

We have brought new hope and faith to millions of the world's enslaved - the French, Belgians, Dutch and Greeks recently rescued from their Nazi oppressors; and the Czecks, Poles, Norwegians and Chinese who still await deliverance.

We have assured to ourselves and our children and our children's children two of the most fundamental rights of free men - the right to freedom of speech and expression, and the right of every person to worship God in his own way.

At long last we can look forward to a time when we can take up again the unfinished tasks of peace on which the greatness of this nation rests - the broadening of educational opportunity for the youth of America, the construction of housing and public works, the provision of security for those who need it, the protection of health, and - perhaps most important of all - the assurance of jobs to those who can work.

All this - and more - has been accomplished by you - the American people. And in the accomplishment, we have become better Americans - conscious of our stake in the preservation of democratic life, our fiber toughened, our faith and devotion strengthened in the institutions we defend.

Between the War Bonds you have bought - and will continue to buy - and the attainment of these objectives, there is a direct and unbreakable connection. Your War

Bond money has helped us launch the mightiest offensives the world has ever seen. It has helped to make us the arsenal of democracy, to make our soldiers, sailors and marines the best outfitted, most modern equipped fighting men in the world. Your War Bond money has helped to liberate the enslaved peoples of the earth, and write the seal of doom for the Nazis in Europe and the Jap war lords in the Orient. It has helped to defend everything we hold dear, for ourselves and our posterity.

For these reasons the Sixth War Loan Drive starting tomorrow is something more than just a bond-selling, money raising affair. To me it represents the launching of a new and mighty offensive on the home-front.

The millions of Sixth War Loan volunteers and the many more millions of bond-buyers form the behind-the-battlefront-army. All of us here at home are a vital extension of the fighting lines now drawing the noose

tighter and tighter around the enemy. War Bonds in many ways are a symbol of the entire war effort.

Much as we would like to, we cannot all have the privilege of fighting the enemy face-to-face. We cannot all produce the weapons and raw materials so vital to our armed forces. But there is one front on which all of us - every man, woman and child - can serve, and serve for the duration. That is the front right here at home. We can all practice self-denial; there are many things we can all do without. We can all sacrifice some of our comforts to the needs of the men in service; and yes, even some of our needs to their comforts.

The needs of the nation were never greater than they are today. The war in the month of October alone will cost us \_\_\_\_\_ billions of dollars. That is \_\_\_\_\_ millions a day, \_\_\_\_\_ millions an hour, \_\_\_\_\_ thousands a minute, \_\_\_\_\_ thousands a second. In buying an extra

\$100 War Bond over and above those you would normally buy, you are carrying on your shoulders the entire financial burden of the war for a tiny split second of time.

That's why every War Bond you buy is important. The destiny of this nation is in the hands, heads and hearts of its millions of free men and women. It is through the relatively small contribution that each and every one of us makes, that total victory will be achieved.

The war is not over - no, not by many a bloody battle. We have come a long way since Pearl Harbor, but there is still a long, hard, tough road to Berlin, and a longer, harder, and tougher road to Tokyo.

While we have every reason to be optimistic about the ultimate outcome, we have absolutely no reason to be complacent about the difficulties still in our path. The enemy has not yet been brought to his knees. In the past

-8-

the American people have demonstrated their ability to take defeats - without faltering, without weakening in their determination. Now we must demonstrate our ability to take success - without faltering, without relaxing in our determination.

From now on in, we cannot be defeated by our enemies. We can only be defeated by ourselves.

That, in a nutshell, is why the Nazis and the Japs are still holding out, why they are not running up the white flag of unconditional surrender.

They're counting on the people of the democracies to let down, now that the period of critical danger has passed.

They have been wrong about us before. They once thought democracy, because of its desire to live at peace, could not adjust itself to the terrible reality of total war, could not mobilize its resources and energies even in its own defense.

They are wrong about us again. We didn't ask for war -

-9-

they asked for it. And we're going to carry it to them until we've rooted out the last vestige of Nazi and Jap barbarism and created the conditions in which the people of the world can live again in neighborliness and peace.

We have just been through a wartime election, demonstrating to the people of the world the deep roots of our democratic faith, the unity of our purpose, the capacity of our people to settle their differences with ballots, not bullets.

The Sixth War Loan, I am confident, will be another example of democracy-in-action in a world-at-war. As in the past, Democrats and Republicans alike - and together - will work to put this drive over-the-top. In buying all the War Bonds you can afford, you will be serving notice on the enemy that all Americans are in this war to the finish, and planning now for the better world we aim to build.

-oOo-

Received from  
Humble

1/15/44-

Suggested Introduction of President by  
Secretary Morgenthau

Ladies and Gentlemen:

We Americans have a lot to be thankful for. Not the least of our blessings is that in times of grave national crisis, when the fate of our nation has hung in the balance, there has emerged from our midst leaders with the authentic stamp of greatness.

When our people's task was to create and weld together a nation, we had George Washington.

When the task later on was to preserve the nation from disruption within, we had Abraham Lincoln.

And when the task - which is absorbing the best of our talent and efforts today - is to save the nation and its institutions from disruption from without, we have Franklin Delano Roosevelt.

In launching the Sixth War Loan Drive from the White House tonight, the President will address the nation on

-2-

some of the broader aspects of the war finance program.

It is my privilege, Ladies and Gentlemen, to  
introduce ..... Our Commander-in-Chief.

-oOo-

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**Suggested War Bond Speech for the President**

Thank you, Henry. Under the able leadership of my friend and neighbor Henry Morgenthau, Jr. the Treasury has done a magnificent job in raising the huge sums necessary for financing this war.

During the Sixth War Loan Drive, starting tomorrow, all Americans will be asked again to lend a hand to the financing of this greatest and costliest of wars. We have come a long way since Pearl Harbor - but we still have a long way to go.

All over the world, in Europe and in Asia, we are on the offensive - not the defensive.

The initiative rests with us - not with the enemy.

The enemy no longer strikes terror in our hearts; we strike terror in his.

We've built the mightiest army, navy, and air force in history - to protect and safeguard our future as a

free, democratic people; to give aid and comfort to our embattled Allies.

We've brought new hope and faith to millions of the world's enslaved.

We have assured to ourselves and our children and our children's children two of the most fundamental rights of free men - the right to freedom of speech and expression, and the right of every person to worship God in his own way.

And in the accomplishment of these objectives, we have become better Americans - conscious of our stake in the preservation of democratic life, our fiber toughened, our faith and devotion strengthened in the institutions we defend.

Between the War Bonds you have bought - and will continue to buy - and the attainment of these objectives, there is a direct, hard and fast connection. Your War

Bond money has helped to make us the arsenal of democracy; to launch the mightiest offensives the world has ever seen; to liberate the enslaved of the earth and put the seal of doom on the Nazis in Europe and the Jap war lords in the Orient. Your War Bond money has helped to defend everything we hold dear, for ourselves and our posterity.

All of us here at home are a vital extension of the fighting lines now drawing the noose tighter and tighter around the enemy. War Bonds in many ways are a symbol of the entire war effort.

The needs of the nation were never greater than they are today. The war in the month of November alone will cost us \_\_\_\_\_ billions of dollars. That is \_\_\_\_\_ millions a day, \_\_\_\_\_ millions an hour, \_\_\_\_\_ thousands a minute, \_\_\_\_\_ thousands a second. In buying an extra \$100 War Bond over and above those you would normally buy,

you are carrying on your shoulders the entire financial burden of the war for a tiny split second of time.

That's why every War Bond you buy is important. The destiny of this nation is in the hands, heads and hearts of its millions of free men and women. It is through the relatively small contribution that each and every one of us makes, that total victory will be achieved.

The war is not over - no, not by many a bloody battle. There is still a long, hard, tough road to Berlin, and a longer, harder, and tougher road to Tokyo.

While we have every reason to be optimistic about the ultimate outcome, we have absolutely no reason to be complacent about the difficulties still in our path. In the past we have demonstrated our ability to take defeats - without faltering, without weakening in our determination. Now we must demonstrate our ability to take success - without faltering, without relaxing in

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our determination.

From now on in, we cannot be defeated by our enemies.

We can only be defeated by ourselves.

That is why all of us - every man, woman, and child - must continue to serve on the home front, and serve for the duration. In buying extra War Bonds in the Sixth War Loan, we can all sacrifice some of our comforts to the needs of the men in service; and yes, even some of our needs to their comforts.

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November 11, 1944.

Memorandum

TO: Secretary Morgenthau  
FROM: Mr. Gaston

SUBJECT: Speeches of November 18, 19 and 20.

The three events are:

(1) The opening of a 6th War Loan Show at the Navy Pier in Chicago. There is fifteen minutes of radio time, beginning at 8:30 P.M. and you are to speak for eight minutes following Admiral King.

(2) Introduction of the President, who is to make a War Bond address Sunday night, November 19.

(3) A speech at a War Bond dinner given by the New York Committee at the Waldorf Astoria on the evening of Monday, November 20. Here you are to have fifteen minutes radio time and your speech can occupy the full period less the usual announcement time and time for a brief introduction.

The President's broadcast will call for only a one or two line introduction. Both of the other events, the Navy Pier in Chicago and the Waldorf Astoria dinner, would seem to call for perfectly "straight" speeches.

It seems to me the general theme of all the speeches in the 6th War Loan must be that there is still a big job ahead and we must get on with it. I would emphasize the theme that saying that the war is going to end before Thanksgiving, or before Christmas, or before Easter is not going to end it; that it isn't a matter of time or waiting on the calendar but a matter of fighting and hard work. The war will end when we have finished doing the thing necessary to end it. We know that neither the Germans nor the Japanese are going to be convinced by anything but bullets, shells and bombs. Another item is that the nearer

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we get to victory the longer are our lines of transport communication. We have seen this in Europe where, after the Germans were driven out of France, we had to organize a completely new system of transport to get ammunition and supplies to the front. The same thing is becoming noticeable in the Pacific. The labor and cost involved in getting a shipload of supplies to the Philippines far exceeds the cost of getting the same material to one of the nearer islands for which we have been fighting. Also as we get closer and closer to the heart of the enemy, we fight more and more on his home grounds and his resistance inevitably becomes more stubborn. All of this means for the home front that instead of slackening up in our efforts, we ought to take them a great deal more seriously, work a lot harder and save a lot more. To a greater extent than ever before this has become a war of logistics or supply, which is in very large part a civilian responsibility.

The Navy Pier speech. - In this speech you will be replying to Admiral King and it will be necessary to pay a tribute to the work of the Navy, both in battle and in buying bonds. We shall need to check very closely with Navy public relations to see that your speech matches that of Admiral King. Some figures on cost of transporting troops and supplies to the Philippines would be appropriate, but we should not duplicate anything that Admiral King will say. Peter Odegard is getting up some notes for this speech.

The President's speech for Sunday night. - Harold Mager is working on both your introduction and suggested draft for the President's speech. Having fifteen minutes of radio time the President will want to more than merely talk about bonds. I should think he would want to discuss the progress of the war and I would hope that he would discard anything that we might write for him and make a speech of great importance.

Monday night's speech. - Henry Murphy has prepared a draft, which is attached.

November 11, 1944.

Memorandum

TO: Secretary Morgenthau  
FROM: Mr. Gaston

Speech pamphlets were produced by War Finance and were mailed from Chicago. I am attaching ~~four~~<sup>an</sup> additional ~~copies~~ which is all that we have available at the moment; others are coming by express from Chicago. Distributions to the total of 30,460 have been made, according to the attached list.



205

MAILING LISTS  
DIVISION OF SAVINGS BONDS

<u>LIST NUMBER</u>	<u>LIST TITLE</u>	<u>NUMBER OF PLATES</u>
64	Chief Editorial Writers	176
218	Financial Publications	82
282	Financial Editors	393
222 G	Influential Educators	197
222 K	Heads of Libraries	133
273	College Presidents	1,744
318 A	Libraries Bulk 405 (cities over 35,000)	313
149-1	State Chairmen	53
149-2	Executive & Deputy Managers	119
<del>45</del>	<del>Miscellaneous Banks (Mr. Tickton)</del>	<del>7,888</del>
47	Large Insurance Companies (Mr. Tickton)	944
137	Savings & Loan-Unclassified	804
137 A	Classified: Not exceeding 1,000,000	1,789 <sup>89</sup>
137 B	Classified: Not exceeding 3,000,000	799
137 C	Classified: Not exceeding 10,000,000	300
137 D	Classified: Not Exceeding 20,000,000	34
137 E	Classified: Not exceeding 50,000,000	13
137 F	Classified: Not exceeding 100,000,000	1
197	Presidents of Federal Reserve Banks	12
203	All Other Banks-Unclassified	248
203 A	Classified: Not Exceeding 1,000,000	5,497
203 B	Classified: Not Exceeding 3,000,000	664
203 C	Classified: Not Exceeding 10,000,000	99
203 D	Classified: Not Exceeding 20,000,000	13
203 E	Classified: Not Exceeding 50,000,000	12
203 F	Classified: Not Exceeding 100,000,000	7
203 G	Classified: Not Exceeding 100,000,000	16

343	Classified Banks	200
343 A	Classified Banks: Not Exceeding 1,000,000	1,367
343 B	Classified Banks: Not Exceeding 3,000,000	2,335
343 C	Classified Banks: Not Exceeding 10,000,000	1,901
343 D	Classified Banks: Not Exceeding 20,000,000	532
343 E	Classified Banks; Not Exceeding 50,000,000	361
343 F	Classified Banks: Not Exceeding 100,000,000	150
343 G	Classified Banks: More Than 100,000,000	152

American Economic Association  
 Academy of Political Science

(approx) 9,000  
 Total 38,380  
 - 7920  
30460

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# WAR FINANCE POLICIES



*EXCERPTS FROM THREE  
ADDRESSES BY*

Henry Morgenthau, Jr.  
Secretary of the Treasury

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## WAR FINANCE POLICIES



*The most costly war in history has been financed by the United States Treasury Department in a manner to hold the cost down to a minimum and at the same time to strengthen rather than weaken the national economy. Secretary Morgenthau, in a series of addresses to the regional leaders of the War Finance effort preparatory to the Sixth War Loan, outlined the "philosophy" behind the Treasury's program. Excerpts from these talks follow:*

ATLANTIC CITY, October 7, 1944.

THE Series E War Bonds were conceived a decade ago as Baby Bonds with a very definite purpose in view. That purpose was, in a phrase, to democratize public finance in the United States.

We in the Treasury wanted to give every American a direct personal stake in the maintenance of sound Federal finance. Every man and woman who owned a Government Bond, we believed, would serve as a bulwark against the constant threats to Uncle Sam's pocketbook from pressure blocs and special-interest groups. In short, we wanted the ownership of America to be in the hands of the American people.

We had made only a start in this direction when war broke out in Europe and threatened the security of the United States. But the foundation had been laid for real popular participation in an American preparedness program. Savings Bonds became known as Defense Bonds. They served not only as a vital factor in financing the rearmament of our fighting forces but, what seems to me even more important, they gave to the average citizen a sense of the war's meaning and of the urgent nature of the national danger.

When the enemy struck, the machinery was ready and in operation for the people's financing of the war. Defense Bonds became War Bonds, and have been purchased by 85,000,000 individual Americans. Think of it! Out of every thirteen men, women, children and babies in the United States, more than eight have bought Bonds of their Government. Today there are approximately \$23,000,000,000 of Series E Bonds—the people's bond—outstanding, all held by individual investors.

This Series E Bond was tailored specifically to meet the need of the average American citizen able to set aside modest savings for investment purposes. It was designed to protect the small investor against any possibility of loss as a result of fluctuations in market value. Nonnegotiable securities with guaranteed redemption values are not subject to panicky liquidation which, experience shows, develops among small holders of marketable securities in the event of a decline in market value. In short, they are more likely to be retained as investments.

The Series E War Bonds will have an immense value, I believe, not only for the individual holders, but for the economy of the country as a whole when the war is ended. They will constitute an invaluable backlog of purchasing power in the post-war decade. Only a part, and I believe the smaller part, of this purchasing power will come from cashing the bonds themselves. The most important part will come from the greater spending of current incomes growing out of the sense of security afforded to individuals by their War Bond holdings. They will provide, therefore, a strong bulwark against the sort of deflation which struck this nation so disastrously in 1920 and 1921.

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

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

The desire of the people "to help," the sense of participation in the national cause, could never have been realized except through a voluntary program. You will recall, of course, the clamor that arose for forced or compulsory savings. There were many who declared that only in this way could the stupendous sums needed for victory be raised. There were times, indeed, when those of us who had faith in voluntary methods seemed lonely voices crying in the wilderness. But there was one voice that never failed to support us—the voice of the President of the United States. He believed always that the people would respond to any call that was made upon them. He knew that the enlistment of their support could be best attained through a voluntary program adapted to the democratic pattern of American life.

But a voluntary program could succeed, of course, only through the efforts of volunteer workers. We in the Treasury could fulfill only the functions of a general staff. The real battle had to be fought and won in the field—fought and won by sustained, unstinting, tireless service. This we have had.

NEW ORLEANS, October 12, 1944.

**I**N MODERN WAR, economic stability at home is one of the requisites to victory. Without such stability it is impossible to maintain the vast and complex flow of supplies necessary for the men on the fighting lines.

It has been the task of the Treasury Department to finance the costliest war in history. Our problem has been much more difficult than the mere raising of vast sums of money. We have had to secure the necessary funds in such a way as to strengthen, rather than weaken, the national economy.

Half of the total resources of the United States are now being devoted to waging war. Since Pearl Harbor, war expenditures have amounted to about \$208,000,000,000. During this same period, nonwar expenditures have been kept down to \$16,000,000,000, making a total Government outlay for the course of the war to date of \$224,000,000,000.

Of this tremendous sum \$87,000,000,000, or 39 per cent, has come from revenue.

During the fiscal year just ended, expenditures were slightly more than \$95,000,000,000, and net receipts climbed to a little over \$44,000,000,000, or 46 per cent. This means that there has been an upward trend in our coverage of war costs through taxation. It is a trend which may be surprising to some and which certainly should be encouraging to all.

In the year ended June 30, 1940, the last fiscal year before the beginning of the defense program, net Treasury receipts were slightly less than \$5,500,000,000. The \$44,000,000,000 total which the Government took in during the past year, was an eight-fold increase—a larger increase than has taken place in the revenue collection of any other major belligerent of this war. This is important to remember in international comparisons because the burden of taxation must be measured not only by its absolute magnitude but also by its rate of increase.

The American people, recognizing the need for greatly increased Government revenues, have submitted to the highest taxes in the Nation's history with remarkably good grace and good cheer. A sharp rise in taxes was absolutely necessary for the maintenance of economic stability.

But even after these record collections there remained the giant sum of \$137,000,000,000, expended during the last three years, that had to be raised through some other means.

This money had to be raised by borrowing. It would have been relatively easy, of course, to raise it by borrowing from the banks. But in order to avoid inflation, it was essential that a major part of the increased debt be borrowed outside of the banking system—that is from the general public.

In selecting the Series E Bonds as our primary vehicle for mass borrowing, we had in mind first of all the protection of the interests of the small investor. The Treasury Department has considered itself a trustee for the men and women who purchased Government securities primarily to help their country in time of stress.

After World War I, Liberty Bonds dropped in value down into the 80's, and many persons who had bought them during the war became frightened and sold them. They discovered later that their loss had been the gain of the speculators and the wealthy who then owned their bonds and gleaned from them truly handsome returns on the safest security in the world. It is not unnatural that they should have felt that their trust in their Government had been betrayed.

Our fiscal policy of siphoning off excess buying power by taxing and borrowing from the general public has been one of two buttresses supporting the structure of economic stabilization. The other buttress, of course, has consisted of direct controls, including rationing, price ceilings, and allocations.

During this war the country has devoted twice as large a proportion of its resources to war purposes as in World War I. In consequence, inflationary pressures have been very much greater. The fact is, however, that prices have been held under much closer control. Based on actual studies of price changes in World War I as compared with World War II, the savings to the Government, as a result of more effective control of inflationary pressures, had already amounted, by June 30 of this year, to \$70,000,000,000.

But the greatest and most important saving has been that among the people themselves. In the course of this war there has been comparatively little of the reckless kind of silk shirt buying that took place as a result of inflated pay envelopes during World War I. There has been relatively little recourse to black markets. Instead,

people have used their incomes, in considerable measure, to pay off their debts. Since the beginning of 1942, for example, farm mortgages have been reduced 15 percent. It is fair to say, I think, that the War Bond program, by its encouragement of thrift, has contributed significantly to this sensible restraint in the expenditure of surplus income.

There have been other benefits of economic stabilization. The success of this policy has aided in preventing the piling up of excessive profits by fortunate business concerns, has helped to reduce industrial disputes to a minimum—and here I refer you to the factual record rather than the headlines—has prevented the impoverishment of recipients of fixed incomes including soldiers' dependents; and probably most important of all, it has made much less likely a post-war depression.

The record so far is one of which we can all be proud. It has been good in its accomplishments, perhaps even better in the fine cooperation which made these accomplishments possible. If this same tireless, unselfish cooperation is applied to the problems of the post-war world, we need have no fear of the future.

War expenditures do not stop abruptly with enemy capitulation. During the first six months following the Armistice in World War I, expenditures were slightly greater than during the six months preceding the Armistice. Completed and partially completed products must be paid for. Enemy countries must be occupied. Some relief for Allied Nations will certainly be necessary. The Armed Forces must be brought home and demobilized and, in the meantime, they must be paid and clothed and fed. I am sure that no American will want to fail in these responsibilities. They are costs that must be met if we are to make our victory complete and real. And like the costs of the war itself they must be met in such a way as to preserve and promote the stability of our economy.

The Sixth War Loan campaign, immediately ahead of us, is one essential step in the performance of this job.

LOS ANGELES—October 14, 1944

THE great expansion in the Federal debt has been achieved with virtually stable interest rates. Such change as has occurred has been to slightly lower levels. This contrasts with World War I when almost each new series of bonds carried a higher interest rate, so that the cost trend was almost constantly upward. As a result, the average interest cost has been only 1½ per cent on the wartime increase in the public debt. This contrasts with 4½ per cent for World War I.

The resulting interest saving approximates \$4,000,000,000 a year—quite a tidy sum to have saved for the taxpayers of this nation.

Moreover, the interest on all securities sold during the war has been fully taxable while the issues marketed during World War I were all either wholly or partially tax-exempt. This has resulted in a further net saving to the Treasury amounting to several hundred million dollars a year. Further, through removal of tax exemption, all purchasers of Government securities are taxed their share of the war cost in proportion to their ability to pay.

Incidentally, the Government in eliminating tax exemption relinquished any "unfair" advantage it might have had over private borrowers in securing credit. It thereby served to strengthen the private enterprise system.

President Roosevelt, in his 1945 Budget Message, summarized the situation as follows—

"The primary achievement of our debt policy has been the maintenance of low and stable rates of interest. Average interest rates payable on the public debt now are less than 2 per cent. Interest received from all new issues is fully taxable. As a result, the net cost per dollar borrowed since Pearl Harbor has been about a third the cost of borrowing in the first World War."

Personally, I do not anticipate a rise in interest rates in the foreseeable future. Savings are abundant and promise to be adequate to meet all likely demands. We believe, therefore, that we shall be able to refund our obligations, as they come due, at rates comparable to those now prevailing. Thus, the saving to the Treasury will continue over a long period of years.

Furthermore, quite apart from its value to the Treasury—and hence to the taxpayers—the continuance of low interest rates will provide a stimulus to the national economy in the post-war period. High interest rates limit enterprise and discourage employment. Low interest rates stimulate business and make for expanding employment.

Just as I see no reason for substantially higher interest rates in the post-war period, I do not see any need for a wholesale post-war funding of the public debt into long-term bonds.

In the first place, it would cost the taxpayers more in interest. Next, it would shift whatever risk there is inherent in fluctuating interest rates from the Government, which is able to bear it, to individuals, institutions, and corporations. Certainly the day is past when the United States Government need ask its citizens or its business enterprises to insure it against changes in the rate of interest.

Finally, we have designed the debt structure bearing in mind the needs of those who lend us the money and of the national economy.

The small investor who purchases the Series E Savings Bonds places his faith in his Government. Could we do less than see to it that the securities offered him were suited to his needs?

The Savings Bonds, while not a war development, having been first offered ten years ago, have proved an admirable war finance medium which we expect to carry over into the post-war period. We hope that many millions of people will continue to hold a financial stake in their Government.

Industrial corporations have principally purchased certificates of indebtedness and Series C Notes. These constitute a substantial part of their reserves for reconversion and post-war development. It is clearly advantageous not only to the corporations but to the whole economy that these reserves be liquid. The corporations thus know that the money will be available and without loss whenever they need it. When the proper time comes they can proceed full speed not only with their conversion but with any expansion plans they may have.

Finally, there are the Government securities which now constitute a large proportion of the assets of the commercial banks. It has been our policy to encourage the banks to purchase issues of short maturity. As a consequence, about half the securities

acquired by the commercial banking system since the beginning of the war have been bills and certificates maturing within one year, and practically all have had a maturity of ten years or under.

The result is that the banking system of the country is in a position of unparalleled liquidity. This, we believe, affords assurance against a recurrence of such unsettling deflation as came in the aftermath of World War I. Further, it places the banking system in a strong position to meet the shifts in deposits that many anticipate with reconversion and the new business demands for funds that should accompany the development of a healthy, expanding economy.

In short, the banks' part in war finance, great as it has been, instead of hamstringing them, has left them in a position to service enthusiastically a virile private enterprise system.

I might point out that the banks have not only been able to maintain a strongly liquid position as a result of the manner in which the nation's war finance has been handled, but also they have found an opportunity for public service. This has enhanced the esteem with which they are held in their respective communities. Moreover, while they have been making this contribution to the war effort they have enjoyed an increase in earnings. Net profits of all member banks of the Federal Reserve System last year were back at almost exactly the all-time high level of 1929.



November 11, 1944  
11:00 a.m.

BRITISH LEND-LEASE PUBLICITY

Present: Mr. White  
Mr. Gaston  
Mr. Coe  
Mr. Cox  
Mrs. Klotz

MR. COX: Mr. Secretary, on this publicity information on this Stage II thing, one is that I would question whether the thing is yet ripe for press conference treatment in any event, because these press people will focus on the export things and you haven't yet reached the stage where you can talk about them, and you may get a discussion on a basic subject that you don't want to talk about at this point.

That is one point.

The second point is that since this may catapult you into a major discussion of foreign policy which will rise out of the export thing, I should think it would be wise to do two major things.

One, plan out the strategy fairly carefully with actual documents as to how you are going to do it, or what you want to do, and possibly for you to present the thing to the President before any releases are put out.

Now, I don't think you are going to have any real problem on anything except when you get to the removal of the restrictions on the White Paper, and there you are going to have a political problem as well as a public problem.

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H.M.JR: Restrictions on the White Paper?

MR. COX: Insofar as the export--

H.M.JR: Whose White Paper?

MR. COX: British White Paper. Now, on the military stuff, the things that the Army and Navy have been doing, that is more of the same. There is no basic problem there as far as the public is concerned.

Now, in point of timing and presentation, it seems to me that the third phase of the problem which deals with the export business cannot be separated from the really major problem of what you do in what I call Stage III. And you have to give at least some preliminary consideration to that, and how you are going to proceed on that point, I think, before you shoot on export stuff.

Now, my own feeling is that as far as the major problems of the British are concerned, you can help them somewhat by the Stage II thing, but from the standpoint of reconstruction and exports, you can't do the major job unless other things are done beyond what is in the Stage II thing.

And in the presentation of the publicity, I think you have to be quite careful that you have some idea of how you are going to fit these together and do the educational job before you do the Stage III problem.

MR. WHITE: I don't see that that latter part would have any relevance.

MR. GASTON: I don't know what has happened, so I am in no position to talk about it at all, but I think perhaps what Oscar is talking about is that you don't want to make a statement that is obviously withholding something, that is less than frank, and lead the public to believe things are so-and-so, when something very different may happen later.

MR. COX: No, let me put it in the bluntest form possible. I think you can handle this and dress it up in a way that wouldn't cause a major problem on the export business, but even so, you are going to get a major discussion on commerce and export policy growing out of this thing; because the British proposition comes down to this one central point, that even though they take stuff for cash, if they have a hundred units of molybdenum, or carbon, or whatever it is, they will say, "We will use that for war purposes; the other hundred units that we buy for cash either in the U.S. or other places, we will have available for export."

Now, the exporters of this country, because their pocket nerves are affected, and because it is a trade and commercial policy thing, will raise that thing in terms of a spearhead for discussion in the press.

You are going to get a lot of talk about that thing, because it is a commercial thing, and it isn't a war thing, and because you have people that are affected.

Now, when that gets into discussion you have got to get clear two things, it seems to my mind; one is that you have got a good deal of support for Lend-Lease and you don't need legislation to do most of the things that are in Stage II. But when you get into the broader question of how much more, in our interests, you are going to help out the British beyond Stage II, you have got a legislative problem in one form or another.

I think you just have to be careful in planning this out that you keep the two somewhat separate and get across frankly to the public that what the problems are that you are dealing with here are not problems that may come up at a later stage.

H.M. JR: Yes, but you are still not being what you call frank on this situation. After all, what we are attempting to do is to give, through Lend-Lease to the British, certain supplies which they have had heretofore, and release sufficient of their civilian population so

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that they can go to work on a lot of the material which they need, some of which will go to home consumption and some of which will go for export. Also we are going to attempt to give them more food so that they can raise their standard of living.

Now, let's just get this thing. For political reasons, not in any way to injure the President, I was perfectly willing to be battered around and be the whipping boy on this thing and many other things - be kicked around. I am not going to be any more, Oscar.

MR. COX: I don't blame you.

H.M. JR: And I am not going to hide any more from the press. I am just saying that if I decide to meet the press on account of war bonds on Monday and they open up on this thing, I am going to be - I don't expect to open up the whole thing, but whatever I tell them will be perfectly frank.

I don't think the thing is ready for a whole discussion yet, because we haven't gone far enough. That is a very easy thing to say, that the people are over here and a Committee does exist, that we have had numerous meetings, and that we have made progress; and that this is a Committee made up of members of the Administration and members of the British Government - the United Kingdom - who have met to discuss this thing.

MR. GASTON: Yes.

MR. WHITE: That is perfectly all right.

MR. GASTON: No more than that.

MR. COX: That is short-range. That is all right. That is the short-range thing and I think we can get together and give you some suggestions.

What I am concerned about is the more long-range thing, both from the standpoint of your not being a

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whipping boy, and the over-all strategy that is to be followed in pursuing this course, and the next step in the course.

H.M.JR: Let's have something. Let's stop bandying words around. Let's get down to brass tacks.

MR. COX: Well, the first thing, I think, if it is raised at the press conference, that I think ought to be said, in substance, is that these discussions have been going on, that this is a periodic thing that has gone on before; it is more of the same except it is different in degree, because of the course of the war; that the Military, the Naval, and the Air people are meeting on the technical stuff to carry out, basically, the strategic decisions made at Quebec. And there you are.

H.M.JR: But let's baptize this child and admit officially that there is such a Committee. I mean, it has been bandied around, but let's say there is such a Committee. There is no reason any more to hide the thing. Simply say that such a Committee exists and we are meeting and are considering the thing, and are making progress.

MR. WHITE: I don't see why it isn't very simple. I don't see many of the problems you foresee, unless you purposely drive them in. You start out by saying there is a Committee, that each year there is an examination of the needs for Lend-Lease in the future, that this Committee, as the Secretary said, is meeting, that these agencies comprise the Committee.

"We are making progress and not ready to give any results, and among the new problems is the one that is created by the fact that there will be less war material needed in the first year after the German defeat than there will later, and that raises certain problems of cut-backs, and that is part of the discussion."

That is all. If there are any other specific questions, say that we are not through yet.

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H.M.JR: And that we are making progress.

MR. WHITE: Therefore you don't need to get on any such discussion. No matter what question they ask - "Is there anything about exports?" - say that all these matters are still in the discussion stage.

Now, a little later when things wind up, then a very carefully prepared and very comprehensive statement should be made public.

H.M.JR: A joint statement from the English and ourselves.

MR. COX: I would think so.

MR. GASTON: I don't know why--

MR. COE: We have had some doubts, particularly on the exports, though you might exchange notes with them, that they might need to say one thing and we--

H.M.JR: As far as Monday is concerned, I think all we have to do is to just say--

MR. WHITE: I would legitimize the discussions. I don't think it raised any of the problems.

H.M.JR: That Oscar is worried about.

MR. GASTON: I think you have already said what is necessary to say.

MR. WHITE: Indicate what the agencies are, that the British are in on it, that the British Military is discussing it with the American Military authorities, and Air, and Naval, and so forth.

MR. GASTON: I wouldn't, on the one hand, indicate any desire to hide this thing, except just the normal accepted thing, that when high Governmental matters are under discussion, you don't make an announcement until they are finished.

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And on the other hand, I wouldn't talk in such a way as to make them think that you are making a very carefully prepared statement about this thing.

H.M.JR: And if they don't bring it up, I wouldn't even volunteer anything.

MR. COX: That is the other thing.

MR. WHITE: The one question they will ask, Mr. Secretary - because they have asked me several times, and I am sure somebody will ask you - is whether there is anything in the report that the British are going to be permitted to export goods which they receive on Lend-Lease.

Now, it seems to me the quickest way to dispose of that is to say, "Nonsense," because they are not going to be permitted to export similar goods.

You don't have to go into the discussion of whether they can export cotton goods merely because they are getting cotton. That isn't the same goods. So I think that question, which is certain to be asked, instead of dodging or avoiding it, if you can just say, "Nonsense" - don't you?

MR. COX: Well, we have gotten this written up.

H.M.JR: Let me stop here, and why don't you go into Gaston's office and give him what you have. I appreciate your interest, but I think you are seeing things under the bed, and you will have to have a little more confidence in how I can handle the press.

MR. GASTON: My curiosity is as to whether there are things under the bed or not.

MR. COX: I think, Mr. Secretary, that from the standpoint of your own protection--

- 8 -

H.M.JR: I don't have to be protected. What do I have to be protected against?

MR. COX: Against what is going to happen in terms of national policy in the next six months.

H.M.JR: By whom? The President asked me to do this thing. He has asked me to get these people together. I am not going to have to be protected against anything. The only thing I have to be protected against is that all of us didn't let something fall which Dewey might have picked up and used against Roosevelt.

MR. WHITE: Oscar means against making the kind of statement which would make it more difficult a little later on, that is all.

MR. COX: It is just a question of figuring it out.

H.M.JR: I want to clear this whole atmosphere of hush-hush, and everything else.

MR. COX: That, I agree.

H.M.JR: From now on, I am not going to live under that atmosphere. I can't. I can't breathe, I choke. I am just going to be myself. I am not going to live in this constant fear, or anything else.

MR. COX: That is what I am trying to get at. My point is that you can't live in this hush-hush atmosphere, effectively; secondly, that the only effective way to handle this thing is by a forthright offensive approach; thirdly, because it is likely to affect major national policy, I would suggest that we sit down and put our minds to mapping the thing out in terms of offensive policy; that you may want to talk to the President about it before you start off on it, so it dovetails, after he is informed, with what he may want to do on the next steps.

H.M.JR: Well, let's see. But the atmosphere is cleared. Thank you very much.

November 11, 1944  
11:58 a.m.

HMJr: How are you?

Spyros  
Skouras: Good morning, sir.

HMJr: I wanted to know what you thought of that picture last night.

S: I did not -- I was not able to get it. I am getting it tonight.

HMJr: Oh.

S: So, I'll call you up Monday morning.

HMJr: Do that, will you?

S: Delighted, sir.

HMJr: Let me know.

S: Delighted to.

HMJr: And did I understand correctly when you said "dubbing in" you meant you'd have English voices instead of Russian voices?

S: After I see it, then I'll tell you all about it.

HMJr: Is that what that meant?

S: That's what I meant.

HMJr: I didn't -- because I didn't know if I understood correctly.

S: We'll dub in the English language.

HMJr: Has that been done before?

S: Oh, that's very simple. We do it all the time. Many of our pictures are dubbed into French or Spanish.

HMJr: Oh, yes. Well, you give me a ring Monday.

S: I'll give you a ring Monday morning, sir.

HMJr: Thank you.

S: Thank you very much for the lunch yesterday.

HMJr: Bye.

November 11, 1944  
2:21 p.m.

HMJr: Hello.

John  
McCloy: I have two things: One, you -- I don't know whether you've come to rest yet on the -- after the campaign and what-not, to give more thought to Foley's successor. You said you were going to give it a little thought.

HMJr: Yeah. Well, hasn't Bell or White sent you over a name?

M: No. No.

HMJr: Well, I'll get you somebody by Monday morning.

M: Okay. The second thing is that General Kirby....

HMJr: Yes.

M: .... who is Hilldring's opposite number in London and who will -- who is told off to be one of the chief military -- be chief -- probably the chief military figure on the British side for Germany ....

HMJr: Are you eating or are you belching?

M: I was just belching. I just had a good luncheon party, thank you.

HMJr: You're welcome.

M: (Laughs)

HMJr: I just wanted to make sure. (Laughs)

M: The -- I'll try it over again -- General Kirby who is Hilldring's opposite number is going to be here on Thursday and I wondered whether you'd like to talk to him.

HMJr: Yes, I would.

M: I'll have him come around to see you....

HMJr: Fine.

M: .... if you're going to be in town then.

HMJr: I will be.

M: Okay. I think you'll be interested in talking with him.

HMJr: What did you have to eat?

M: Well, it was a very -- it was ice cream, I think, because that was the taste.

HMJr: (Laughs) All right. The election is over.

M: That's right.

HMJr: All right.

M: Bye.

TOP SECRETCOPY NO.     C.S.L.L. (44) 4th MeetingCOMBINED SUB-COMMITTEE ON MUTUAL LEND-LEASE  
AID BETWEEN THE U.S. AND THE U.K.

MINUTES of Meeting held in the U.S. Treasury  
on the 11th November, 1944,  
at 2:30 P.M.

P R E S E N T :

Mr. White (In the Chair)

U.S. Representatives

Mr. White (Chairman)  
Mr. Casaday

Mr. Taft  
Mr. Collado  
Mr. Fetter  
Mr. Currie  
Mr. Angell  
Mr. Davidson  
Mr. Griffin  
Mr. Appel  
Mr. Havlik

General Styer  
General Shingler  
Colonel Stewart  
Major Sawyer

Captain Foutch

U.K. Representatives

Mr. Ben Smith  
Lord Keynes  
Hon. R.H. Brand  
Sir Robert Sinclair  
Sir Henry Self  
Sir Walter Venning  
Mr. Opie  
Mr. Hutton  
Mr. Helmore  
Mr. Snelling  
Lord Pentland (part-time)  
Mr. Van Zwanenburg

New Zealand Representatives

Mr. Reid  
Mr. Marshall

Australian Representative

Mr. Brigden

Representatives of Government  
of India (part-time)

Mr. Symon  
General Abraham

Joint Secretaries

Mr. Lee  
Mr. Coe

1. RECIPROCAL AID FROM AUSTRALIA AND NEW ZEALAND

LORD KEYNES said that the U.K., Australian and New Zealand representatives present at the meeting were anxious to ascertain what was the basis of the doubts felt by the U.S. War Department concerning Reciprocal Aid from Australia and New Zealand in Stage II which had led to the insertion of certain clauses in the combined agreements on the U.K. Ground Army and Air and Fleet Air ARM requirements which were not acceptable to the U.K. representatives. He thought that it was necessary to distinguish between two questions which ought to be kept separate - namely:-

1. The question of whether supplies from Australia and New Zealand sent to certain destinations were to be eligible for financing on Reciprocal Aid terms, and
2. The question of the allocation of certain commodities likely to be in short supply, e.g. meat from Australia between various claimants such as the Australian domestic consumer, the U.K. consumer, the U.S. forces in the Pacific and the U.K. forces in the same area.

MR. BRIGDEN agreed generally with the analysis made by Lord Keynes. As regards the scope of Reciprocal Aid from Australia he pointed out that the formal agreement governing the granting of Reciprocal Aid laid down that this was to be given to U.S. forces within Australia and its territories. The Commonwealth Government had never held to the letter of this Agreement; in practice Reciprocal Aid had been given to forces anywhere in the Southwest Pacific under General MacArthur's command. Different considerations would, however, arise if it were proposed that Reciprocal Aid should be given from Australia to U.S. forces outside the limits of the Southwest Pacific - e.g. on the mainland of Asia. If such an extension of the scope of Reciprocal Aid were desired, it would be necessary for the U.S. Government to make a formal request to the Commonwealth Government.

MR. REID said that as regards New Zealand the general understanding was that Reciprocal Aid was given to U.S. forces anywhere in the South Pacific. But no hard and fast line had been drawn in practice as to boundaries. He emphasized that if an extension of Reciprocal Aid were desired to a degree that would materially reduce the quantum of supplies sold by New Zealand in the sterling area, the effect of such an arrangement on New Zealand's financial resources would have to be taken into account. The dependence of New Zealand upon imports for capital and other goods meant that in the present circumstances the extent of Reciprocal Aid which she could provide was bound up with the extent of Lend-Lease accorded to her. The Government of New Zealand would wish to have an opportunity of considering the matter if any material extension of Reciprocal Aid were contemplated.

GENERAL STYER said that the War Department had already suggested to the Governments of Australia and New Zealand that the scope of Reciprocal Aid should be extended beyond the geographical limits set out in the original agreements, (which dated from a period when operations were closer to the two countries concerned), but the reply had been to the effect that the request could not be acceded to unless Reciprocal Aid were underwritten by the United Kingdom. MR. BRIGDEN and MR. REID said, however, that as far as they were aware, no such formal request had in fact been made, although there might well have been informal discussions on the subject in Australia and New Zealand. Continuing, GENERAL STYER said that what the War Department primarily wanted was an assurance that if supplies were needed from Australia for U.S. forces operating outside the Southwest Pacific area (e.g. in India), such supplies could be made available with the minimum of delay, and without the necessity for separate negotiations in each case. While the total demands of the U.S. forces for Reciprocal Aid in 1945 from Australia and New Zealand might be on a larger scale than heretofore, he did not wish to commit himself at this time to any specific estimate. He agreed that in so far as the demands for certain commodities were increased questions of allocation would be involved.

In the course of the discussion, three separate questions were recognised as being included, namely:-

(a) Extension of Geographical Scope of Present Agreements

It was recognised that if it were desired that Reciprocal Aid should be accorded to U.S. forces in areas outside the geographical limits within which Reciprocal Aid was at present being given from Australia and New Zealand, it would be necessary for the proposed extension of the scope of Reciprocal Aid to be taken up formally by the U.S. Government with the Australian and New Zealand Governments.

(b) Physical Allocation of Supplies

It was recognised that it would be necessary to continue to deal with the allocation problems which would arise in connection with certain supplies (particularly meat) by appropriate methods under the aegis of the Combined Board primarily concerned.

(c) Financial Implications

It was recognised that the financial burden of Reciprocal Aid on Australia and New Zealand (especially if the burden were increased in Stage II) might well necessitate special consideration. MR. WHITE said that the U.S. representatives had been considering certain proposals which would, he hoped, provide a satisfactory answer to difficulties which might arise under this head. But they were not yet in a position to discuss such proposals, although they hoped to be able to do so in the near future.

IT WAS AGREED -

that the questions at issue could not be carried further at the meeting, and that U.S. representatives should consider, in the light of the discussion, what action on their part would be appropriate, (under the three heads (a), (b) and (c) above). A brief reference was made to the question of Reciprocal Aid from India. LORD KEYNES said that the problem here was primarily one of the physical limitations of supply due to the strain of the war on the Indian economy. In other words, such problems as might arise in India would be of a different nature from those which had been the subject of the earlier discussion.

2. LOCOMOTIVES AND WAGONS FOR INDIA

MR. CURRIE said that the F.E.A. representatives had carefully considered the request that they should provide on Lend-Lease that part of the programme for locomotives and wagons for India which had not been covered by the agreed Ground Army programme. While the U.S. representatives recognised the need for this equipment, they could not agree that there was a clear case for giving full lend-lease terms in respect of it. Since November 1, 1943, F.E.A. had not accepted requisitions for the lend-leasing of capital goods for civilian needs. It was clear that these locomotives and wagons would have a long period of useful life after the war, particularly as he was informed that (partly owing to the limitations of Indian assembly capacity), some of the locomotives would not be in service in India until comparatively late in 1946, while some of the wagons might not be available until 1947. The conclusion which the U.S. representatives had reached was that, on the assumption that the locomotives and wagons were still urgently required, the U.S. authorities would lend every possible assistance for their procurement on a cash basis. There would be an exchange of letters providing that cash should be paid for the equipment upon delivery, but that the overall financial arrangements should be made the subject of a special financial agreement, under which, for instance, he thought that it might well be arranged that the U.S. would give Lend-Lease terms for that proportion of the cost of the locomotives and wagons which could be regarded as equivalent to the war-time use, and would be reimbursed for the balance of the cost equivalent to the peace-time use.

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LORD KEYNES urged that, whatever might be said about the general justification for the capital goods ruling, this was in his view a case in which an exception to that ruling was fully justified. In the first place, while these particular locomotives and wagons might have a long life after the war, it was important to recognize that the Indian rolling stock had suffered extensive wear owing to the strain of the war on the Indian transport system. Thus there would be no net post-war benefit to India if this equipment were provided: it would take the place of other equipment worn out by reason of war use. In the second place he thought that India had a strong claim for liberality in this respect in view of the fact that the total of the Indian requirements for direct Lend-Lease in Stage II (not all of which might be regarded by the U.S. as eligible) was considerably less than the cost of the Reciprocal Aid which was currently being given by India to the U.S.

MR. CURRIE said that while he appreciated the force of the arguments put forward by Lord Keynes, it should be pointed out that the United States had never considered Lend-Lease and Reciprocal Aid as being an exchange of one for the other.

Some discussion took place on the question of whether in fact the locomotives and wagons would not be available for service for India at dates earlier than those mentioned by Mr. Currie. SIR HENRY SELF and SIR WALTER VENNING said that despite the long consideration by the Combined Transport Committee and other bodies, delays in settling the question of procurement were jeopardizing the chances of speedy delivery. Nevertheless, they were confident that if orders could be placed without delay much earlier deliveries than those mentioned by Mr. Currie could be secured.

MR. SYMON reported that the Government of India would be able to arrange for its unloading and assembling capacity to be available at the rate of 4,000 broad gauge wagons a month against which orders had already been placed calling for only 1,000 - 1,850 wagons per month in the latter half of 1945 and the first part of 1946. GENERAL ABRAHAM said that from a military point of view it was essential that the locomotives and wagons should be available in India at the earliest possible date and that they would be of military value even if some of them arrived as late as the first part of 1946. He was confident that the Commander in Chief would ensure that all appropriate priorities were given for the handling, assembly, etc. of this equipment after its arrival in India.

MR. CURRIE said that in reaching their decision, the U.S. representatives had not regarded the doubts about the delivery dates as a decisive factor. They recognized the urgency of the need for the equipment in question and they were prepared to give assurances in conjunction with the War Department, to the effect that every possible effort would be made to secure early delivery in the U.S. But they did not wish to modify their views on the question of full Lend-Lease eligibility.

After further discussion it was agreed that the procedure indicated by Mr. Currie should be adopted - namely, that orders should be placed by F.E.A. forthwith for the whole of the equipment, i.e. both broad and metre gauge - on the basis that cash would be paid on delivery, but that the overall financial arrangement to be adopted under which F.E.A. would lend-lease the war-time use of the equipment, should be the subject of separate consideration. MR. CURRIE said that F.E.A. would wish the arrangement to be set out in the form of an exchange of letters, and he handed to Lord Keynes the drafts of such letters. It was agreed that at an early date in the week beginning the 13th November, arrangements should be made which would enable:- (a) the orders to be placed by F.E.A. (b) the proposed exchange of letters to take place, and (c) a further discussion to be held concerning the overall financial arrangements to be adopted.

Washington, D.C.  
22nd November, 1944.

November 11, 1944  
2:52 p.m.

HMJr: Dan.

Dan  
Bell: Yes, sir.

HMJr: McCloy has called me three times now and I told him I'd give him something Monday -- suggestion for a successor for Colonel Foley.

B: Yeah.

HMJr: So, will you and White get your heads together Monday morning and give me something?

B: We'll get our heads together.

HMJr: Well, can I count on you Monday morning?

B: Yeah, but I don't know who in the heck to suggest.

HMJr: Well, I promised ....

B: That -- he wants him to be an Army officer?

HMJr: Not necessarily as I understand it.

B: Not necessarily?

HMJr: No, I don't think so.

B: All right.

HMJr: And I -- I'll see you before I go home.

B: All right.

November 11, 1944  
2:54 p.m.

HMJr: Hello.

Ted R.  
Gamble: Hello, Mr. Secretary.

HMJr: Ted, on this Governor Kerr of Oklahoma business.

G: Yes.

HMJr: Are you taking care of that?

G: Yes, sir. I just sent the Governor a wire and told him we'd advise him on Monday what we could do. There's a long story connected with that, Mr. Secretary. We've already been through the mill and been turned down. And somebody ....

HMJr: Can I forget about it?

G: Sir?

HMJr: Can I forget ....

G: You can forget about it, yes, sir. And I'll give him a report once again on Monday after checking with the Navy on it.

HMJr: Okay.

G: All right, sir.

HMJr: Thank you.

G: You bet.

TED R. GAMBLE

WAR FINANCE DIVISION  
EXPENSES OF LOANS

WASHINGTON, D. C., NOVEMBER 11, 1944

THE HONORABLE ROBERT H. KERR  
GOVERNOR OF OKLAHOMA  
OKLAHOMA CITY, OKLAHOMA

WILL ADVISE YOU ON MONDAY WHETHER OR NOT WE ARE SUCCESSFUL  
IN TAKING CARE OF YOUR SPLENDID SUGGESTION REGARDING THE PATTLESHIP  
OKLAHOMA.

TED R. GAMBLE  
ASSISTANT TO THE SECRETARY

TRG

cc: Miss Chauncy

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Mrs. Dickinson said Secretary  
gave ribbon copy to White on 11/13/44

November 11, 1944.

Memorandum

TO: Secretary Morgenthau  
FROM: Mr. Gaston

Frank Coe came in at 4:45 this afternoon, after a meeting in Harry White's office, to give me some facts on the Lend-Lease publicity background so that we would not think he was holding out on us.

After he left here just before noon today he had a call from Frank Lee, Secretary of the British Mission. Lee said their release was all ready and asked if we were not ready with ours. It appeared that Oscar Cox had reached an understanding with them, or led them to believe that the American members of the Committee had approved, or would approve, a series of releases. Oscar had talked about these three releases after we left your office this morning. The first was to be in general terms, really telling nothing except that the meetings were being held. The second was to be issued in a few days and would announce agreement by our military men with the British on strategic military supplies. The third would cover the general results of the meetings. We have not agreed on any of this. In fact, our meeting this morning reached no definite result. I thought that the first release was unnecessary and would simply stimulate questions. I knew nothing about the necessity of answering in Parliament. As to the proposal to announce agreement on the military end, I have no objection but thought the best way to handle it after agreement was reached was to let the White House make a bare announcement and refer the reporters to the War Department where McCloy, Marshall or Sumnerville could put some meat on the bones by telling about the present general division of the supply problem and particularly how much the British were making and supplying. I thought a final release when the work had been completed, which would tell as much as we have a right to tell of the results, would be a very proper thing since we must in the end build public support for anything we propose to do in the way of aid to Britain.

- 2 -

Coe told me that Keynes referred to the matter at the meeting in Harry White's office this afternoon where they were discussing answers to be made to questions in Parliament. Keynes said: "I understand Secretary Morgenthau has changed his mind and now does not want to issue the series of releases." Coe said that you didn't know anything about a series of releases and reported what had occurred at the meeting in your office this morning.

It seems obvious that Cox was a good deal less than frank in dealing with us this morning. I asked Coe why Oscar hadn't simply told you what he had outlined with the British. Coe said he didn't know.

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

TELEPHONE EXECUTIVE 2020



Box 680  
BENJAMIN FRANKLIN STATION  
WASHINGTON 4, D. C.

11th November 1944.

*Dear Mr. Secretary,*

Having undertaken, in deference to your wishes, to reconsider my decision to leave last night, I got in touch with London by telephone yesterday afternoon. I asked one of my people to explain the position to the Minister and said that if I did not hear from him to the contrary, I would, in the circumstances, plan to postpone my departure until Thursday or Friday of next week.

There are a number of rather urgent and important matters with which I am immediately concerned on the other side and it would be very difficult to suggest a longer postponement. I very much hope, however, that in this further week I shall be able to do all that I could do in the way of assisting the final settlement of the outstanding matters. In one way, I am glad to have the chance of seeing more of the general programme brought to finality.

With renewed appreciation of your kindness and consideration, I am,

*Yours sincerely*

*R. J. Sinclair*

R.J. Sinclair.

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

Photostat

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to Dr White:

11/7

o e e

**TOP  
SECRET**

NOV 11 1944

Dear Judge Patterson:

This will acknowledge with thanks your letter of November 4, 1944 stating that your Department has discussed with the British two of the four categories of British requirements assigned to the Foreign Economic Administration for procurement but in which, as explained in your memorandum to me of October 24, there is a direct military interest.

Your restatement of your views with respect to the two items in question is being transmitted at once to the Secretary of the American Committee for referral to the Foreign Economic Administration.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Robert P. Patterson,  
Under Secretary of War,  
Munitions Building,  
20th & Constitution Avenue,  
Washington, D.C.

*HPN*  
DEC 21 11/7/44

**FILE COPY**

**TOP SECRET**  
**WAR DEPARTMENT**  
**Washington**

November 4, 1944.

The Honorable,

The Secretary of Treasury.

Dear Mr. Secretary:

Please refer to my memorandum of 24 October 1944 which presented the War Department views concerning four categories of Foreign Economic Administration procured materiel for which the United Kingdom has stated a requirement during the first year of Stage II (Period I).

Since writing that memorandum, we have discussed two of those categories with the British and wish to present a re-statement of our views thereon:

a. \$30,000,000 - Tires - Effective 1 January 1945, the War Department will undertake the programming and procurement of British military tires. These tires will be subject to assignment by the Munitions Assignments Board. Consequently, to the extent that these tires will be used for direct military purposes, this item should be deleted from the list of items to be procured by the Foreign Economic Administration and added to those which will be programmed and procured by the War Department. It is believed probable that the United Kingdom might need some tires for indirect military uses, such as the open cast coal mining project, and it should be clearly understood that the War Department will not consider tires for such uses as within its jurisdiction. The War Department will interpose no objection to the acceptance, for planning purposes only, of the British estimate of \$30,000,000 as the valuation of their requirement on North American production of military tires for the first year of Stage II. In this connection, the British representatives concur in our understanding that no commitment to procure tires to this value is made, and that, actual procurement on behalf of the United Kingdom must be subject to quarterly examination in the light of production possibilities and operational needs in accordance with present procedures.

COPY

- 2 -

b. \$20,000,000 - Paper and Paperboard - The War Department has examined further the British estimate of requirements for packaging materials during Stage II.

In view of the relative sizes of the British and United States ground and air forces at present planned for employment against the Japanese in Stage II, it is agreed that the British submission for a maximum figure of \$20,000,000 for packaging material is not excessive for the first year, on the understanding that procurement will be assigned quarterly after examination of the detailed requirements by the combined authorities concerned. This agreement is made on the understanding that the total shipment of packaging materials to the British during the first year of Stage II will not exceed approximately 170,000 short tons, including 66,000 short tons of tropical board and Ordnance wraps. The actual United Kingdom requirements for these materials for the fourth quarter of 1944 and the first quarter of 1945, as submitted to Foreign Economic Administration, are approximately at this annual rate.

Sincerely yours,

/s/ Robert P. Patterson

ROBERT P. PATTERSON,  
Under Secretary of War.

**TOP SECRET**  
**WAR DEPARTMENT**  
**WASHINGTON**

November 4, 1944.

The Honorable,

The Secretary of Treasury.

Dear Mr. Secretary:

*for BK 756 P 111*

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Since writing that memorandum, we have discussed two of those categories with the British and wish to present a re-statement of our views thereon:

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**TOP SECRET**

**TOP SECRET**

236.

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In view of the relative sizes of the British and United States ground and air forces at present planned for employment against the Japanese in Stage II, it is agreed that the British submission for a maximum figure of \$20,000,000 for packaging material is not excessive for the first year, on the understanding that procurement will be assigned quarterly after examination of the detailed requirements by the combined authorities concerned. This agreement is made on the understanding that the total shipment of packaging materials to the British during the first year of Stage II will not exceed approximately 170,000 short tons, including 66,000 short tons of tropical board and Ordnance wraps. The actual United Kingdom requirements for these materials for the fourth quarter of 1944 and the first quarter of 1945, as submitted to Foreign Economic Administration, are approximately at this annual rate.

Sincerely yours,



ROBERT P. PATTERSON,  
Under Secretary of War.

- 2 -

**TOP SECRET**

Regraded Unclassified

This letter was sent to Miss Patterson,<sup>237</sup>  
in Gamble's office to hold for Dr. Odegard.

NOV 11 1944

Dear Peter:

I have been through your report to General Cobbs for a War Bond Drive in the E.T.O., and want to congratulate you on a job well done. The fact that the program you suggested was adopted by the General and his chief officers without substantial alteration is a tribute to you and your co-workers.

In undertaking a very difficult war assignment and doing it well, you have performed another distinguished and patriotic service to your country, and I want you to know how much I appreciate it.

Sincerely,

[Signed] Henry Morgenthau, Jr.

Dr. Peter H. Odegard  
Amherst College  
Amherst, Massachusetts

HM:mes  
11/9/44

NOV 11 1944

Dear Frank:

I want to thank you for your part in preparing the excellent report to General Cobbs for a War Bond Drive in the E.T.O. The fact that the program you helped devise was adopted by the General and his chief officers without substantial alteration is a tribute to the quality of your work.

In undertaking a very difficult war assignment and doing it well, you have performed a distinguished and patriotic service to your country.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Frank Isbey  
Chairman, War Finance Committee  
600 Union Guardian Building  
Detroit 26, Michigan

HM:mes  
11/9/44

NOV 11 1944

Dear Harold:

I want to thank you for your part in preparing the excellent report to General Cobbs for a War Bond Drive in the E.T.O. The fact that the program you helped devise was adopted by the General and his chief officers without substantial alteration is a tribute to the quality of your work.

In undertaking a very difficult war assignment and doing it well, you have performed a distinguished and patriotic service to your country.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. Harold Thomas  
War Advertising Council  
11 West 42nd Street  
New York, New York

HM:mes  
11/9/44

NOV 11 1944

Dear Mr. Whittier:

I want to thank you for your part in preparing the excellent report to General Cobbs for a War Bond Drive in the E.T.O. The fact that the program you helped devise was adopted by the General and his chief officers without substantial alteration is a tribute to the quality of your work.

In undertaking a very difficult war assignment and doing it well, you have performed a distinguished and patriotic service to your country.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Roy Whittier  
Young & Rubicam, Inc.  
285 Madison Avenue  
New York, New York

HM:mes  
11/9/44

NOV 11 1944

My dear Mr. Postmaster General:

The Sixth War Loan will begin November 20, with an over-all goal of \$14 billion, and a quota of \$5 billion for sales to individuals.

The over-all goal is \$2 billion less than in the Fifth War Loan, but it may be more difficult to attain than previous goals because of the feeling prevalent among many that the war is nearly over.

News of the war in Europe is good, but we do not know how long a tough and versatile enemy may be able to maintain resistance, and there is still a hard and costly war to be won in Asia. We cannot rest on our laurels; the challenge of the Sixth War Loan must be met as resolutely as in past War Loan drives.

The full support of the Post Office Department will be needed in this endeavor. Postal Service employees subscribed for \$27 million in bonds in the Fifth War Loan against their quota of \$20 million. Not only have postal employees bought large amounts of bonds since May, 1941, but they have loyally carried on the added task of issuing Series E Bonds to the general public.

Postal employees know well that United States Savings Bonds are the most popular and most widely held investment ever conceived in this country. They know that these bonds are admirably suited to the needs of the average citizen able to set aside modest savings for investment. They know that the 85 million buyers of Savings Bonds have built up a valuable back-log of purchasing power for the post-war decade, and that this investment can and should be further expanded.

- 2 -

In the forthcoming drive we have another opportunity to help put the ownership of America into the hands of the American people. I know, from past accomplishment, that the Postal Service will play an important part in making the drive a success.

Sincerely,

(Signed) H. Morgenthau, Jr.

The Honorable Frank C. Walker  
Postmaster General  
Washington, D. C.

JMM:mf

NOV 11 1944

Dear Mr. McCormick:

The success of the Sixth War Loan Drive will depend to a great extent upon the response of the men and women workers upon the payrolls of the country, who buy War Bonds through the regular Payroll Savings Plan and who purchase EXTRA Bonds during War Loan Drives.

While we are naturally encouraged by favorable developments in the European theatre of operations, we cannot afford to relax in the slightest degree. We must realize that there is still a huge and vastly expensive war to be waged against an implacable enemy in the Pacific. The Treasury will be called upon to furnish the funds necessary to see it through. The Sixth War Loan, therefore, presents a greater challenge than ever, and we will need the cooperation of every community, company and citizen.

Since the very beginning of the War Finance Program, the International Harvester Company has had an enviable record in War Bond sales. We are counting again, upon you and your employees for another outstanding achievement in the Sixth War Loan.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Fowler McCormick  
President  
International Harvester Company  
Chicago, Illinois

RGE:so  
10-27-44

NOV 11 1944

Dear Mr. Depinet:

There has been sent you, under separate cover, special Treasury certificates of recognition, to be forwarded by you to the distribution members of the War Activities Committees throughout the country.

I am aware not only of the splendid work that the members of your organization have done in past drives, but know that as a result of the reports reaching me upon the success of your numerous meetings throughout the country, we can look for an even better job in the Sixth War Loan drive.

I feel sure that the success that you and your co-workers have had in your relation with our important War Finance program is all the reward you want for your devotion and that this success will stimulate them to even greater efforts in the important days that lie ahead.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. Ned Depinet,  
President,  
RKO Distributing Corporation,  
1270 Sixth Avenue,  
New York, New York.

TRG:rfp:hsh

November 11, 1944.

My dear Harry:

I know you heard Governor Dewey's speech last Saturday night (November 4) in New York in which he said the Secretary of the Treasury had presented at Quebec "his private plan for disposing of the German people after the war" and continued:

"The publishing of this plan while everything else was kept secret was just what the Nazi propagandists needed. That was as good as ten fresh German divisions. 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. They stood and fought fanatically."

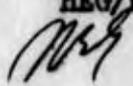
I should like very much to hear whether you feel that there is any shred of truth in this statement.

Sincerely,

(Signed) Henry

The Honorable Henry L. Stimson  
Secretary of War

HEG/mah



By messenger



Nov. 11, 1944

218

TO:

Secretary Morgenthau:

Mr. Gaston revised this letter, but when he noticed that the newspaper article was a letter to the editor, he said, "Will you please tell the Secretary that in my opinion this letter should not be sent."

P.B.M.

From: Mr. FitzGerald



THE SECRETARY OF THE TREASURY  
WASHINGTON

November 11, 1944

*Handwritten note:*  
I am not  
attracted to a politician who  
will leave a man out as the  
winner and return to the same old  
judgment and sanity that  
is more characteristic  
of the Herald Tribune?

My dear Mrs. Reid:

I have before me a newspaper article signed by F. R. Marvin entitled "Mr. Morgenthau's Strategy." Now that the election is over, don't you think it is high time that your paper "~~lay off me.~~"

~~May I bring your attention to the fact that~~  
Before Governor Dewey made the so-called Morgenthau plan a political issue, in an editorial in your paper on October 1, you said "prior to the announcement of the Morgenthau plan the Germans were surrendering in droves; now they are fighting like demons' is simply nonsense." I agreed with your editorial on October 1 that Senator Johnson's criticism was "simply nonsense" and when Governor Dewey paraphrased what Senator Johnson had said, it became vicious nonsense.

I am writing you this letter feeling confident that you will understand the spirit in which it is written.

Sincerely yours,

Secretary of the Treasury

*Ogden*

Mrs. ~~Helen Rogers~~ Reid  
c/o New York Herald Tribune  
New York, New York

*Handwritten note:*  
his (Senator Edwin Johnson's) charge  
that



NEW YORK  
**Herald Tribune**  
 NOV 10 1944

Mr. Morgenthau's Strategy

To the New York Herald Tribune:

Apropos a statement made recently by the former Governor and Presidential candidate, Alfred M. Landon, I have a V letter which goes far in confirming the latter's fears of the result of too many Administration spokesmen "shooting off" about affairs which are properly the responsibility of the Congress and the military. I have not heard General Eisenhower instructing Mr Morgenthau as to the ways and means of financing the war, and I'm sure the general has too high a regard for the lives of his men to make statements that could be calculated to cost men's lives and to prolong the conflict one more day.

I quote from his V letter, dated Sept. 28, 1944, as follows: "The weather is getting colder every day, and as we have been getting a lot of rain, army life is more miserable than ever, for which we thank the Germans and build up just that much more resentment toward them, although, unlike the windbags back in Washington, we prefer to wait until we have got them to quit before making the threats that give them

reason to fight harder and longer."

I should like to add that this same soldier, was killed "somewhere in Germany," Sept. 30, 1944, just two days after his above-quoted letter was written. Is it possible that such conditions will be allowed to continue unabated in Washington?

F. R. MARVIN.

Hartsdale, N. Y., Nov. 4, 1944.

### Where Extremes Meet

For all the glosses and labored interpretations which have been applied to President Roosevelt's shotgun directive to the Foreign Economic Administration, there is still no candid official word on the development of Allied policy toward a post-war Germany. Mr. Churchill has shed no light on the subject; Mr. Eden defended unconditional surrender and gave evidence of Nazi plans for continued resistance after defeat, but gave no hint of the manner in which the victorious powers propose to deal with Germany.

Nevertheless, a healthy current of public discussion has been directed upon this vital topic. The Morgenthau plan, whether it was the germ of a policy, a trial balloon, or just a myth, has provoked widespread comment. Not all of this comment is intelligent, to be sure. Whatever the merits of Senator Edwin C. Johnson's own plan for policing Germany, his charge that "prior to the announcement of the Morgenthau plan the Germans were surrendering in droves; now they are fighting like demons" is simply nonsense. Then there is the confusion attendant upon the use of such relative terms as "hard" and "soft"—terms which Mr. Eden rightly condemned. What peace could possibly be "hard" in the eyes of a Frenchman whose land has been invaded three times within seventy-five years? Or "soft" in those of a fanatical Nazi?

But there is a more important weakness in many of the current discussions of post-war Germany. It springs from the belief that the terms to Germany must, somehow, be self-enforceable; that the Allies will weary of the job of policing their former enemies or quarrel among themselves, and that Germany must therefore be rendered automatically harmless. This is, in essence, the reason advanced by "The Economist" of London for opposing stringent measures against Germany. Curiously enough, it also lies behind some of the arguments for the Morgenthau plan. Germany, it is maintained, must be wooed by generous terms or completely crushed—in the moment of victory. There is not sufficient resolution, unity or wisdom among the victors to maintain stiff and salutary controls for the length of time necessary to bring Germany into amicable relations with the family of nations.

This is simply the counsel of despair, whether it leads to a hothouse revival of German economical and political life or to the complete extirpation of German industry. If the Allies cannot collaborate over the period necessary for Germany to work out her "indeterminate sentence," if they cannot make changes in Germany's status as she progresses toward citizenship in the world community without thereby bringing the threat of new aggressions to her neighbors, then there can be no protection against the specific danger of Pan-Germanism or the general danger of another war, from whatever source. The hope of the world lies in the continuing collaboration for peace among the United Nations; without that, Germany can become a menace again, whatever paper terms are established for her control. And unless Germany can be dealt with successfully, there is no prospect that the United Nations, or the Big Four, can solve any of the other problems confronting the world in the peace.

As public discussion among the Allied nations begins to fasten on the concrete difficulties posed by Germany, such errors as these begin to appear in their proper light. Doubtless many plans will be advocated and attacked. But if the main point emerges—that constant vigilance and sustained unity among the present foes of the Reich are the only foundation for peace—the sound and fury will be well worth while.

NOV 11 1944

My dear Mr. President:

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet government, indicating the availability of cargo for November.

The inventory of material in storage as of November 1, 1944, was 104,255 tons or 44,333 tons less than the October 1st inventory. Production scheduled for November shows an increase of 116,738 tons as compared with October.

Faithfully yours,

(Signed) H. Morgenthau, Jr.

The President  
The White House

WFBrennan:hsc  
(11-8-44)

TREASURY DEPARTMENT - U. S. S. R.  
MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING NOVEMBER, 1944  
 (IN 2000 LB. TONS)

<u>COMMODITY</u>	<u>STORAGE NOVEMBER 1, 1944</u>	<u>PRODUCTION DURING NOVEMBER</u>	<u>TOTAL AVAILABLE</u>	<u>PRIORITY CARGOES FOR PORT AREAS SPECIFIED TO DATE FOR NOVEMBER</u>
ALUMINUM	756	2,705	3,461	
BEARINGS	59	708	767	
BRASS AND BRONZE	1,548	25,850	27,398	9,983
CHEMICALS	8,772	296	9,068	7,109
CLOTHING AND TEXTILES		124	124	
CONSTRUCTION MACHINERY		774	774	
COPPER IN VARIOUS FORMS	14,014	8,452	22,466	13,597
FERRO-ALLOYS	58		58	
GRAPHITE PRODUCTS	19		19	19
HAND AND CUTTING TOOLS		4,682	4,682	4,480
INDUSTRIAL MACHINERY	37,812	6,227	44,039	39,175*
LEAD AND LEAD ALLOYS	8	5,847	5,855	4,480
MEDICAL SUPPLIES		133	133	
NICKEL AND NICKEL PRODUCTS	5	840	845	
NON-FERROUS METALS, OTHER	116	371	487	
PAPER AND PAPER PRODUCTS	470	782	1,252	1,176
PLASTICS	700		700	
RUBBER	577	325	902	902
STEEL, ALLOY AND SPECIAL	3,755	27,770	31,525	16,800
STEEL, CARBON	15,034	131,269	146,353	33,002
STEEL, PIPE AND TUBING	13,863	8,640	22,503	11,672
STEEL, RAILS	3,498	8,433	11,931	11,931
TIN PLATE	3,112	1,260	4,372	2,800
ZINC	29		29	
<b>TOTAL</b>	<b>104,255</b>	<b>235,488</b>	<b>339,743</b>	<b>157,126</b>

\*In addition, all available tonnage applicable to the Oil Refinery Program is classed as priority cargo for prompt shipment to ports.

TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY

November 11, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended November 1, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

*EMB*

Federal Reserve Bank  
of New York

November 10, 1944.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended November 1, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

/s/ D. J. Liddy

D. J. Liddy,  
Manager, Foreign Department.

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

Enclosure

COPY

BALANCES OF BRITISH AND FOREIGN ACCOUNTS  
(IN MILLIONS OF DOLLARS)

Week Ended Nov. 1, 1944

Strictly  
Confidential

Week and Dates (a)	BANK OF ENGLAND (BRITISH DEPARTMENT)						BANK OF FRANCE						
	D E B I T S				C R E D I T S		Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)	
	Total Debits	Gov't Accounts (a)	Official Clearing Accounts	Other Debits	Total Credits	Reserve Funds of Bank of England (b)							Reserve Funds of Bank of France (c)
1944	2,733.8	685.6	20.9	1,366.7	1,320.2	1,356.7	22.0	3.9	426.2	+ 35.0	866.3 (f)	1,095.3 (g)	+ 229.0
1943	2,233.8	1,222.2	3.4	477.8	2,189.8	1,193.7	226.0	16.7	205.4	- 13.2	38.9	8.8	- 30.1
1942	2,238.6	222.8	2.7	223.3	1,360.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
1941	1,244.0	222.7	170.4	389.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
1940	1,327.2	20.4	8.4	333.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
1939	151.0	19.9	50.4	80.8	56.5	-	-	1.0	55.5	- 94.5	-	-	-
1938	187.9	21.0	7.4	99.5	54.7	-	-	1.0	53.7	- 73.2	-	-	-
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- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those affected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdowns see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (h) Includes \$ 5.9 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$ 2.7 million in connection with the expenses of our armed forces abroad.
- (i) Includes \$ 16.0 million and \$ 2.0 million transferred to accounts at this bank of Commonwealth Bank of Australia and Reserve Bank of South Africa, respectively.

**STATEMENTS OF CANADIAN AND AUSTRALIAN ACCOUNTS**  
(In Millions of Dollars)

Week Ended November 1, 1944 **CONFIDENTIAL**

Week Year (a)	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	Transfers to U.S. official				Transfers from Official				Transfers to U.S. official				Transfers from Official			
	Total Debits	British A/C	Others Debits	Total Credits	Gold Sales	For Own A/C	For French A/C	Other Credits	Net Incr. Decr. (-)	Total Debits	British A/C	Others Debits	Total Credits	Gold Sales	Other Credits	Net Incr. (+) or Decr. (-)
1941	223.0	16.6	306.4	304.7	432.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9
1942	460.4	-	460.4	462.0	246.2	2.4	123.9	88.5	+ 1.6	72.2	16.7	35.5	81.2	62.9	18.3	+ 9.0
1943	325.8	0.3	325.5	365.3	198.6	7.7	-	380.0	+ 40.5	197.2	27.4	49.8	132.2	17.2	95.0	- 5.0
1944	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
1944	849.3	1.0	848.3	958.5	38.1	61.4	-	899.0	+ 283.3	298.6	252.5	46.1	287.7	-	287.7	- 30.9
	74.5(r)	0.1	74.4(r)	91.8	-	20.4	-	41.4	+17.3(r)	5.8	1.0	4.8	7.3	-	7.3	+ 1.5
	24.1	-	24.1	34.2	-	7.4	-	76.8	+40.1	20.5	1.0	13.5	21.0	-	21.0	+ 9.5
<b>Week Ended</b>																
October 11, 1944	5.8	-	5.8	30.6	-	-	-	30.6	+24.8	-	-	-	3.1	-	3.1	+3.1
October 18, 1944	3.1	-	3.1	5.2	-	-	-	5.2	+ 2.1	0.2	-	0.2	0.4	-	0.4	+0.2
October 25, 1944	7.9	-	7.9	29.4	-	7.4	-	22.0	+21.5	0.1	-	0.1	0.8	-	0.8	+0.7
November 1, 1944	7.1(a)	-	7.1	15.3(d)	-	-	-	15.3(d)	+ 8.2	20.5(e)	1.0	19.5(f)	19.5(f)	-	19.5(f)	-1.0

Average weekly expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fifth year of war	16.1 million.
Sixth year of war (through November 1, 1944)	7.1 million.

- (a) For monthly breakdowns see tabulations prior to: April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (b) Reflects changes in all dollar holdings payable on demand or maturing in one year.
- (c) Does not reflect transactions in short term U. S. securities.
- (d) Includes \$ 6.3 million deposited by War Supplies, Ltd.
- (e) and \$ 6.3 million received from New York accounts of Canadian chartered banks, and \$2.0 million transferred from account of Banco de Brasil at this bank.

(r) revised

(For other footnotes see reverse side)

NOV 11 1944

Dear General Carter:

I have received your letter of October 27, 1944, regarding the shipment of gold to India for the Chinese Government.

We are informing the Chinese Government of the facilities which will be available for the transport of gold and I wish to thank you for the previous services the War Department has rendered in this connection.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Major General A. H. Carter,  
Fiscal Director,  
Headquarters Army Service Forces,  
Room 4E-448, Pentagon Building,  
War Department,  
Arlington, Virginia.

**CONFIDENTIAL**



HEADQUARTERS ARMY SERVICE FORCES  
OFFICE OF THE FISCAL DIRECTOR  
WASHINGTON 25, D. C.

*Bill &  
White*

OCT 27 1944

SPFEX - P-9308

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

Receipt is acknowledged of your letter of October 20, 1944, requesting that arrangements be made to ship \$20,000,000 of gold to Assam, India, either by air or by water in shipments spaced over an appropriate period of time.

Insofar as transport by water is concerned, I can assure you that the War Department is prepared to make arrangements for immediate shipment by Army transport of whatever monthly quotas are desired.

With respect to gold shipments by air, the urgent military demands on air transport facilities to the China, Burma, and India Theater make it necessary to obtain air priority from the theater. The Chinese Government recently requested that the War Department arrange for air shipment of Chinese banknotes of ninety (90) tons a month for the next three or four months. General Stilwell was advised of the request and air priority was assigned for only seventy (70) tons during the month of October and the balance of the currency will of necessity have to be made by water shipment.

Under the circumstances, therefore, if gold is to be shipped to India for delivery to the interior of China, it would appear that it will be necessary to depend on water shipment. The War Department is prepared to arrange for shipment of the gold by the fastest available vessel allocated to the Army for shipment to Calcutta without charge to the Chinese Government for transportation but without assumption of risk by the War Department.

Sincerely yours,

A. H. CARTER,  
Major General, G.S.C.,  
Fiscal Director.

This document contains information affecting the national defense of the United States within the meaning of the Espionage Act, Title 18, U.S.C., and 32, as amended. Its transmission or revelation of its contents in any manner to an unauthorized person is prohibited by law.

**CONFIDENTIAL**

Regraded Unclassified

NOV 11 1944

My dear Mr. Secretary:

This is to inform you that the Treasury Department is now undertaking investigation of the activities of the French branches of American banks during the period of German occupation. The interested banks in the United States have been informed that such investigations are going forward.

The first preliminary reports of these investigations have been received and these reports stress the differences in conduct of the representatives of the various American banks. For instance, those banks which maintained representatives of Swiss nationality were evidently more cooperative with the Germans than the other branch banks. Those banks which maintained operations through cooperation with the Germans are now in a favorable position to resume operations relative to the other banks which chose to liquidate rather than to cooperate.

Very truly yours,

[Signed] H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of War.

HG:gp 11/7/44

Treasury Department  
Division of Monetary Research

Date Nov. 11, 1944 19

To: Secretary Morgenthau  
From: Mr. White

Appended are the first two parts  
of a report we have received from  
Mike Hoffman, Paris.

I think you will want to read the  
four-page summary on the political  
situation which we prepared.

MR. WHITE  
Branch 2058 - Room 514-1x2

Unless DeGaulle and his Government line up with the strong political forces behind the CNR and show some positive sign of taking action to meet the demands of the millions of Frenchmen who are fed up with the old French Government system, with the past and present control of French industry, and with the weak policy toward collaborators and traitors, it is my conviction that this Government will be overthrown as soon as, if not before, the United States troops leave France. If DeGaulle tries to fight, this overthrow will be bloody.

The Government has made many fine statements about what it intends to do. DeGaulle's Lille speech announced the policy of nationalization of essential industry and state control of basic national economic resources. The only steps that have been taken are the requisitions of the coal mines, the Renault factories, and the Berliet factories. In all these cases the Government acted only in the face of a fait accompli on the part of the workers. It did not take the lead. Even when it acted it did not do a clean job and left unsettled the question of compensation of the owners, left many of the objectionable managers in charge, etc.

The Government has announced the policy of cleaning out traitors, Vichyites and collaborationists from the ranks of public and quasi public servants, the professions, industry, and the press and educational systems. Thousands of arrests have been made (about 100,000 to date in all of France), but practically all are "illegal" arrests by the S.V.I. In Marseilles, Toulouse, Lille, Bordeaux, Clermont, Grenoble and other places trials have been held and condemned traitors have been shot. These trials have been held before Military Tribunals or local Tribunals operating under the authority of local regimes installed by the Resistance. In Paris, where DeGaulle's Government controls, there has not been one single person condemned to death up to the present.\* The Court of Justice opened only this week, and it was stated in the press that one of the prosecutors assigned to the first trials (the assassins of Georges Mandel and Georges Suarez, the editor of the Nazi paper "Aujourd'hui") was a person who had helped the Vichy Government in its presentation of the case against the French patriots at Riom. The press contains caustic criticisms every day of the delay, red tape, and sabotage surrounding the epuration of the Government departments. There is growing belief that the Government does not intend seriously to

\* Since the above was written, the Paris Court of Justice has condemned Georges Suarez to death and an ex-White Russian Colonel to 7 years solitary confinement.

clean up the ranks of the civil service. Notorious collaborationists are still crowding the Ritz Bar in Paris and entertaining high ranking Army officers on a large scale, pouring into receptive ears their fears of Communism, how they slowed down production of war materials which they were forced to make for the Germans, how they kept the Germans from deporting all their workers, etc. In these circles it is common gossip that an effort is being made to "let this thing blow over". Many who were arrested have been released quietly - such as Ardant, Director of the Societe Generale, whom even the Bank of France accuses of being a flagrant collaborationist. Many have gone to the country to let the storm pass. Some elements in the Government are believed to be aiding in this process and to be counting on making capital of a few notorious cases in order to quiet the public clamor.

The French Right, which is entirely quiescent as far as public appearances are concerned, has powerful spokesmen in the immediate entourage of DeGaulle - Plevin, Diethelm, Alphand, Monnet, Freney. All are men of essentially reactionary tendencies. Lepercq, the Minister of Finance, is the former head of Skoda, controlled by the Comite des Forges, and of Union Europeenne, a mammoth holding company. He has indicated clearly to me on several occasions that he regards the problem of euration in the banks and in the Government to be clearly overemphasized and misrepresented in the press by people who do not know what they are talking about. He takes the position that, except for a few cases\*, say the record of the banks was not bad on the whole.

The influence of these people, combined with the inefficiency and weakness of the well-meaning members of the Government, is enough to explain why the only place in which no heads have fallen is Paris, where the Government control is firmer than elsewhere.

When DeGaulle arrived in Paris, there was, and probably even today still is, a better than 50-50 chance that the reestablishment of orderly Government in France can take place without serious internal strife and without serious class conflict. There is every evidence that the overwhelming majority of French people was and is agreed on a sufficient number of basic political objectives to provide support for a French Government firmer than any support enjoyed by the French Government during the past 25 years. There is no real evidence that the Communization of France or the liquidation of the employer class or the owning class is regarded by the workers or by the resistance groups as an essential requirement for the foundation of a new regime.

\* See my memorandum of October 13, 1944, copy of which is being forwarded to the Treasury.

as far as workers are concerned, their grievances are generally specific - against certain people who worked for the Germans and against the French people during the occupation. These people must go, but it would not at this stage be all managers or all employers, many of whom have an excellent standing in the Resistance. In the Government they want some evidence of a determination to carry out efficiently the policies which have been announced and which represent the views of the overwhelming majority of the people. No election is needed to know that the French people want the great industrial combines to be controlled by the State, and controlled efficiently, anymore than an election would be needed to find out whether or not the French people consider Alsace to be part of France.

If DeGaulle lines up with the forces of the Resistance, which means with the Left, gets rid of his hothouse politician-advisers, and makes a few clean sweeps such as a thorough purge of the Ministry of Finance, or the installation of a strong, competent and representative administration in a nationalized Comite des Forges, he could still win out. If he continues to sit on the fence, he is through, and France is going to undergo serious and probably violent political upheavals which, if the French are left to themselves, can only end in a kind of Communism which will be more extreme and less Democratic than any important group in France would really wish to have. The only hope for avoiding this lies in the fact that the French Left is now so strong relatively that it may conceivably be able to toss DeGaulle and his Government and the whole French Right into the ashcan by a shrug instead of an upheaval, in the event that the Government forces the issue.

Finally, a brief word must be inserted concerning American influence in the French political melting pot. It can be stated categorically that with rare exceptions American influence, official and unofficial, direct and indirect, favors the "do nothing" policy of the present Government. This has been referred to in more detail elsewhere. Suffice it to say here that, as far as the persons formally responsible for representing the U.S. Government in France are concerned, they are almost without exception colorless, routine, foreign service officers without any conception of the real interests of the United States, or any real appreciation of the powerful forces now at work in France. In accordance with the traditional policy of the American Foreign Service, their main objective is to avoid trouble. Consequently, any influence which they may have, fortunately not likely to be great, is in the direction of discouraging strong vigorous action on the part of the Provisional Government.

As far as the effect of the presence of the American Army is concerned, it is quite openly regarded by the French Right as their own protection against revolution and against the potential power of a Provisional Government backed up by the Left Wing Parties. The individual officers who have most contact with the French are generally persons who are easily influenced by the theme songs of the collaborationists, and the French Right Wing, in general, and who are easily convinced that intervention by the American Army to prevent any extreme measures would be a desirable thing. Most of the men and officers who fought with and know the Resistance groups and the common people are not in Paris. No effort is made by the American Army to educate its members to the true situation in France, and propaganda is confined to human interest stories about the Resistance and the French people designed to show that the Americans love the French and the French love the Americans. Fortunately, from a long run point of view, there is an enormous sympathy between the American troops and the French people which will probably outlast the present crisis.

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Memorandum

Attached are the first two sections of a report on France.

Section I- Introduction- Establishment of the Treasury Office in France.

Section II- Political Situation

The following sections are in preparation:

Section III- Basic Economic Conditions in France.

Section IV- Financial Conditions and Fiscal Policy.

Section V- Epuration, Industrial and Banking Reform.

Section VI Rate of Exchange and International Financial Position of France.

The organization of these later sections is subject to amendment.

In addition to information about developments in France, the following points are made in the attached report covering the political situation:

1. The De Gaulle Government does not have real authority in France.
2. The National Council of Resistance, backed by the French Forces of the Interior, is the strongest political factor in France.
3. De Gaulle has not lined up with the powerful Resistance Forces, nor met any of their fundamental demands.
4. Justice to traitors, which is being dealt with promptly in the areas where the De Gaulle Government does not have control, is being sabotaged in Paris where the program is being run by the Government.
5. Unless De Gaulle lines up with the Resistance and meets certain of their fundamental demands, he will be thrown out and France may have a bloody revolution.
6. American influence so far is all in the direction of encouraging the Government's "do nothing" attitude.

Michael L. Hoffman  
U.S. Treasury Representative.

London, October 24, 1944

October 23, 1944

REPORT ON FRANCE

SECTION ONE

Introduction - Establishment and Status of Treasury Office in France.

I arrived in Paris on the afternoon of Thursday, August 31, 1944, having flown from London to Omaha Beach (a few miles from Bayeux), and having proceeded by car from there to Paris, passing through Bayeux, Caen, Lixieux, Elbeuf, and Montes.

The departure for Paris was made subsequent to the receipt of Treasury cable No. 6934 of August 29, 1944, and to discussions between the American and British Representatives at Supreme Headquarters, the British Treasury and War Office, the U.S. Treasury Representatives in London, and the American Ambassador.

The group was originally supposed to consist of Brigadier Rabino and myself, representing our respective Treasuries, and proceeding under orders from SNAEF. It was my understanding that we were to report to the respective Treasuries through SNAEF and were eventually to be attached to the SNAEF Mission to France. The orders issued by SNAEF instructed Rabino and myself to proceed "to northwestern France in order to carry out the instructions of the Assistant Chief of Staff, 3-5, Supreme Headquarters Allied Expeditionary Forces." On the morning of August 31, when the car arrived at my hotel to take me to the airport, I learned that Major Lithiby of the Bank of England was probably to be included in the party. I immediately called Mr. Aarons and advised him of this fact. After arrival at the airport, having picked up Lithiby and Rabino, I called Mr. Aarons again and confirmed that Lithiby was departing with the group. He was in the uniform of a British Major, although he was and still is a civilian official of the Bank of England. I never saw Lithiby's orders and had previously been advised that the suggestion that he accompany Rabino and myself had been disapproved by SNAEF.

I was advised by Col. Bernstein that a cable would be sent from SNAEF to the military authorities in France setting forth the terms of reference of the Mission as outlined above. Although I have since been told that this cable was in fact dispatched, I was never able to find any evidence that it had been received by any of the Allied Military Headquarters in France, and as of the time of writing this report I have not seen a copy of any such cable, although I have requested a copy on several occasions from SNAEF. The responsible military authorities in Paris, therefore, never received any formal notice of the Mission and relations were established at first entirely on the basis of the travel orders quoted above, together with the usual credentials carried by myself. Brigadier Rabino had a letter from Sir Eric Speed at the War Office stating that he represented the British Treasury and War Office and was to be given full facilities, etc.

At the time of departure of the Mission, none of the party had any idea as to what Allied Military Authorities would be found in Paris, except that it was supposed to be an American zone. The Germans had left the city five days earlier and the entire Army was in a state of rapid movement so that the location of various headquarters was frequently not definitely ascertainable. I had been advised to contact Brig. Gen. Holmes and Mr. Reber as soon as possible upon arrival in order to explain to them the circumstances of the Mission. They were supposed, in addition, to have the cable referred to above. Upon arrival in Paris it was ascertained that the top American authority in the area was for the time being the Commanding General of the Seine Base Section, Brig. Gen. Rogers.

It was found that Brig. Gen. Cobbs, Fiscal Director of U.S. Army ETO, was in Paris, and it was through General Cobbs that preliminary contacts were made. General Rogers was called upon the morning after arrival by General Cobbs, Rabino and myself, and the general nature of the Mission explained to him. Rabino was advised that there was a British Brigadier in the area who was in the process of organizing various facilities for British officers, and Rabino contacted this Brigadier that day with respect to transport, billets, etc.

Later the same day I talked with General Cobbs privately concerning the background of the Mission, and explained to him the reasons why the American authorities in London had not been willing to have Rabino proceed to Paris unless a U. S. Treasury Representative accompanied him. I requested General Cobbs' cooperation in obtaining the necessary office space, transport, facilities, and, if possible, secretarial assistance during the preliminary period, pointing out the importance of having the U.S. Treasury adequately established. General Cobbs promised his full cooperation and offered to assign a Warrant Officer from one of his rear disbursing offices to me temporarily as a secretary. From the very beginning General Cobbs went out of his way and used his prestige and contacts with the Army to obtain for the Treasury Office such facilities and assistance as were required. It would be difficult to exaggerate the importance of his assistance and cooperation during the first few weeks.

The next morning, September 2, General Cobbs and I called on General Rogers and explained to him the general nature of my mission, and General Cobbs emphasized the importance of my receiving full cooperation and assistance from the U.S. Army. General Rogers responded immediately with a pledge of full cooperation and gave instructions to his Adjutant to see that I was furnished with any facilities which I desired and which he was in a position to offer me. He explained that the Communication Zone Headquarters (Lt. General Lee) would soon be set up in Paris, and that with respect to cable communications, I could probably get better service there than through the Seine Base Section. He offered, however, to let me use freely such communications as were available to his headquarters.

Although my contacts with COMZONE Headquarters were not extensive, in view of the fact that SHAEF Mission arrived in Paris and SHAEF Forward at Versailles within the next two weeks, it should be recorded that in every case in which I turned to the Seine Base or COMZONE Headquarters for assistance or facilities, I received prompt and full cooperation without the slightest difficulty.

The day following my arrival I arranged for the dispatch of cables to the Treasury announcing the establishment of the Paris Office, and to General Holmes and Mr. Reber, whom I had been instructed to contact. These cables were carried by one of Gen. Cobbs' staff officers to a headquarters in the Normandy peninsula, and I was later advised that they had been transmitted from there by telephone to London, in the case of the message to the Treasury, and by another courier to Granville to General Holmes and Mr. Reber.

During the first two weeks the situation in Paris remained extremely unsettled from all points of view. Direct communications between Paris and London did not exist except by courier. The same was true of communications between Paris and other headquarters of the Army, including SHAEF Forward. Communications in Paris itself were almost entirely a matter of going personally from one place to another, as telephones were working badly or not at all, and there was no courier service available. The most urgent problems were those involving the American Armies' operations, and an enormous amount of time was spent in the early period simply trying to find out what was going on and in trying to bring the action of the U.S. Army, British Army, Bank of France, and French Treasury into line on various questions connected with the supply of currency to the troops, the establishment of accounts by finance officers, the plans for moving currency into Alsace-Lorraine and Belgium, and the question of exchange rates to be applied in these various areas. Until the arrival of Col. Bernstein on September 5th, there was no way of knowing what was being done on any of these various problems at SHAEF, or in Washington or London.

As noted above, it was my understanding that when the SHAEF Mission arrived in France, Rabino and I would be attached to this Mission as Treasury Representatives. The first time that the question of status was raised was on September 4 when Lt. Gen. Grassett (British), head of the 3-5 Division of SHAEF, came to Paris. Gen. Grassett advised Rabino and myself that the SHAEF Mission was about to open headquarters in Paris and stated that both Rabino and I should have offices there and be on an equal level. The details of the meeting with Gen. Grassett were reported in my memorandum of September 4. Although the status of Brig. Rabino seemed to be fairly clear as a result of the conference with Grassett, it was subject to continual discussion from the time of the arrival of the SHAEF Mission to date. The SHAEF Mission actually arrived in pieces over the next two weeks and was not really functioning until about the 15th of September. However, as soon as Maj. Gen.

Lewis arrived, I advised him of the problems I was dealing with and began to send my communications through the SHAEF Mission, in accordance with what I understood to be Cassett's views and with my original understanding.

Mr. Reber arrived in Paris the day after General Cassett and advised me that he had received my cable which was the first intimation that he or General Holmes had that I had come to France. He asked me what I was doing and I explained to him the basis for my mission and brought him up to date on some of the developments of the past few days concerning the Army's problems and the general situation in Paris. I made contact with General Holmes a few days later during Col. Bernstein's first visit.

The first batch of the Embassy staff arrived on September 10, headed by Selden Chapin, Charge d'Affaires. The next day the Treasury Office was moved into the Embassy Building in the space formerly occupied by the Treasury Attache.

Communications continued to be sent out through the SHAEF Mission until the middle of October, and liaison was maintained with the SHAEF Mission through Lt. Col. Harriman, A.U.S., of the Finance Section of the G-5 Division.

As of the 15th of October, the status of the Treasury Office in Paris was therefore as follows: The office was established in the American Embassy as the office of the U.S. Treasury Representative. Facilities for communication to the Secretary of the Treasury were available through G-5 Mission at SHAEF and SHAEF Main, and through the Embassy via the State Department. To an increasing extent the latter channel was becoming the most practical, particularly in view of the fact that SHAEF Main had moved to Versailles and therefore was no longer in close contact with the Treasury Office in London. I heard informally that a decision had been made that Brig. Rabino was no longer to be attached to the SHAEF Mission, and that I was no longer considered by the Mission to be "attached". No such decision was ever communicated formally to me, but there was a natural tendency for contact with the SHAEF Mission to be more and more in the nature of liaison. In any event, the Mission never had any formal notice of my being "attached" to it, although this was understood at SHAEF.

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SECTION TWO

Political Situation

The process of liberating France from German occupation, and of the installation of the new central authority which calls itself the Provisional Government has taken place so far without serious disorder and without internecine strife. Some reports have regarded this fact as proof that the DeGaulle Government has successfully established itself in France. In my opinion, the apparent smoothness of this process is totally misleading. I find that the authority of the Provisional Government is far from being effectively established anywhere in France, and that there are serious political differences within the country.

In order to evaluate the present situation, it is essential to understand that, apart from the Allied Armies, the real power in France lies in the person of General DeGaulle, who is still the symbol around which all groups nominally unite, and in the organized resistance groups, not in the Provisional Government. The situation is extremely complex, but the following paragraphs attempt to bring out some of the significant elements thereof.

Most of the members of the French Committee of National Liberation had arrived in Paris by September 3rd. By that weekend the Government was reconstructed and the following cabinet was appointed and became the Council of Ministers of the Provisional Government:

General DeGaulle	....President of the Council
M. Jeanneney	.....Minister of State (formerly Radical)
M. Bidault	.....Foreign Affairs (Resistance Movement)
M. de Menthon	.....Justice (Christian Dem.)
M. Tixier	.....Interior (Socialist)
M. V. Diethelm	.....War (non-party, close to Gen. DeGaulle)
M. Jacquinet	.....Navy (Moderate Repub.)
M. Charles Tillon	....Air (Communist)
M. Laperceq	.....Finance (an industrialist)
M. Mondes-France	.....National Economy (Radical)
V. H. Lacoste	.....Production (Resistance)
V. Tanguy-Prigent	....Agriculture (Socialist)

M. Paul Giacobbi.....Food  
(Radical)  
M. Alevin.....Colonies  
(Christian Dem.)  
M. Capitant.....Education  
(Resistance in North Africa)  
M. Rene Mayer.....Transport  
(non-party)  
M. Augustin Laurent....Post and Telegraph  
(Socialist)  
M. Billoux.....Health  
(Communist)  
General Catroux.....North Africa  
M. Fresnay.....Pensions and War  
(Combat)  
M. Alexandre Parodi....Labour  
(Resistance)  
M. Tietgen.....Information  
(Christian Democrat)

This reorganization was supposed to broaden the base of the Provisional Government and, in fact, includes representatives of every conceivable shade of opinion, except declared Fascists. Among the most important changes were the appointment of Bidault, an ex-professor who was President of the Paris Council of Resistance, to the Foreign Ministry, replacing Massigli who was named Ambassador to London; the transfer of Mendes-France from Finance to the Ministry of National Economy, which has supervision over Agriculture, Production and Ravitaillement; the nomination of Lepercq to Finance; and the replacement of Bonnet by Tietgen at the Ministry of Information. The old DeBaulists, Tixier, Diethelm, Alevin, and Rene Mayer, remained in the Government. The nomination of Jeanneney, the so-called Dean of the Chamber of Deputies, as Minister of State, is also considered to be an important appointment. This Governmental reorganization was the first and major effort to amalgamate the Algiers organization with the Metropolitan resistance movement.

The practical problem of reestablishing the central French authority would have been difficult even in the absence of basic political complications. The routine operations of administration, which had been centered in Vichy, were more or less completely interrupted for a period of several weeks to two months, depending on the region, and the central administration was transferred nominally from Vichy to Paris several weeks before files, records, clerical personnel, etc., could be transferred. There was also the problem of getting personnel, files, and records out of Algiers and of determining what should be done immediately in the way of changed administrative policies, and what should be left to continue under outstanding proclamations, instructions, etc. One of the major administrative problems for the Government, at least for everyone else, is lack of communications between the different regions of France.

Under the circumstances, problems were solved to a very considerable extent by the natural tendency of minor officials and functionaries to continue doing what they had always done in the absence of instructions to the contrary. The administrative problems arise primarily when an effort is made to introduce changes. An additional complication was introduced by the problem of integrating the civil service personnel arriving from Algiers with the civil service personnel which remained in France throughout the occupation. Although this process of integration has by no means been completed, it is my impression that the net result has been largely that the permanent French civil service which continued to function under the German occupation has absorbed the relatively small Algiers group and has done so without giving rise to any noticeable changes in the general makeup or method of functioning of the French civil service.

The Algiers plans for the reestablishment of the Republican Government in France provided for the appointment of Regional Commissioners of the Republic for the various major regions of the country. This plan was designed to take care of the situation which would arise if Paris were not liberated in the early phases of the operation and if, for this or other reasons, various regions of the country were cut off from one another. These Regional Commissioners were given broad powers to act in the name of the Central Government.\* In certain regions, notably Normandy and the Lyons region, these officials actually played quite an important role for a period. With the improvement in communications, however, the reason for their continued existence disappeared and a decision has recently been made to revoke their extraordinary powers of legislation. The Council of Ministers is, in effect, therefore, undertaking to carry out the legislative and administrative functions for all of France at the present time. The control of the Council of Ministers, however, is more formal than real, and it is in attempting to explain this fact that the most significant political aspects of the French situation are brought out.

The extent of the Provisional Government's control must be discussed in connection with its control of geographical areas and in connection with its control of the important political elements in the area of France as a whole. With respect first to geographical areas, the authority of the Central Government is greatest in Paris and diminishes more or less steadily as one moves away from Paris in any direction. Action against collaborators and traitors is weakest in Paris and increases more or less steadily as one moves away from the capital in any direction.

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\* In this connection see my report of trip to Lyons, forwarded to Treasury with Agence's letter of October 10.

I cannot speak with authority on any of the regions of France except those which I have visited concerning which a previous report has been submitted. In those areas, Burgundy, the Lyons District, Auvergne, and the Bourbonnais, at the time of my trip, the Central Government, as such, had little or no actual control except insofar as the Regional Commissioner could be considered part of the central authority. Actual control was in the hands of the F.F.I. and of the local officials who were, in many cases, put in office by the F.F.I. In much of this area the reason why the central authority had no control was simply that it had no way of communicating with the local authorities, and the extent of its control has undoubtedly increased within the past two weeks. However, this "control" would, in any case, only affect more or less routine matters of administration. It is inconceivable that in the event of a real conflict of views the central authority could, in the region surveyed, prevail over the local authorities backed by the F.F.I.

Reports with respect to this matter from other regions of France are scanty, frequently highly colored, and consequently often contradictory. The situation south of the Loire generally, and particularly around Toulouse, Bordeaux, and south to the Pyrenees, is reported by the Communist Party organizations as highly encouraging with "people's armies" controlling the area, "people's courts" dealing out justice, and local officials chosen by the resistance in full command of the situation. Reports received from conservative sources describe the situation as being one of anarchy with murderous bands roaming the countryside, pillaging and looting, and using the area as a base for independent military operations against Spain. The two things on which there seems to be general agreement are that the Central Government does not control the area and that people are being shot as traitors. It also appears to be true that in this area several hundred thousand Spanish Republicans who fought with the Maquis against the Germans are continuing to remain under arms and to assert their independence of central French control. A similar independence on the part of the local authorities appears to exist in the Marseilles and Nice areas and in the industrial districts of the north.

There are no serious conflicts as yet between the central authority and the various local authorities, but it has yet to be shown that this is not due merely to the fact that the central authority has not seriously tried to impose control. In this connection the most significant document is DeGaulle's speech of October 14 in which for the first time he admitted by implication that the Provisional Government does not have control of all of France, and that the country is being governed by groups other than the Government. The relevant part of DeGaulle's statement

follows: "..... it is necessary that the national effort be carried on in national order; that is to say, that those who from top to bottom are legally responsible shall fully assume their responsibilities, and that there shall cease absolutely all improvisations of authority, which could be justified at a time when and under conditions in which spontaneous action was indispensable for hunting down the enemy and his accomplices, but which from now on could only be inadmissible abuses and sources of confusion.

"The duty to govern rests with the Government. This it must do and it must render its account to the national sovereign power as soon as this power shall have been able to express itself by electing its representatives by universal suffrage.

"The duty to administer is an attribute of the administrators which the Government has named. The right to command any Army force whatever belongs uniquely to the leaders designated by the responsible ministers. The power to render justice returns exclusively to the magistrates and the judges appointed for this purpose by the State.

"Any interference with authority would do serious damage to the war effort and to the effort of reconstruction, to national cohesion and to the international situation of France. This is to say that it should be condemned and certainly sooner or later will be condemned."

With respect to its control over the important political elements, the position of the Provisional Government is even less secure. As can be seen from the list of Ministers, all of the important parties and resistance groups are represented in the cabinet. However, all these organizations have their own organs of expression and action outside of the Council of Ministers.

The most important political force in France at the moment is probably the National Council of Resistance (CNR). This organization purports to be the spokesman for all of the various groups in France loosely grouped under the head of the "resistance". Specifically, this Council is made up of representatives of the Departmental councils of Resistance and Committees of Liberation, and of Socialist, Communist, Radical, Catholic Center, and other Parties, and the various "fronts" or groups which control military units operating under the general heading of French Forces of the Interior. This Council has regular meetings and passes resolutions, etc., relating to all questions of national importance. Nevertheless, it is believed to be representative of the resistance movement for all of France. The CNR is, in my opinion, dominated by the Communist Party, particularly by the Paris branch of the Communist Party. Because of its domination of the CNR, the Communist Party is, therefore, the strongest single organized political group in France. It controls one large section of the French Forces of the Interior completely -- the Grand Tirez Partisan Francais -- and has considerable influence in other parts of the F.F.I. It is a common saying in Paris that

during the occupation the Socialist led the political resistance and the Communists did the fighting. It is impossible on the basis of information available to make a reasonable estimate of the numerical strength of the Communist Party, and its closely affiliated organizations, but it is perhaps indicative that of 20 Arrondissements in Paris, 18 now have Communist Mayors. Many other cities are controlled by Communist Party appointees.

Among the other elements in the CNR the Socialists, as noted above, play a leading role, and through their control of newspapers and their representation in the Council of Ministers are in a position to put their program before the public more effectively even than the Communists. They do not, however, have the military backing which the Communists have, or the strength among the trade unions.

While the CNR is therefore dominated by the two left wing parties, it is nevertheless, at the same time, undoubtedly the most representative organization in France at present, inasmuch as it contains spokesmen for all the Departmental Committees of Liberation which, in turn, are made up of representatives of the local Committees of Liberation. There can be no question that in most of its general policies the CNR reflects the views of a very large percentage of the French people who resisted the Germans and the Vichy Government. Apart from the support of the organized parties and movements referred to above, its strength lies in the fact that there is a remarkable unanimity of point of view among the working people, the farmers, and the small Bourgeoisie on certain basic points of the program of the CNR, namely, the demand for epuration in the Government, the demand for epuration in big industry, the demand for new leadership in the Army, the demand for punishment of those who assisted the Gestapo in their persecution, torturing and killing of French resistance people, and the demand for a general economic new deal.

The relations between the CNR and the Provisional Government at the present time are somewhat like those between the Consultative Assembly and the French Committee of National Liberation in Algiers, but more tenuous. The National Council of Resistance meets regularly and adopts resolutions for presentation to various Ministers. It appoints committees to discuss various problems with members of the Government, and invites members of the Government to its sessions where they are questioned.

In connection with its current operations as it deals with more and more specific matters of policy, it is impossible to be certain that the CNR is performing the function for which it is destined in the minds of its millions of supporters of diverse party affiliation and domestic political point of view throughout France. At the time of preparation of this report, the CNR was advocating the following principal measures: Confiscation of the goods of traitors, increase in the pensions of the aged, establishment of the progressive tax on war profits, protection

of the position of the new French press, speeding up of the epuration movement in the civil service, and acceptance of the FFI as part of the regular Army. The CNR has not in any public statement or act challenged the right of the Provisional Government to take over the administration of various departments in which local committees of liberation with the support of one or more groups of the FFI are now in control. Its position as stated in the press is that the central administration should govern on the basis of the advice and counsel of the Committees of Liberation. It has also, however, issued several warnings to the effect that any effort to ignore the resistance nationally or locally will be fatal to the central authority.

The problem of the position of the FFI is one of the key problems faced by the French at present. Shortly before the Allied landings in France, General Koenig was named Commander of the French Forces of the Interior by General DeGaulle. As far as the FFI in the area covered by the Allied Armies were concerned, Koenig's authority appears to have been established without difficulty. At the time of the arrival of the Allies in Paris, Koenig was named Military Governor of Paris and retained his position as Commander of the FFI. About the 8th of October an announcement was made that Koenig was Commander of the FFI only for those regions in France in which the FFI were still fighting behind the German lines. During the last several weeks there have been numerous conferences between the CNR, the Minister of War (Diethelm), and FFI leaders, and it has been announced on two different occasions that an agreement had been reached to incorporate the FFI into the regular Army. This incorporation has not yet been accomplished but it has made some progress, and there are now units of the former FFI fighting on the German front in regiments of the regular Army. It was announced in the British papers on October 21st that General deLarminat was appointed chief of the FFI fighting on the Atlantic Coast against the last islands of German resistance. The control of the FFI by the Provisional Government, however, is far from complete. The CNR and the FFI leaders have taken the position throughout that the FFI must be incorporated as an organization, not as individuals, into the regular French Army. They take the position above all that officers of the FFI who have won their rank in fighting the Germans should not be forced to join the regular Army at lower ranks or as privates. The regular Army, of course, takes the position that many of these officers are self commissioned and that they cannot possibly all be incorporated in the regular Army. There are some regiments of the FFI in which practically everyone is an officer and there are sometimes as many as five or six Colonels, many of whom are 19 or 20 years old. The negotiations concerning the FFI derives importance, however, primarily from the fact noted above that as long as the FFI exists as an identifiable organization, the CNR and the Communist Party have at their back a military force which is loyal first to them and second, if at all, to the Provisional Government and DeGaulle. That there is not full confi-

dence between the FFI and the Provisional Government was vividly demonstrated recently when a mission arrived in Paris from the FFI who are fighting the Germans in the Gironde estuary. The only troops against them are the local FFI which are armed with rifles and machine guns but have no armor or planes and no heavy guns. The Allies have told the French that the cleaning out of these Germans would be their task and there are no American combat troops in the area. Last week a mission from the FFI came to Paris to get help from the Provisional Government. After numerous conferences they were sent back to Bordeaux with one tank and one plane with which to liquidate the 30,000 Germans.

The CNR and all the newspapers have made a big point of the early meeting of the National Consultative Assembly. The French Comite had announced in Algiers its intention to convene the Assembly at an early date. Every group in France which has been able to make itself heard has pressed the Government continuously to get on with this plan. The date of November 2 was set and the Minister of State, Jeanneney, was charged with the task of drafting the proposed allocation of seats among the political parties. It was the stated intention of the Government to enlarge the Assembly by the addition of members chosen from the Metropolitan Resistance Movement, both as to members representing particular parties and as to members representing resistance groups not specifically labelled as to party. The allocation of the so-called "parliamentary seats" has given rise to considerable dispute. The Council of Ministers, presumably on Jeanneney's recommendation, allocated the 60 parliamentary seats on the basis of the percentage representation of the different groups in the Chamber and Senate in 1939. However, they lumped together certain groups in a way which confuses the parties involved and provided a solution which left everybody except the Socialists unhappy. The seats were assigned as follows: Communists, 7; Socialists, 15; Radicals and Popular Democrats, 21; other groups, 17. The Communists say that they had 3 seats out of 20 in Algiers, and should have 9 out of 60 in the new Assembly. The Radicals and Popular Democrats are angry at being lumped together arbitrarily, and the Left Wing in general is very suspicious of the 17 seats for "other groups".

Nevertheless, the Assembly will undoubtedly play a major role in the next few months, and its initial action and the direction of its pressure on the Government will be important to watch. Whether it will replace the CNR as the spokesman for the Resistance, remains to be seen. The newspapers, such as "Front National", "Resistance", and "Humanite", in particular, have been carrying on a very strong campaign to keep the Resistance alive as an organized movement, and to prevent the various groups being absorbed or dissolved.

In this connection, a recent pronouncement of the political bureau of the Communist Party with regard to the forthcoming municipal and cantonal elections, which have been set for February,

1943, is important. The party announces that it adheres wholeheartedly to a proposal of the "Front National" to put up a single "Resistance" list of candidates to be sponsored by the local Committees of Liberation. The united of all groups behind this single list is called for as a sign of the unity of the French people, and of their determination to carry through with the war. If this single candidate program is adopted, the unity of the Resistance now typified by the CNR will be carried over into the local governments and eventually, presumably, into the Constitutional Assembly which will be chosen by the local Councils.

The one point on which it is perhaps fair to say that the various Resistance groups and the political parties are solidly behind the Provisional Government is in their demand that the Provisional Government be recognized by the Allied powers. The strongest expressions of this demand come from the same sources as the strongest criticisms of the Government, namely, the Communist Party and Socialist Party organs.

CABLE TO AMBASSADOR WIRANT, LONDON, FOR MANN FROM WAR REFUGEE BOARD

Please deliver following message to Dr. Joseph Schwartz from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE FOLLOWING MESSAGES RECEIVED BY US:

(1) FROM DR. AMIEL SOMMERSTEIN, MOSCOW, DATED NOVEMBER 1:

INNERQUOTE ALL MADE FOR ARRIVAL YOUR DELEGATE SCHWARTZ APPLY TO SOVIET CONSULATE NECESSARY QUICK HELP WINTER CLOAKS, FOOTWEAR, WARM CLOTHES, LINEN, EVAPORATED MILK, SUGAR PRODUCTS, VITAMINS, NUTRATIVE PREPARATES FOR AGED, CHILDREN, SICK, MEDICAMENTS AND MEDICAL INSTRUMENTS, TOOLS FOR KEYMAKERS, JOINERS, TAILORS, SHOEMAKERS FIRST NEED 40,000 PEOPLE OF LIBERATED POLAND. END INNERQUOTE

(2) FROM DR. AMIEL SOMMERSTEIN PRESIDENT, LEO FINKELSTEIN BEMARK OF ORGANIZATIONAL COMMITTEE OF POLISH JEWS, AND JUSKIEWICZ GENERAL SECRETARY UNION POLISH PATRIOTS, DATED NOVEMBER 3:

INNERQUOTE POLPRESS INFORMED US ABOUT YOUR RELIEF ACTION. ACCEPT OUR CORDIAL THANKS. URGENT NEED OF IMMEDIATE AID FOR 20,000 JEWS SAVED IN LIBERATED AREAS OF POLAND AS WELL AS FOR 300,000 POLISH JEWS IN USSR. AWAITING YOUR IMMEDIATE REPLY IN THIS MATTER. END INNERQUOTE

(3) FROM DR. AMIEL SOMMERSTEIN, DATED NOVEMBER 5:

INNERQUOTE PLEASE CABLE TONNAGE OF YOUR SHIPMENTS AS WELL AS WHEN AND WHERE IT WAS SENT FROM, ABOVE DATA NECESSARY TO FACILITATE SPEEDY RECEIPT. DOING ALL EFFORTS TO ARRANGE COMING OF DIRECTOR SCHWARTZ. END INNERQUOTE

(4) FROM ROBERT PILPEL, LISBON, DATED NOVEMBER 7:

INNERQUOTE A NEPHEW OF FILDERMAN, MARICIU HORNSTEIN NOW IN ISTANBUL, EMPHASIZES AGAIN IMPORTANCE OF OUR REPRESENTATIVE PROCEEDING BULGARIA RUMANIA EARLIEST. HORNSTEIN CONSULTING KESSLER KATZKI FOR YOUR INFORMATION BEN GURION EXPECTED ISTANBUL NEXT DAYS ENROUTE BULGARIA RUMANIA END INNERQUOTE UNQUOTE

THIS IS WRB CABLE TO LONDON NO. 23.

4:30 p.m. November 11, 1944

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

RDrrary 11/11/44

CABLE TO ANPOLAD, CASERTA, ITALY, FROM WAR REFUGEE BOARD.

The following is the substance of a message that has been received from McClelland, WRB representative at Bern:

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

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

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

"November 1 conversations with Chief of Federal Police and with representative for relief and refugee affairs of the Political Department reveal that the Swiss are concerned seriously regarding the practical difficulties which are involved in receiving and housing a group of this size, even temporarily, at such short notice. Switzerland has received more than 25,000 new refugees during the past six weeks, they pointed out, (chiefly women and children from Valdossola in Italy and from the combat zones in France) while, on the other hand, only 8,000 people have departed;- 2000 French civilians and 6000 military escapees. It would be difficult to solve the problem of fuel, blankets, and housing sufficient to properly take care of 8,000 people in winter; in addition, many of the refugees may be clothed inadequately. Accordingly, the Swiss are anxious that steps be taken as soon as possible for the evacuation of such Hungarian refugees. The practicability of furnishing Swiss trains for the transportation at once to Marseilles or to some other French seaport of all those who are eligible for emigration to Palestine is being looked into by the Swiss. Therefore, it would be wise if the board at once could study the problem of obtaining one or more ships

for Palestine; in addition, the Swiss would appreciate any efforts which could be made toward evacuation to North Africa or some other territory of Allied choice of all or a part of those who are not destined for Palestine.

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

"Now it seems probable that the majority of the 50,000 male Jews reported as being deported as labor are being sent to western Hungary for work along the Austro-Hungarian border, on fortifications there.

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

"We will keep you informed with reference to this matter."

It is requested that you deliver a copy of this message to Governor Cochrane UNRRA and to G-5 Section AFHQ for their information and preliminary informal consideration since it may be desirable to use Phillipeville should the rescue of these refugees be effected. Any comments which they may have will be appreciated. McClelland's message also being given to War Department and UNRRA Washington.

2:30 p.m.  
November 11, 1944

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

LAC/Ermentlak 11/8/44

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Vatican, Rome  
DATED: November 11, 1944  
NUMBER: 64

CONFIDENTIAL

Quoted below is the text of a telegram being sent to  
Bern:

\* \* \* \* \*  
\* \* \* \* \*  
\* \* \* \* \*

\* \* \* (For the above message see Department's  
message to Bern, dated November 11, No. 3852)\* \*  
\* \* \* \* \*

It is requested that you convey to the appropriate  
Vatican authorities the substance of the foregoing and  
suggest that the Vatican may wish to request its  
Apostolic Nunciature at Bratislava to pass this information  
on to the local authorities and to express the expectation  
that persons released to them will be humanely treated by  
the German authorities.

The action taken by you should be cabled to the  
Department.

STETTINIUS  
(Acting)

SWP:WJD:MA  
Paraphrase: DCR:MAS:MEM  
11/15/44

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

AVII:395

PLAIN

Lisbon

Dated November 11, 1944

Rec'd 4:34 a.m. 12th

Secretary of State,

Washington.

3926, Eleventh.

FOR LEAVITT FROM PILPEL JDC 118 WRB 252.

Griffel Agudas Israel Istanbul asking joint finance Turkish boat accomodating 300 religious persons from Constanza costing 30,000 Turkish pounds payable Turkey. Kessler also advises departure 2 boats each carrying 300 passengers from Constanza rumored and also possibility Greek boat SMYRNA accommodating 1200. Please advise. We requesting Kessler provide cost figures other boats and will advise further.

NOEREB

JMS

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

Stockholm

Dated November 11, 1944

Rec'd 2:32 p.m.

Secretary of State,

Washington.

4620, November 11, 3 p.m.

THIS IS OUR NO. 104 FOR WAR REFUGEE BOARD.

TRAMMAL DAS HEVENSEN report for Norwegian operations during October contains the following features. An additional transfer of \$50,000 was received during the month, to be added to the 381,000 Swedish kronor already on hand on October 1st.

During the month approximately 1000 packages were sent under license to Norway, including 7750 k.g. of food, 700 k.g. of clothing and 250 pairs of shoes. Through underground facilities an additional 3500 k.g. of clothing, shoes, food, and tobacco have been sent into Norway.

Refugee transport facilities were supplied with necessary equipment, food, clothing and Norwegian money 45,000 Norwegian kroner being sent in during the month. Through the ~~escape~~ routes equipped and financed by American Labor relief about 1260 Norwegian refugees were brought to Sweden in October.

<sup>now</sup>  
Suitable vessels have/been acquired to expand sea escape routes and necessary arrangements with Swedish authorities concluded. German control, of sea areas has been tightened considerably, however, and difficulties may be anticipated.

As of November 1 about 415,000 Swedish k.r. and 105,000 Norwegian k.r. were on hand.

JOHNSON

JMS

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

November 11, 1944

5 p.m.

AMEMBASSY

MADRID

3005

Reference your 3840 of November 3. The following is the substance of a message from Amlegation Bern dated November 4.

QUOTE Swiss Federal Police gave permission some weeks ago for entry into Switzerland of 155 Sephardic Jews. Getting them out of Bergen Belsen is the present problem. Formal request from Spanish Government concerning this group would be welcomed by Swiss. Specific raising by Swiss of question with Germans of their departure might ~~thus~~ be permitted. UNQUOTE

Please take necessary steps to ensure Spanish action in accord with foregoing suggestion.

STETTINIUS  
ACTING  
(OHV)

WRB:MEV:KG  
11/11/44

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, BERN, FOR MC CLELLAND, FROM WAR REFUGEE BOARD

Please advise Isaac Sternbuch, St. Gall, representative in Switzerland of the Union of Orthodox Rabbis, New York City, that the Treasury Department has issued a specific license to the Vaad Hahatzala, the Emergency Committee for the Union of Orthodox Rabbis, to remit to Mr. Sternbuch the Swiss franc equivalent of \$100,000 to be used under license No. W-2117, as amended, in addition to remittances previously licensed.

THIS IS WRB BERN CABLE NO. 271.

2:30 p.m.  
November 11, 1944

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

RDrury 11/11/44

CABLE TO MINISTER HARRISON FOR MCCLELLAND, BERN, SWITZERLAND

Please transmit the following message to Dr. Riegnert

QUOTE Number 176. We are informed that Jews in Slovakia with Latin American passports are concentrated at Marianka. Please approach ICRC and urge sending delegation to Marianka also including Marianka ICRC relief program. A. Leon Kubowitzki, World Jewish Congress. UNQUOTE

THIS IS WRB BERN CABLE NO. 272.

4:30 p.m.  
November 11, 1944

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

BAK:inf:mh 11-10-44

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: AMLEGATION, Bern  
DATED: November 11, 1944  
NUMBER: 3840

CONFIDENTIAL

Your telegram 6469, September 29, 1944

A report dated October 30 from the Embassy at Quito stated that instructions to formally request the Government of Switzerland to represent the interests of Ecuador in Hungary would be immediately cabled to the Consul General in Geneva by the Ecuadoran Ministry for Foreign Affairs.

STETTINIUS

(Acting)

SWR:RCE:PAH

PARAPHRASED:

11-15-44

DCR:EMS

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

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: AMLEGATION, Bern  
DATED: November 11, 1944  
NUMBER: 3844

SECRET

For McClelland, Bern, Switzerland.

Several lists of relatives of United States citizens have been sent to you by courier pursuant to Department's cable No. 2918 of August 24, items 3 and 4, as WRB Nos. 193, 202, 207, 208, 221, 222, 224, 235, 253, 264, and 263.

Also lists of relatives of resident aliens, pursuant to Department's cable No. 2918 of August 24, as WRB Nos. 210, 215, 219, 234, 242, 262, and 262.

Also lists of persons to whom American visas had been authorized since July 1, 1941 pursuant to Department's cable No. 2605 of July 28 and dispatch No. 2317 of September 12, as WRB Nos. 160, 179, 199, 209, 212, 256, and 261.

Please confirm receipt of the foregoing and advise Board what action has been taken by you and by Swiss authorities. The Board would also appreciate your views as to the extent that such action has resulted or may be expected to result in benefits to intended beneficiaries.

This is WRB Bern cable No. 269.

STETTINIUS  
ACTING

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

AMT

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

November 11, 1944

Midnight

Amlegation

Bern

3852

Department informed that German authorities in Slovakia have begun evacuation from a camp at Marianka of Jews who claim nationality of United States and of other American Republics. Persons being removed are reported to be destined to Auschwitz.

Please request Swiss to inform German Government that United States Government expects urgently to obtain assurances that the German authorities in Slovakia have not taken any action against claimants to citizenship of the United States which deprived them of any of the rights to which they are entitled. If any claimants to citizenship of the United States have been deprived of such rights or have been removed from Slovakia to some other area under German control, German Government should provide the names of the persons concerned and information regarding their whereabouts and welfare.

Telegraph pertinent developments.

STETTINIUS  
(Acting)  
(BL)

840.48 Refugees/9-2744

SWP:EJD:MA

PD

CD

SE

WRB

WE

A-B

EEF-333

Ankara

Dated November 11, 1944

Rec'd 7:35 p.m.

Secretary of State,

Washington.

2155, November 11, noon

FROM KATZKI TO PEHLE WAR REFUGEE BOARD

An additional group of 115 persons (Ankara's 182) including 87 children arrived in Istanbul November 8 from Bulgaria proceeding to Palestine under the Ambassador's agreement with the Foreign Office. They will leave Istanbul for Palestine by railroad within the next few days.

RB

STEINHARDT

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

NOT TO BE RETRANSMITTED

COPY NO 4

SECRET

OPTEL NO. 366

Information received up to 10 A.M. 11th November, 1944

1. NAVAL

Convoy of 33 ships from North Russia escorted by ships of Home Fleet has arrived home waters without loss. A fleet mine-sweeper mined yesterday off Ostend; one fatal casualty.

Convoy of troops and stores has arrived Salonika Bay after extensive minesweeping.

6,000 ton Tanker, straggler from Convoy U.K. to Iceland (C) torpedoed yesterday off Reykjavik; convoy scattered by heavy gale. Second smaller ship from same convoy also torpedoed after rescuing Tanker's survivors. 47 rescued from both ships. Tanker still adrift.

2. MILITARY

Western Front.

Continued satisfactory progress by U.S. Third Army between Nancy and Metz; several more villages taken yesterday in advance of up to 4 miles on wide front. In Thionville area a new bridgehead across the Moselle has been expanded and strengthened. In Second British Army and First Canadian Army sectors reliefs and regrouping.

Italy

8th Army troops meeting stiff resistance N.W. of Forli. Rise in River Montone has prevented any further advance in South of town. Poles continued their advance northwards towards the Faenza-Forli road.

Eastern Front

Further Russian progress East of Budapest where they have cut Budapest-Miskolcz railway.

3. AIR

Western Front

10th. 661 escorted U.S. heavy bombers - 19 missing, attacked airfields:

Cologne (2) 320 tons  
Hanau 369  
Wiesbaden 159  
Hanau railway centre 100  
Wiesbaden Chemical works 112.

Pathfinder technique employed; results unobserved. Air opposition slight but A.A. moderate to intense in Cologne area.

493 fighters and fighter bombers - 2 missing flew armed reconnaissance and provided cover over battle areas.

10th/11th. aircraft dispatched Hannover 59 - 1 missing. Bomber support etc. 75.

Mediterranean

9th. 220 Medium and fighter bombers and fighters - one missing attacked communications Padua, Bologna and other targets with good results.

4. HOME SECURITY - to 7 A.M. 11th.

10th/11th. 41 flying bombs plotted, 15 overland, 24 destroyed; also two Heinkels.

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