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*Copy to Chamber -
11/17/44 -*

November 15, 1944
10:00 a.m.

STEERING COMMITTEE - BRITISH LEND-LEASE .

- Present: Mr. Crowley
Mr. Acheson
Mr. Cox
Mr. Currie
Mr. Coe
Mr. Collado
Mr. Angell
Mr. Davidson
Dr. White
Mr. Casaday

H.M.JR: I thought this, gentlemen, that talking, anyway for myself, the difficult part of this thing was not brought to my attention because everybody has been so busy.

I had Lord Keynes and Sir Robert for lunch yesterday, and they both want to leave town Friday night. I think Sir Robert Sinclair wants to leave Thursday. So I mentioned to Frank Coe, who was there at the luncheon representing the committee, that I would like really to get down to grips with this thing about where we stand on these difficult items. Well, this is Wednesday morning, and all of us can have a little time to turn around and not wait until Friday.

MR. ACHESON: Does Keynes want to go away Friday?

H.M.JR: Keynes has to go, I think it is, Friday or Saturday to Ottawa, where he wants to have six days of talks similar to those he had here. Then - very, very confidentially - he has a French gold situation which they have a time limit on which he has to meet. He may have told you that.

MR. CROWLEY: Yes.

H.M.JR: It is a very ticklish situation. I think he has to be there on the 22nd. I know he is leaving Friday or Saturday. What did he say, Frank?

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MR. COE: He has got to get away over this weekend.

H.M.JR: Wasn't it one day or the other?

MR. COE: Yes.

H.M.JR: It is just as well, because we have been kind of avoiding whether we are going to give them tobacco, off-shore sugar, airplane contracts, and what-have-you, and I figured we might as well come to grips with it, ourselves.

MR. CROWLEY: Would you like to hear for a few minutes how far we have progressed?

H.M.JR: I'd love to.

MR. CROWLEY: Supposing, Al, that you go ahead. Don't get into too much detail, but bring them up to date.

MR. DAVIDSON: Yes, sir.

In the case of the food program we believe that we have reached agreement on all sides. I believe that the total amount of the food program was cut. It is approximately 165 million dollars.

In connection with the shipping program I think we have reached agreement on all sides and, as I recall, we reduced that program approximately 60 million dollars.

H.M.JR: What method of payment or valuation? How are they going to pay for these ships? That seemed to be the question.

MR. DAVIDSON: There are two separate items. One is the shipping service; that is, the actual shipping services. Then there are ships which we lend-leased to the British with the right to re-capture them. The only question that really has been present has been with respect to certain coastal boats. In the case of the coastal boats we agreed that we would lend-lease those boats that were required for carrying out the military program in the Pacific, and that constituted approximately three-

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quarters of the boats - or we anticipate that it will.

With respect to the remainder, we understand, according to our latest advice of last night, that the War Department is prepared to take over the boats that were to be used in European waters - if, indeed, they didn't take over all of the boats including those in the Pacific. If that comes about, why the result will be to take it out of our program altogether; otherwise we would provide them on a Lend-Lease basis.

In connection with the petroleum program - under the petroleum program - we have agreed that the requirements are reasonable and that we will supply sufficient petroleum products to meet those requirements. The only question at issue has really been the question of stocks, and we propose that with respect to stocks that we will reserve the right in fulfilling their requirement to use our judgment in bringing stocks down to what we believe to be reasonable levels, which is a general reservation that we make with respect to all other items.

The one further question on petroleum is in connection with their exports. At the present time exports from the United Kingdom may be made only on the condition that they pay us the proceeds. We have tentatively agreed on our side that when the stocks are reduced to levels which take into account the export factor that we would be agreeable to receiving not the full proceeds, but the proportion of the exports based on what we contributed to the U.K. pool and what they contributed to the U.K. pool.

Would you like some more elaboration on that, sir?

H.M.JR: No.

MR. CROWLEY: In other words, on the reserves that are there we will have the right to draw down the proportion that we put in, and they will have the right to draw down the proportion that they put in.

Go ahead, Al.

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MR. DAVIDSON: In connection with the program for the Dominions and India, we were about to fill - I believe we put in the full amount for all three with respect to their original requests. Then if you recall, they put in certain supplemental requests for easement items. I don't recall the figures off-hand, but in the case of India and Australia, I believe that we gave them approximately half of those easement items, exclusive of any capital equipment.

In the case of New Zealand, they had really only two principal items; one, tobacco and the other one steel for post-war housing.

In the case of tobacco we eliminated the cause of the extreme shortage in this country. In the case of steel we felt we couldn't justify it in view of the fact that on their own proposal it was for post-war purposes.

However, what we did was to insert a miscellaneous sort of easement fund of three million dollars which was somewhat less than they asked for in toto for their easements, with the understanding that this would be available for consumers' items that were not in the short supply in this country and which did not include any capital items.

The only other item of interest on that program is the locomotives for India. We had a discussion in Mr. Terry's office yesterday, attended by Mr. Keynes and others, and there the British turned down a tentative proposal that we made that they take the locomotives and wagons on a 3-C basis; that is, basis which would call for their paying after knocking off the value of the war use to them. They said that is a matter of principle - they couldn't commit the British empire to what they conceived to be post-war debts.

Since that time we have more or less worked out a proposal which would call for their paying in full in cash at the present time, with the understanding that we would, in effect, give them a rebate at a later time when the facts were known, based on the same principle; that is, we would reduce the cost to them in terms of value of the

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war use, and that they would really pay for only the residual, peace-time value when those facts became known.

I believe that proposal will be acceptable to them.

MR. CROWLEY: Now, then, do you want to talk about the exports? Oscar, do you want to talk about that?

MR. COX: Yes - on the export policy question, Mr. Secretary.

H.M.JR: Do you mind - I'd like Mr. Acheson to have a chance to raise any questions as we go along.

MR. ACHESON: That seems all right to me, Mr. Secretary.

MR. CURRIE: I'd like to add on the Indian program that Keynes asked us yesterday whether we would object to considering an additional supplementary request for about one hundred and fifty thousand pounds of steel for guns for India which had been omitted by inadvertence from the program.

MR. COX: There is one foot-note I'd like to add to the food program. The British have taken the view that this whole presentation is a financial one, subject to the condition of availability of supply and competing demands. There was a meeting of the Allocation on Food today which proposed to cut the British requests down to one-seventh on meats, of what they put in. If they do that, they not even get an easement, but they will get a very drastic reduction as against what they got in 1944. The primary reason for that has been that there is a drop of something over two million tons in meat production for 1945, and they feel that they will have to put on more stringent rationing, in any event, and that they couldn't allow more of a drop than 110,000 tons when they asked for over 700,000 tons.

I think some of our people are making a presentation to the Allocating Committee to throw it back into sub-committee, in the light of at least the spirit of the Quebec Conference that although technically it was financial, we

ought to do everything we reasonably can to see that the supply thing backs up the financial commitment, and it involves a pretty ticklish policy because it may well be ascribed to the British food program and increased rationing as a result in the United States.

But that is just a foot-note.

MR. ACHESON: I don't think I understand that, Oscar.

MR. COX: Well, the request that the British put in for meat amounts to some 700,000 tons plus. We cut it to some 500,000 tons, which would relieve their situation somewhat but would not bring them up to a hundred percent of either the pre-war level or to our levels.

After the request was put in, the sub-committee of the Food Allocation group cut it down and recommended to the main Committee that only 110,000 tons, approximately, be supplied. Now, if that goes through without any change, it involves a very drastic cut in the British meat rations as compared to 1944. The reason that the War Food people give for making that cut is that the meat production has fallen off and that our own domestic consumption of meat will have to drop from about 141 pounds per head to 128 pounds per head in 1945.

MR. CROWLEY: Now, Oscar, as I understand it, though, we agreed to set up the money to maintain the 500,000 tons, subject to its being available in the United States; that we didn't want to put ourselves in a position where they would say that we forced the reduced rationing in the United States.

On the other hand, we didn't want to agree on the 110,000 tons, so you are agreeing to put up the money for the 500,000 tons plus the fact we will present all the evidence we have hoping we can get what we can. And that is agreeable to the English?

MR. COX: No, we haven't discussed that.

The reason I raise it is that I think this and similar parts of the program where you have facts of

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this kind will raise a question in substance, whether the Quebec Conference and what happened has really been backed up. I think up to date the British have taken the view that we agreed to finance and that the availability of supplies and other conditions - but where it is as extreme as that, if it should end up at a hundred thousand tons, then I think an appeal may have to be taken to Jimmie Byrnes in the White House in terms of what our overall national policy is.

The other corollary is that they have cut the Russian food supply by fifty percent on the theory that this is for military, for soldiers, and therefore the cut should be less. But that is the program.

H.M.JR: Who cut the Russian food supply?

MR. COX: The Food Allocation Committee. This is going on this morning. The sub-committee recommended the cut to fifty percent.

DR. WHITE: You mean in meat?

MR. COX: Yes.

MR. CROWLEY: You might explain to them, too, about the British position on the standard of living - their food standards - as to how we agreed to handle that.

MR. DAVIDSON: If I may just interject -

H.M.JR: This isn't clear to me.

MR. DAVIDSON: The British originally proposed - taking just the case of meat - they should have a level of consumption that would be equivalent to their pre-war standard or our present standard in the United States, and they proposed to raise an issue of principle with us that we would agree that they should get that level of consumption.

Now, it was our feeling, I think, on this side unanimously that we couldn't agree to any such principle as a matter of principle; but I think - and this is in

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line with what Oscar said - we felt that we had no objection to stating we would finance that amount in the event that there were great miscalculations as to the supply and that in the event it could be made available we stood ready to finance it.

So the figure we will put in will be the full 700,000, with the understanding that that is no commitment at all as to what they will actually get. And it was our understanding that the British would withdraw any issue of principle if we did that.

H.M.JR: You fellows have got me kind of confused. I know what we are aiming for.

Let me just say this. Guarantee of principle and guarantee of money isn't going to put any food in anybody's stomach, and the net result of this conference has got to be, as far as I am concerned, that more calories are made available to the English public as a result of this meeting. I don't care how the hell you get it, but as far as I am concerned I am not going to take any answer other than the net result - not dollars but calories into the stomach of the British people in the beginning of Phase Two.

MR. COX: That was the reason, Mr. Secretary, I raised this question as an illustration, because if the Food Allocation Committee goes along on its present gait it will not be more calories in the British stomach - it will be less.

DR. WHITE: You are just talking about meat. Are there any substitutes, or does meat play so important a role in the caloric consumption that you can make the general statement that you made? In other words, the Secretary is not saying they must have more meat--

MR. COX: It is a very substantial part--

H.M.JR: I say "calories" advisedly.

MR. COX: You can make up calories by potatoes and brussel sprouts.

MR. CROWLEY: They are talking about the amount of meat they want and need - that is, the amount they feel is necessary to give them the calories to keep some kind of a balanced diet.

Now, if you gave them all brussel sprouts and potatoes and things like that, you might give them the number of calories, but they wouldn't have any kind of balanced diet.

H.M.JR: What Leo Crowley says is helping me in the position. The position I have taken - and certainly I am not going to be licked on this thing unless the President personally turns me down - is that the net result I have been aiming for is that the English population have more to eat on a balanced diet. That would do it.

MR. CROWLEY: I think we are all trying to do that, but I think you have to keep this in your mind in dealing with War Food: War Food says that you have to have an eight-percent reduction in the meat supply within our own confines of the United States.

Now, if you draw down, up to half a thousand tons here, you will have to have, as I understand it, about a ten percent more reduction in rationing in the United States on meat. Maybe agriculture and the producers of pork and beef in this country may be under-estimating their production, but at the present time War Foods say to us they will make available 110,000 tons and they say, "If you give England more than that, or if the President gives them more than that, that means you are going to have to step up rationing in this United States."

So we say back to England that we will try to do this for them, we'll put the reserve up to buy it, we'll go before the Combined Boards and argue for it and try to do everything we can to get it.

MR. COX: That is right.

MR. CROWLEY: That is about as far as we can go.

MR. COX: Mr. Secretary, I think you have two phases

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of it that you ought to keep in mind, in net result. One is that certainly, without any question, I should think that the level ought to be at least what it was in 1944. The second question is, if you raise the level above 1944, above this year, then the way we have had experience with War Food and the Hill and the public, you will have ascribed as the reason for more stringent rationing in the United States that the British level of nutrition, in calories on a balanced diet, has been raised above anything that it has been in the course of the war, when one part of the war is being fought as against the time when both parts were being fought.

I don't say you shouldn't do it - I say that is one of the ways the issue will be raised as a political matter.

H.M.JR: Certainly I want to examine War Foods' figures. I mean, I want to be satisfied, myself. If they are cutting down on Russia at this time and propose to cut down on England, that would be something certainly I would want the President to pass on. Up to now I haven't gone back to the President on anything. I didn't feel I had to; we have been getting along so fine. So I haven't bothered him on anything. I figured he had plenty to do without my bothering him.

DR. WHITE: Mr. Secretary, I don't think that needs to be done before this is agreed upon, because that is a separate and subsequent matter that you would have to take up with the Food Board. As far as the British are concerned, you are making the funds available. Now, whether the material is available is something that doesn't relate to me.

MR. COX: That is true, Harry, but the fact that the allocation is up for making today and we are trying to get it postponed.

MR. CROWLEY: I think what Harry means is that the President couldn't deal with this meat thing today, Oscar. I mean, it is a political decision that has to be made later. Harry means that we can go ahead. The English are satisfied, I think, with what we are trying to do for them. They want the results, but there is going to have

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to be something greater than what we can contribute to this meat thing to get it worked out. The only one who can make that decision will be the President, after we give him the facts.

MR. COX: That is right. My suggestion would be, however - all I want to do is present the problem so that in principle we would agree that we are not only interested in the paper record, but in the net result, and then not hold up the discussions with the British but within the existing machinery that the working committee that has been on this has, go over this with the purpose of proceeding through the machinery.

Now, Byrnes has the review power where there is a dispute on an allocation of that kind, if the first step in the first go-around you lost out, so we ought to be prepared; because if the machinery gets going too far on you, you may not be able to reverse it.

DR. WHITE: But that should not complicate the consummation of this arrangement on Phase Two with the British. That is a separate matter which the British are unquestionably interested in but shouldn't be injected into the discussion.

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

MR. COE: Mr. Secretary, we partly crossed this bridge at the beginning when the British requested a protocol, and we didn't give them a protocol, and all the agencies are proceeding together on that, that the British take, as they say, pot-luck with us in the allocation machinery.

And the British have become convinced that by and large, if they get this document with its financial promises in it, but subject to all the allocation machinery, that they will be able to fight the thing through more successfully.

I think that the thing that Oscar is mentioning is one of dozens of problems. This one happens to arise at the very beginning. This is going to happen all through

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the year where we have Lend-Lease money for them but they can't actually get the stuff through. Some will be big and some little.

MR. COX: What concerns me is that as a matter of dealing on a moral or related basis with the British, if the first case that comes up is as drastic as this one in terms of the cleavage between the financial commitment and the supply result, then you are in a position where there is a question mark as to whether the whole thing really is meaningful.

DR. WHITE: But the Quebec understanding, according to my understanding, never raised the question of availabilities. It was a question exclusively of financing, plus the assumed availabilities which were always subject to these many considerations which always play a role.

MR. COX: That may be true as a theoretical matter, but in the realities of the situation it seems to me that their view will be that we miscalculated. Let's say the facts of War Foods are true in the hog production--

DR. WHITE: Who miscalculated? The British made a request for a certain amount of meat. That is their calculation, not ours.

MR. COX: But they will say, "You fellows won't impose any rationing; you are going to keep your own levels up. You reduce to one-seventh our supply; you reduce your own by eight percent."

DR. WHITE: Their view should be presented, and you can be sure it will be presented. As Leo has just said, it has been agreed that you will make as much of a case as you can for them, but that is a quite separate matter, whatever arrangement was made at Quebec.

MR. DAVIDSON: The British understand this. We have a note from the British on the subject of meat. Just to read one paragraph: (Reads from Attachment B)

"What we ask is that in the circumstances of Stage II when the British people unlike the rest of Europe will

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still be engaged in a major war, a moderate easement in British standards of consumption is agreed to be reasonable and proper, and that if certain quantities of American supplies be placed at the disposal of the British by the allocating authorities, there should be no lack of financial facilities on Lend-Lease terms."

Then the preceding sentence: "We cannot be certain that this aim will be attained--"

H.M.JR: Who said this?

MR. DAVIDSON: Keynes. "...except perhaps in particular instances. Whether or not it can be attained will have to be decided at a later stage by the proper allocating authorities, who will take into account the aggregate supply position and the total demands on it, including demands from liberated areas, etc."

H.M.JR: That is all relating to food, not something else?

MR. DAVIDSON: No, sir, it is not food.

H.M.JR: I wondered if the quotes are relating to food or something else.

MR. DAVIDSON: No, sir, this note was sent as a result of certain discussions we had had on the food problem. (Reads from Attachment A) "The attached note on Civilian Standard of Food Consumption in the United Kingdom is circulated for information."

H.M.JR: The only point I was raising is a moral one. I didn't want them to go away feeling that we will get them the money and that they had a reasonable chance of expecting the food.

Now, in the light of that memorandum, I would take it that they understand that there are doubts.

MR. DAVIDSON: Yes, sir. I might add, sir--

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H.M.JR: They are willing to take pot-luck with us on food?

MR. DAVIDSON: On everything.

MR. CROWLEY: The moral commitment that we have is this, that we will prosecute their case for them before the Combined Board with the best of our ability, to try to get them as much of the allocation as possible. Isn't that right?

MR. DAVIDSON: Yes, sir. I might say, to protect ourselves and also be sure they understand what we are doing, we propose in attaching the schedules to the food document and to the other documents to indicate item by item our guess at this time as to where we don't believe we'll be able to supply up to the amount of dollars that we set forth. When we get to meat we will say specifically that we feel it is extremely doubtful or that it is impossible from the present picture to believe we can fulfill that request.

DR. WHITE: Are there any other sources of meat that could be purchased with dollars?

MR. COX: The Argentine!

MR. ACHESON: They have taken all of that, anyway.

H.M.JR: To me this is important:

"We have suggested that in the case of meat, sugar and fats the standard to be aimed at should be the British pre-war standard of civilian consumption, but that if in respect of any of the above commodities the American current consumption per caput is less, the Ministry of Food should limit its aim to the lower standard."

I take it they mean that the per capita consumption is lessened.

MR. DAVIDSON: They mean less than their own pre-war standard.

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H.M.JR: It doesn't mean that we have to take less in 1945 than in 1944?

MR. COX: It would in one case. If you take the meat case specifically, our reduction would be to 92 percent in 1945 of what it is in 1944, and if that were the lower their easement in meat would not go above 92%.

H.M.JR: I'd like everybody just to read this and make sure that they go away satisfied that we are providing the money, but there are grave doubts as to whether we can provide the necessary food. Now, if they thoroughly understand that, I am satisfied.

MR. CROWLEY: It is my understanding that they do. Isn't that yours?

MR. DAVIDSON: Yes, sir.

MR. ACHESON: I think as a practical matter, Mr. Secretary, that Oscar is right - that is clearly the understanding. But if they take a terrible licking on this important element of food right at the very beginning, then I should think they would doubt whether this whole understanding is worth very much.

DR. WHITE: I wouldn't come to that conclusion. There are a lot of things besides meat in here. If the meat is short, then the only appropriate position, it seems to me, that can be taken is the one Leo says, that you will present their case as strongly as possible.

MR. COX: There are two things. Your meat cut is so drastic in the meat that I think you have to sit down with them, tell them what the problem is so that there is no misunderstanding, and that through this Combined group-- or whatever machinery is deemed to be the best to do it-- that we will exercise our best efforts to get it increased as much as we can, but if the top fellows don't understand that and you get a cut that is as drastic as that, it seems to me as a practical matter they will say, "Gee whiz--"

MR. CROWLEY: But, Oscar, here. I think in all the discussion with our committee that they certainly know

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that we feel that there is a meat shortage in this country; that there is a reduction of seven or eight percent here. Now, they certainly admit in their own memorandum there that that is true. You can't go and do any more than what we are doing, unless the President of the United States determines that in order to increase this meat shipment to England he is going to ask for a further reduction of meat requirement in the United States, unless you can find some production that you don't know about.

MR. COX: That is right, Leo, except this. We are reducing ours by eight percent, reducing theirs by more than ninety percent.

MR. CROWLEY: But that is a decision the President has to make.

MR. COX: That is right.

MR. COE: Possibly Byrnes. I think we all agree.

MR. CROWLEY: That would be the administration. Now, we are going to present our case as far as the need is concerned, as far as England is concerned. The people who represent us here locally are going to represent the rationing within the United States, and Byrnes and the President - or someone - has to decide which side do they throw their lot with. Isn't that right?

H.M.JR: That is right. I am not arguing with you on that. I am carrying a moral obligation, and I just want to make sure that these people thoroughly understand it, and I take it from that memorandum that they do; that is all. I don't know anything about the Russian thing, but I am not going to argue now, because it is a waste of your good time whether we should or should not take in our belts a couple of notches. I don't think this is necessarily the time.

But I want to lean over backwards that when these people leave here they know the worst that may happen to them.

MR. CROWLEY: And that they know that we have a moral commitment to deliver all we can to them.

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H.M.JR: I certainly painted the picture black enough to Cherwell on the financial front before he left, because no matter how much we missed it, we couldn't miss it as much as I told him we would. I made it as black as possible on the dollar balances, so whatever we do will be better than what I told him to tell Churchill. I figured that was the best way to do it. I'd much rather have them go away knowing the worst and then do a little bit better.

MR. CROWLEY: That is right; not misrepresent it to them.

MR. ACHESON: Could I ask a question on the shipping?

H.M.JR: If you please.

MR. ACHESON: What effect does your cut in the shipping have on the balance of payments situation and their claim in Chapter Three? Does that affect that at all?

MR. DAVIDSON: No.

DR. WHITE: After they get through with their whole program we will examine it and see how much involves additional expenditure.

H.M.JR: I am going to have to stop at eleven o'clock today.

MR. CROWLEY: Let's go ahead with the export, then.

MR. COX: During the last Lend-Lease legislation on the Hill, one of the problems that Leo and Dean and I all indicated was that if the White Paper was going to be changed, because there was a lot of talk then about the change, that we would probably advise the committees about it. We didn't say we would consult or that their acquiescence was necessary. In view of the fact that we will have to go up, in addition to the moral commitment, early in the year for the Lend-Lease extension and later on for the appropriation, I think consideration ought to be given to how this whole thing, insofar as it may affect the White

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Paper, should be presented to Congress before they read about it in the newspapers or some other way, because certainly in terms of the psychology of dealing with them, our experience has been that if you tell them about it you have very little difficulty, and you get very little backwash in the future in terms of their clipping you on something else. So I think that ought to be kept in mind. I don't know how it ought to be handled, but it is one of the considerations on the White Paper thing.

The other thing is that on the White Paper business, the one case where I think you have the major political problem, and a large part of that is influenced both by how you deal on the substance and how you present it. And the thought some of us were thinking about yesterday was to present it in terms of letting the White Paper stand, but then saying that it does not apply to stuff that is taken off Lend-Lease, and which the British in the future will buy for cash, subject, however to the condition that they can re-export in those cases subject to three major considerations, one, that in any event the exports would be controlled by the over-riding considerations of war supply and war shipping, two, that they would be conditioned on an equitable basis of dealing between the exporters of both countries, and three, the one that presents the most difficult problem, that the U.K. exporters would not export articles where our exporters didn't have a reasonable opportunity to export the same or similar article.

MR. WHITE: You mean within the geographical area?

MR. COX: Without finding the place, but focusing on the articles. That is the kind of thing that creates most of your political heat. The difficulty with it is whether or not the converse is true. I mean, our exporters have been able in some cases to export things because of an easier supply situation than the British exporters have, but I don't want to go into the details. All I want to do is present a line of possible approach which makes the political problems possibly a little bit easier.

Now, that leaves out the stock question, which I think, has to be worked out by the working group on an

- 19 -

agreed basis. And the other part of the White Paper, I think, can be handled possibly by an administrative memorandum, because they have changed a lot of the stuff from time to time by administrative machinery, anyhow. In substance, I think, you can come out the same way in terms of objectives, possibly by taking that kind of approach. It is just a matter of emphasis.

MR. ACHESON: Are you changing what we tentatively talked about with the British?

MR. COX: No, not changing that at all. I don't know whether they, for their own political reasons, that is, in presenting the thing to their people and their exporters--whether it would serve their purpose to say that the White Paper is not being changed, but that the White Paper applies to Lend-Lease articles.

MR. ACHESON: We agreed on that with them.

MR. COX: That is all right.

MR. ACHESON: This last thing you said--I don't understand it, or it is new.

MR. COX: It is new, and I don't want to raise it for discussion here. I think we ought to do some thinking about it in working as a group first, but I think that is the one new thing in the picture.

MR. COE: Dean, I think the things that we tentatively agreed on in the working group related mainly to stocks, though there were some general discussions of exports. I think what Oscar is talking about is a document, so to speak, ahead of that. I don't think anything that he said contradicts what has been agreed with, but the White Paper, having three aspects, possibly in this new period, Lend-Lease stocks, cash--it also applies to certain cash exports by the British--and exports of Lend-Lease goods. We seize on the exports of Lend-Lease goods and say it stands with respect to that; it doesn't stand with respect to the first two. Or it stands with respect to everything except the first two, stocks and cash exports. And you handle that by subsidiary documents.

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MR. WHITE: I didn't know there was agreement that the White Paper was not to be abandoned. I think they are under the impression that they are going to say the White Paper is over, whereas, the point which is being raised, the important political point, is the view that they ought not say that, but there are new adjustments to be made and the White Paper exists to save us trouble here.

MR. ACHESON: We talked about that in your office.

MR. WHITE: I don't remember their agreement on it.

MR. ACHESON: We were going to get up a paper as a matter of approach. I don't think there will be any difficulty between us and the British on that, but I think this last thing that Oscar suggested, that there may be some commodities or some places in the world where you-- that is a wholly new point.

MR. COE: We raised that when Keynes had that session over at the State Department on sterling area.

MR. WHITE: He raised it again here when he said he was not going to increase exports to the United States by any significant amount, and somebody raised the question that all the increases were going to the sterling area and that would--

MR. COX: There are two separate questions there, Harry, one is the area, which involves the exchange problem and whether they will let people in India get enough dollars to buy goods from the United States. The other question goes to the article itself, and one of the things that created most of the difficulty is that if they can export article A, for example, in competitive markets, let's say South America, and because of the supply and other situations our exporters can't do it. Then they procure part of the raw materials in this country to be able to do that. It is a very rare bird case. It isn't a common case, because it is really a short supply item; under the combined machinery they won't be able to get enough of the supply for export.

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They may be able to get it for war purposes.

MR. ACHESON: Why don't you handle that under the combined machinery for allocating to them? Just don't sell them any stuff that you don't--

MR. COX: Well, you can. The question that I am raising--and we don't have to settle it now--is that that is one of the political factors involved, and it may be that, if explored, the combined machinery does it, there will be all the less reason for not saying it.

MR. CROWLEY: You want to get away, or you have another meeting?

H.M.JR: No, I am all right until eleven o'clock.

MR. WHITE: When do you propose to explore these matters with them?

MR. COE: We have a meeting set up with you for two o'clock.

MR. WHITE: This subject is to be on the agenda?

MR. COE: Chapter Three and export principles.

H.M.JR: On the agenda. Then you will start that first.

MR. CROWLEY: Harry, don't you think before you meet with the British that Dean and you ought to know all the thinking in the minds of our fellows?

MR. COX: Before it is raised?

MR. WHITE: More than that; I think we ought to agree as to what we are going to present to them.

H.M.JR: I think it would be unfortunate unless we had agreement on the American side first.

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MR. COX: That is right.

MR. DAVIDSON: I think the basic principle we may be discussing is the question of words and phraseology. I think the basic principle we are getting at is that we want to be assured that the British are going to continue to use their full resources for the prosecution of the war, and they are not going to cut back or use any materials that are really needed for war purposes in order to increase their export trade, and I am sure we could get full agreement with the British on a general commitment to the effect that they intend to use their resources fully to prosecute the war against Germany and Japan. They have said so. And I think that is the commitment we are really after; if there are in this country spot places where supplies loosen up a little bit so we can export, or spot places where supplies loosen up on their side and they can export, I don't think we should be concerned with that.

MR. COX: You really have to go beyond that. The first clause in the White Paper says that, so if you start off by saying that as to Lend-Lease articles the White Paper still applies, then you have that covered; and if you want to, you can repeat it for purposes of public presentation, but I think when you get to the cash thing, the question that you are going to have--the general public opinion may well be that if you put these conditions on and publish them in that form, that you are being too tough on the British in terms of the export thing where it makes no practical difference in operations, and I think that is the thing to explore.

Now, if, in fact, that is the way under the combined allocations and shipping machinery the thing does work, then if in one sentence or two sentences you can state that, it makes no difference in operation, it is going to help them and help us.

H.M.JR: Did you expect an answer to that?

MR. COX: No.

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H.M.JR: May I just address myself a minute to Leo and to Dean on this? If these gentlemen are going to get away Friday, I don't know how you people are fixed, but I am on the eve of a war bond drive, and my time is overcrowded. But I want to give this the right of way.

Now, the thing that has been bothering me is, when are these gentlemen, who are the so-called technical committee, going to bring up what we are going to do about tobacco, off-shore sugar, and airplane contracts? Nobody has yet discussed with me all of those things in Chapter Three. Nobody has made any recommendations. Here it is, Wednesday morning. When are we going to talk about those things?

MR. WHITE: I thought we were this morning, right here.

H.M.JR: That is what I thought this meeting was for, and we have gotten off on this thing. I should think that on the technical level there ought to be agreement on what you can agree on and what you can't, and then bring it up to us and say, "All right, gentlemen, what are we going to do on these things? Time is getting awfully short."

MR. CURRIE: We have had several meetings on that, Mr. Secretary, and we had one yesterday or the day before in Harry's office. We have a tentative list amounting to about one hundred and fifty million dollars that we could go along on without serious embarrassment, and some items that we frankly deferred depending on the outcome of the over-all balance, whether you need more or not. There are some items which, if you needed them very badly, we might strain for them, but if you don't, we would much prefer you didn't. We didn't want to meet with the British and come to a final discussion on that until we toted up the rest of the program and saw where we came out in terms of the effect on the dollar balance.

H.M.JR: Yes, but among ourselves--I mean, I don't want somebody about four o'clock Friday night to hold a pistol to my head and say, "You decide this, this, and this."

MR. WHITE: Mr. Secretary, we are ready to discuss those items now. We have discussed them among ourselves several times.

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H.M.JR: Can you do it in six minutes?

MR. WHITE: Well, we can do a few of them.

MR. COE: Caribbean sugar.

H.M.JR: If you don't mind, I don't want to do a thing like this in six minutes. I don't know how the rest of you people feel. I would like to take this Chapter Three out any time you people say you are ready to discuss it; give me a little notice, and I will adjust myself, but I want an hour or two hours, because that is the most difficult thing in the whole business. I can't do it in six minutes.

MR. CROWLEY: How much difference in our own shop is there in Chapter Three?

MR. CURRIE: Very little.

MR. CROWLEY: What about State?

MR. ACHESON: We haven't gone over it.

MR. CURRIE: State was supposed to attend this meeting in White's office.

MR. WHITE: Nobody came.

MR. COLLADO: Harry, they didn't tell any of us.

MR. COX: I think what we ought to do is have a committee of State, FEA, and Treasury get together.

H.M.JR: That is the point I am trying to make, Leo. They haven't gotten together on this, with all due respect to them.

MR. WHITE: We thought we would go as far as could profitably be gotten--

MR. ACHESON: There was a slip-up, and we didn't know about the meeting.

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MR. WHITE: Couldn't we meet right after this meeting?

MR. ACHESON: Absolutely.

MR. WHITE: The group is right here. Why don't we meet on this Chapter Three right after, and you can meet with us tomorrow morning?

H.M.JR: The first I would have free would be eleven o'clock.

MR. CROWLEY: That is all right.

H.M.JR: How about the rest of you?

MR. ACHESON: I will make it all right.

MR. WHITE: I suggest that if you have to get out by Friday that maybe everybody ought to leave Thursday evening clear.

H.M.JR: I can leave Thursday evening or Thursday afternoon clear.

MR. COE: If we are ready on the program, Mr. Secretary.

H.M.JR: I will save Thursday afternoon and Thursday evening.

MR. CROWLEY: Set aside Thursday, and if we get in agreement and are ready, we will let your secretary know. If not, we will do it sometime late Thursday afternoon or evening.

H.M.JR: I am holding from eleven o'clock on.

MR. WHITE: You see, you were going to see the British tomorrow.

H.M.JR: I will hold from eleven o'clock on for the rest of the day until I hear from Frank Coe.

- 26 -

MR. COE: Are we ready to see the British tomorrow on anything?

H.M.JR: I don't see that you are.

MR. ACHESON: I think you will have to.

H.M.JR: Dean, I am ashamed to see them again until we have an answer on this Chapter Three..

MR. ACHESON: Well, I think we must have it.

MR. CROWLEY: What do you want to see the British for tomorrow, Frank, until you have an answer?

MR. COE: We might get out these programs.

MR. CROWLEY: But can't you do that without having a meeting with the Secretary to do it?

MR. WHITE: No, it should be a report of that committee to the British which included Chapter Three. That could be the next meeting. But there is food, oil, shipping, and manufactured articles on which the same kind of report would go to the large committee, Mr. Secretary, that the Army and Navy gave. That is enough for one meeting. Then the second meeting can be on Chapter Three.

H.M.JR: You don't know yet--if you don't mind, I don't want to see them again until we have talked this thing out on Chapter Three among ourselves. I think they would have reason to be dissatisfied.

MR. CURRIE: I discussed this with Keynes, Mr. Secretary, and he said it would be perfectly agreeable and understandable that the program should be presented first, and Chapter Three would be the supplementary thing coming after the program, because it depends on what we do in Chapter Three as to what the programs tote up to.

H.M.JR: If they are satisfied, I am. But between Coe and White, I can't do any more than say from eleven

- 27 -

o'clock on I will hold it open for the rest of the day. But for God's sake, let me know, because I have all other kinds of appointments, too, see, Frank.

MR. COE: Yes, sir. And by the way, the British are going to get their first crack at Chapter Three this afternoon, the lower committee.

H.M.JR: Will you be here tomorrow?

MR. CROWLEY: Yes, sir.

MR. ACHESON: Yes, sir.

H.M.JR: I have just one other thing. Don't forget that Ed Stettinius ran up a red flag on this Argentinian meat business. He said that at one stage or another he might want to get in on it. I am leaving it to you (Acheson) in case they might want to raise it. I don't know whether he wants to or doesn't.

MR. ACHESON: That is a little bit mixed up because Llewellyn is supposed to be here the day after tomorrow, so I will speak to Ed when I get back.

H.M.JR: Would you mind? I have an understanding with Ed that he would be put on notice. I am putting him on notice now. Tell him how fast we are going to move.

MR. ACHESON: It is not an ideal time to bring it up.

TOP SECRET

COPY NO. 9

C.S.L.L. (44) 2

14th November, 1944

COMBINED SUB-COMMITTEE ON MUTUAL
LEND-LEASE AID BETWEEN THE U.S. AND U.K.

Civilian Standard of Food Consumption
in the United Kingdom

Note by U.K. Members

The attached note on Civilian Standard of Food Consumption in the United Kingdom is circulated for information.

Washington, D. C.

CIVILIAN STANDARDS OF FOOD CONSUMPTION
IN THE UNITED KINGDOM

In the British Statement of Requirements an attempt was made to give reasons why no financial obstacles should be put in the way of some moderate easements in the standards of British civilian consumption, should this prove possible on the supply side. We have suggested that in the case of meat, sugar and fats the standard to be aimed at should be the British pre-war standard of civilian consumption, but that if in respect of any of the above commodities the American current consumption per caput is less, the Ministry of Food should limit its aim to the lower standard. In total, current U.S. food consumption is of course considerably higher than that in the U.K.

We cannot be certain that this aim will be attained, except perhaps in particular instances. Whether or not it can be attained will have to be decided at a later stage by the proper allocating authorities, who will take into account the aggregate supply position and the total demands on it, including demands from liberated areas, etc.

What we ask is that in the circumstances of Stage II when the British people unlike the rest of Europe will still be engaged in a major war, a moderate easement in British standards of consumption is agreed to be reasonable and proper, and that if certain quantities of American supplies be placed at the disposal of the British by the allocating authorities, there should be no lack of financial facilities on Lend-Lease terms.

Thus, the inclusion of the higher figure for which the British Food Ministry have asked would not guarantee such supplies to the British. What it would guarantee is that if such supplies were available, there will be no financial difficulties. It is not clear to us that this is fully understood by all those concerned. We do not see why Lend-Lease

finance should be refused, if on other grounds the allocation is practicable.

Moreover, there is a further reason why the provisional Lend-Lease allotment should be on the high side. Even if the total allocation of the British civilian falls short of what we are aiming at, nevertheless the allocation which it is convenient to obtain from U.S. sources may require a higher Lend-Lease appropriation than is provided under F.E.A.'s counter proposal. For example, South American supplies may be allocated to Western Europe or other liberated areas. Australian supplies may be increasingly furnished to the U.S. Forces in the Pacific. For these reasons it would be prudent to have a margin on the provisional Lend-Lease appropriation.

To sum up, what we are concerned with is that the Lend-Lease appropriation should not pre-judge the principles of allocation whether in regard to total quantity or in regard to sources, either way. On the one hand, a provisional Lend-Lease appropriation such as we ask will not guarantee us the allocation. On the other hand, if our Lend-Lease request is admitted, then there will be no obstacle on the financial side to stand in the way of an allocation. In the first paragraph of the Introduction to the Statement of British Requirements we summarised the substance of one of the Quebec decisions as follows:- "In the sixth year of war the British civilian is entitled to such moderate easements as are practicable without interfering with the prosecution of the war by a Lend-Lease programme, especially for food, which would allow some raising of standards." Our present request is, therefore, no more than that the Quebec decision should be endorsed in favour of any easement to the British civilian which supply considerations may allow.

The above is, of course, of general application. But it is chiefly in the case of carcass meat that it arises from the practical point of view of there being a sizable difference between the British Ministry of Food application and what F.E.A. are suggesting.

2.

Washington, D.C.
14th November 1944.

TOP SECRETU.S. Committee on Mutual Lend-Lease Aid
Between the United States and the United KingdomMinutes of Meeting in Secretary Morgenthau's
Office on November 15, 1944 at 10:00 A.M.Present

Secretary Morgenthau, Chairman
Mr. White
Mr. Casaday

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

Mr. Acheson
Mr. Collado

Mr. Coe, Secretary

Non-Munitions Programs

MR. DAVIDSON reported that agreement had been reached on the Food Program, on the Shipping Program and on the Petroleum Program, except for stocks; the Dominions and India Programs were almost finished, including the Locomotive problem.

There was considerable discussion concerning the intention of the War Food Administration to cut meat allocations for the British. It was agreed that this matter might have to be taken up with Mr. Byrnes or the President.

Exports

MR. COX advocated that the White Paper should not be withdrawn, but only modified to deal with cash purchases and lend-lease stocks. MR. ACHESON said that this approach was the one that had already been agreed with the British. Since Mr. Cox's new memorandum had not been seen by the Committee, SECRETARY MORGENTHAU asked that an agreed position be obtained before discussions with the British took place.

Chapter III

MR. CURRIE said that as a result of a technical committee meeting there were about \$150 millions of items on which the U.S. Group had tentatively agreed. The rest would have to come before the Top Committee.

USS/403
CCLL

COPY NO. 1

U.S. Subcommittee on Mutual Lend-Lease Aid
Between the U.S. and the U.K.

Minutes of Meeting held in Room 3438
of the Treasury on November 9, 1944
at 4:30 p.m.

Present

Mr. White, Chairman
Mr. Casaday

Mr. Acheson

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

General Styer
Colonel Stewart
Captain Bonnell

Captain Foutch

Military Reciprocal Aid

MR. WHITE proposed that we should get a general commitment from Australia but that if the financial burden exceeded their ability, Australia should be given the chance to reopen the question at any time. MR. ACHESON proposed that Australia should undertake to furnish reciprocal aid up to the level of 1944. If that level were exceeded the British should pay for the excess, with a right to terminate this arrangement on notice. GENERAL STYER believed that this arrangement was satisfactory but said that since Undersecretary Patterson was out of town he would not be able to report before Tuesday.

November 15, 1944
12:32 p.m.

33

John L.
Sullivan:

Mr. Secretary.

HMJr:

Yes.

S:

I just wanted to tell you that I knew nothing at all about the matter that was mentioned in that Drew Pearson thing this morning.

HMJr:

Yes.

S:

I was very much disturbed by it and I am grateful to you for calling me back so that I'd have an opportunity to tell you that before you went to lunch.

HMJr:

Yeah. Well, what -- what is there to the story?

S:

Nothing so far as I know.

HMJr:

I see.

S:

I saw Forrestal in Boston Saturday night before the election.

HMJr:

Yes.

S:

I just happened to meet him in the hotel.

HMJr:

Yeah.

S:

And I told him that I was contemplating leaving; that I'd have to be away for at least two or three months taking care of my own affairs.

HMJr:

Yeah.

S:

And he said absolutely nothing about this.

HMJr:

He didn't?

S:

It's entirely news to me and I was afraid you might think that I had known about this when I talked with you yesterday.

HMJr:

Right.

S:

And that's why I was so awfully anxious to get hold of you as soon as I saw this article.

HMJr: All right. Thank you very much, John.
S: It's entirely news to me, sir.
HMJr: Thank you.
S: Thank you, sir.
HMJr: Bye.

November 15, 1944

Dear John:

I am with great reluctance transmitting to the President your letter of resignation as Assistant Secretary of the Treasury.

You have been a member of the Treasury family for more than five years of the most stirring times and have shared in much hard work and difficult decisions.

Ours has been a most pleasant association and I want to thank you for the able service you have rendered to the Government, for the great help you have given me and for your unfailing loyalty.

I wish you the greatest success in your further career and the greatest happiness to you and your family. I value our friendship and will count on continuing frequent contacts with you.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. John L. Sullivan

Assistant Secretary of the Treasury

HEG/mah



ASSISTANT SECRETARY OF THE TREASURY
WASHINGTON

December 1, 1944.

My dear Mr. Secretary:

I am enclosing my letter to the President resigning as Assistant Secretary of the Treasury.

I am sure you realize how reluctant I am to leave the Treasury. The few months I spent here in 1939 as Assistant to the Commissioner of Internal Revenue and the five years since then as one of your assistants have been the most stirring and satisfactory experience of my life. This service I am now forced to terminate because of the pressure of responsibilities in my private practice. I am compelled to return to serve those associates and clients who, for more than five years, have so patiently awaited my return to private practice.

I want you to know how very grateful I will always be to you, not only for the great opportunity you gave me, but also for the kindness and helpfulness you have shown me. I will always count you my friend.

The way in which you have shouldered the unprecedented responsibilities of the Treasury in its most trying years has been an inspiration. I want you to know that if I can ever be of service to you I will be more than proud to have you call on me.

With kindest personal regards to Mrs. Morgenthau, the children and yourself, I remain

Sincerely yours,

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

December 1, 1944

My dear Mr. President:

With a great deal of reluctance, I submit to you my resignation as Assistant Secretary of the Treasury.

When I came to Washington in September 1939, I arranged to divest myself of professional responsibilities for a period of one year. Since then this period has been extended four times. Unfortunately, the cumulative pressure of the problems of those people with whom I am associated, and of others who have relied upon me, make it imperative that I now return to private practice.

I wish to express to you my gratitude for having given me an opportunity to work with you and with Secretary Hargenthan during this eventful period of American history. I will always look back upon this association and this experience with pride and satisfaction.

May I take this opportunity to congratulate you upon your splendid victory on November 7, and to wish you the very best of health and success in solving those monumental problems which challenge the peace and welfare of humanity for generations to come.

Faithfully yours,

The President,

The White House.

JIS:vls

TOP SECRETCOPY NO. 47C.S.L.L.(44)5th meetingCombined Sub-Committee on Mutual Lend-Lease Aid
Between the U.S. and U.K.

Minutes of Meeting held in the U.S. Treasury
on 15th November, 1944,
at 2:0 p.m.

P R E S E N T

Mr. White (in the Chair)

U.S.Representatives

Mr. White (Chairman)
Mr. Casaday

Mr. Currie
Mr. Davidson
Mr. Angell
Mr. Havlik

Mr. Acheson
Mr. Collado
Mr. Fetter

U.K.Representatives

Mr. Ben Smith
Lord Keynes
Mr. Brand
Sir Robert Sinclair
Sir Henry Self
Sir Charles Hambro
Mr. Bridgeman (part time)
Mr. Goschen
Mr. Helmore
Mr. Hutton (part time)
Mr. Maclay (part time)
Mr. Penson (part time)
Mr. Stevens

Mr. Lee) Joint Secretaries
Mr. Coe)

1. CHAPTER 3.

At the CHAIRMAN'S invitation MR. CURRIE and MR. DAVIDSON gave U.S. comments, item by item, on the proposals contained in Chapter 3 of British Requirements in the First Year of Stage II.

MR. CURRIE explained at the outset that U.S. views on these items were not as far advanced as in the case of other programmes being reviewed by F.E.A., the results of which they had been awaiting.

(1) TOBACCO

MR. CURRIE said that in view of the cigarette shortage in the United States and the probability of a continued shortage for a considerable period, the granting of this request would be difficult to justify, particularly since tobacco for civilian consumption had been removed from lend-lease early in 1944. LORD KEYNES pointed out-

- (a) that the amount involved would probably be in excess of the \$90 million listed in the report. This figure had been based on the assumption of a certain allocation to the Forces which would probably be reduced. Therefore more would have to come under the civilian programme bringing the total for the United Kingdom up to \$101 million. There was a similar demand from Australia and New Zealand which would bring the total to approximately \$110 million.

(b) that if this tobacco were not supplied on Lend-Lease, it would have to be purchased for cash so that in any event the U.K. would be making the same demand on U.S. supplies.

(c) that he understood that there was no shortage of leaf in this country but only of labour and packaging. What the United Kingdom was asking for was leaf tobacco and not tobacco manufactures, and it therefore seemed to him that the request for leaf tobacco was being turned down merely on account of bottlenecks in the manufacturing processes which were not concerned. After further discussion MR. CURRIE said he would examine the matter further. He wished, however, to record his view that tobacco for civilian consumption was in any circumstances a vulnerable item and as such had been removed from the Lend-Lease programme a year ago.

(2) SUGAR

MR. CURRIE said that this, though less vulnerable than tobacco, had also been removed a year ago and he was therefore doubtful as to the possibility of restoring it now. LORD KEYNES pointed out that whereas a year ago it was believed that the dollar exchange position of the United Kingdom was growing stronger, this was now understood on the U.S. side not to be the case, and he had hoped that sugar might be reconsidered in the light of this change. MR. CURRIE said that the United States might be facing a period in which supplies of sugar were substantially reduced, and that it might be inadvisable to use lend-lease funds for sugar purchases in such circumstances. He would prefer to regard this item as being held in reserve until the position was clearer as regards the overall Chapter 3 programme.

(3) OIL

MR. CURRIE said that the figure of \$100 million mentioned in the U.K. paper was understood to include all non-Lend-Leasable expenses including equipment for the development of oil fields as well as crude oil purchases for dollars estimated at \$16 million. LORD KEYNES said that the \$100 million figure was an approximate estimate of the total dollar expenditure which the U.K. had to incur in connection with the production of oil, including oil for Reciprocal Aid. Some proportion of this total estimated at \$22 for purchase of crude, plus \$8 for royalties payable to the Venezuelan Government, had been specified in the document submitted. The remainder represented various items including equipment, repairs and the salaries of U.S. technicians. If the general U.S. attitude towards the proposal were favourable, he suggested that the matter could be gone into with the British oil experts. MR. CURRIE said that he thought that it would be difficult to justify the supply under Lend-Lease of anything that could be regarded as equipment for development purposes. He would be glad to receive an itemized breakdown of the \$100 million figure. LORD KEYNES then suggested that there were in effect two possible methods of procedure. One was that suggested in the paper, namely that an estimate of the dollar expenditure involved should be arrived at and met under Lend-Lease.

The other alternative was for the U.S. to purchase the supplies it draws from the Caracas and Bahrain refineries, the amount of such purchases would coincide approximately with the dollar expenditure of the United Kingdom on account of oil. MR. LEE explained that while these two refineries were not the only refineries in which the United Kingdom was involved in dollar expenditure, they were nevertheless those in which the dollar content in the expenditure was highest, and it would therefore be appropriate that they should be selected if the second alternative were to be considered. With respect to the first alternative, MR. CURRIE stated that the U.S. would face difficulties in supplying capital equipment on Lend-Lease terms, although it might be possible to supply such equipment as some special credit arrangement. MR. CURRIE thought that it would be difficult to justify the purchase of oil from the sterling area at the same time that other oil was being Lend-Leased to the United Kingdom, but the United Kingdom members pointed out that the cases were not comparable since the oil from Curacao and Bahrain involved not only the payment of dollars but expenditures external to the U.K. MR. CURRIE undertook to consider the matter further in the light of the foregoing discussion and of the further information to be furnished by the U.K. representatives.

(4) OCEAN FREIGHT.

MR. DAVIDSON said that the U.S. side was inclined to take the view that it would be possible to grant Lend-Lease under this head only with respect to items definitely bearing some relation to the war. Considerable discussion followed as to the nature of the items concerned. The United Kingdom representatives pointed out that all the items mentioned in the Supplement to Chapter 3, Paragraph 2 (iv)(a) were obtained on Government purchase and that this fact in itself was a guarantee that they were required for war purposes, since the Government of the United Kingdom was not incurring expenditure on goods which it did not regard as essential to the prosecution of the war. MR. MACLAY quoted from a list of items which included NAAFI stores, tobacco, certain types of lumber, iron and steel, industrial machinery and parts, agricultural machinery and parts, tractors, automobiles and parts, medical supplies and printed matter. Some discussion followed with regard to the Canadian loadings of a substantially similar character, with respect to which a retroactive demand for 1944 had been entered by the United Kingdom representatives. MR. MACLAY pointed out that in some cases these goods had been loaded in Canada for reasons of administrative convenience, but that their character was similar to that of items supplied from the United States under Lend-Lease. MR. DAVIDSON said that he thought that the account, with respect to Canadian loadings for 1944, was closed, but that if it were not the United Kingdom suggestion would be reconsidered. MR. MACLAY undertook to supply a list showing the items and values of goods shipped, both in the 1944 Canadian programme and by way of forecast with respect to 1945. It was agreed that there should be a detailed discussion between shipping experts regarding the dollar outlay of \$40 million on service and supplies to British controlled vessels in U.S. ports, (Supplement to Chapter 3, Paragraph 2 (iv)(b)).

With regard to the dollar proportion of items on Norwegian vessels on time chartered under the Tripartite Agreement of 1941 (Supplement to Chapter 3, Paragraph 2 (iv)(c)), and to items on Allied vessels on time chartered to the U.K. (Supplement to Chapter 3, II, (iv)(d)), MR. DAVIDSON said that he would get in touch with Mr. MacLay in order to discuss further.

There was also some discussion regarding Supplement to Chapter 3, Paragraph 2 (iv)(e). MR. MACLAY explained that the \$5 million in question was in effect a fine for errors in filing some requisitions, and for underestimates in other requisitions. MR. DAVIDSON said that on this item there had been certain expenses which would not have been allowed even had the requisitions been properly filed, but at the CHAIRMAN's suggestion he undertook to look into this matter in order to see whether the element of penalty and the element of additional expenditure could not be disassociated.

(5) MACHINE TOOLS

MR. DAVIDSON said that this proposal again raised the problem of providing under Lend-Lease items the life of which would extend substantially into the post-war period. LORD KEYNES remarked that as the war drew nearer to its close this criterion became increasingly unrealistic. In the U.K. view the post-war use of items supplied under Lend-Lease should be a matter for decision in connection with the final settlement of Lend-Lease. MR. WHITE enquired whether the United Kingdom representatives would consider the supply of these machine tools under Section 3(c) of the Lend-Lease Act. LORD KEYNES replied that this would merely serve to accumulate debts and could not be considered. MR. DAVIDSON enquired whether the United Kingdom representatives would consider full payment in cash now, accompanied by an agreement that the residual value should be calculated later and that the U.S. should reimburse to the United Kingdom the difference between the initial cost and the residual value at the end of the war. The United Kingdom representatives did not favour this proposal and LORD KEYNES requested that the list of machine tools in the second supplement to the British document, Part III, should be examined with a view to determining whether there were not a number of tools to which the ruling against the provision of capital goods on Lend-Lease should not be applied. MR. PENSON said that he believed that a large proportion of the 1945 demand was in fact for machine tools required for war purposes and in a critical or special category. It was agreed that the list should be further examined by U.S. representatives. MR. DAVIDSON stated, however, that the U.S. side did not consider that there was any large prospect that the present rule of the F.E.A. against Lend-Leasing capital items would be rescinded.

(6) FOOD

MR. DAVIDSON said that with the possible exception of essential oils and chewing gum base, these items appeared to be eligible for Lend-Lease. He asked the United Kingdom representatives to ascertain what proportion if any of the essential oil demand was required for the manufacture of cosmetics. The United Kingdom representatives stated -

- (a) that they believed that the chewing gum base was required mainly for U.S. Forces, but would confirm this.
- (b) that the amount now involved in purchases for NAAFI was \$20 million rather than \$9 as previously reported. LORD KEYNES said that he could supply a supplementary list showing how the additional \$11 million was made up.

(7) SUPPLIES FOR THE COLONIES.

MR. DAVIDSON said that this was a difficult item in view of the established policy of removing from the scope of Lend-Lease civilian supplies for areas not in war theatres. He added that the arguments for the easement of civilian standards in the United Kingdom did not, for the most part, apply to the Colonies. LORD KEYNES said that a factor to which weight should be given was that the United Kingdom was purchasing goods from these Colonies and supplying them to the United States under Reciprocal Aid. He therefore considered that the Colonies should be eligible for Lend-Lease. It was agreed that this item should be reserved for a later decision based on purely financial grounds, and in the light of the overall picture.

(8) REPAIR EQUIPMENT AND REPLACEMENT OF BOMB-DAMAGED HOUSES.

MR. DAVIDSON said that it was important from the point of view of the United States that the requirements should be solely for temporary and emergency houses and that the U.S. representatives would be willing to consider a sum of the order indicated in the Supplement to Chapter 3 provided that the items supplied were for an emergency housing programme. LORD KEYNES said that he thought that such an assurance could be given and that the United Kingdom representatives were thinking in part in terms of removable houses. He suggested that it would be useful if the United States representatives could prepare some general ruling or formula in advance of the visit of the U.K. housing experts. It was agreed that the particulars of the proposed requirements would be justified later in detail and that the item should stand as being acceptable in principle.

(9) CIVILIAN RELIEF SUPPLIES

The F.E.A. representatives said that they would find it difficult to agree to provide civilian relief supplies for the Far East on Lend-Lease. It was agreed that it should be held in abeyance for the time being.

(10) PRE-RECIPROCAL AID SUPPLIES OF RUBBER.

The F.E.A. representatives expressed the view that this was a legitimate debt and that it should be refunded.

(11) SUEZ CANAL DUES

MR. CURRIE stated that this item would be paid for by the United States, but that the U.S. did not consider itself prejudiced thereby against opening claims for receiving such tolls as Reciprocal Aid.

(12) TAKE-OUTS OF CAPITAL FACILITIES

The U.S. Treasury representatives said that this claim amounting to \$38 million would be viewed sympathetically, and the details were being checked by them.

(13) PRODUCTION CONTRACTS TRANSFERRED AS TAKE-OUTS

The U.S. representatives asked for further information on this claim amounting to \$2.2 million.

(14) DIVERSIONS TO THE U.S.S.R.

The U.S. representatives said that this claim was being examined in consultation with the War Department. It was anticipated that there might be difficulty in regard to the Bostons.

(15) CAPITAL FACILITIES IN THE WAY OF MACHINE TOOLS AND OTHER EQUIPMENT.

The CHAIRMAN was doubtful whether the U.S. would be prepared to contemplate the payment of a rental for these items in view of the fact that they had been bought and paid for by the British before Lend-Lease began. It was therefore natural that the U.K. should give the U.S. the right to use these machines without payment, as has been the case. While retroactive payments for these old items involve many difficulties, he was proposing to raise the point with higher authorities. With regard to the suggestion that the United States might be prepared to purchase such of these tools as had not been disposed of, estimated to be worth \$8 million, the CHAIRMAN said that he would be prepared to look into this suggestion, but asked that a list of the major items, giving details of the plants in which they were located, be furnished by the U.K. representatives.

(16) AIRCRAFT AND ENGINES TRANSFERRED TO THE U.S.

LORD KEYNES called attention to his letter of the 3rd of November, 1944 which revised the figure to \$224 million from \$266 million. The CHAIRMAN stated that this item was being reserved for consideration at a later meeting of the Combined Committee.

2. EXPORT FREEDOM

LR. CURRIE said that the United States representatives were not at present ready to discuss this question as a whole but he would give F.E.A.'s preliminary views on the paper prepared by the U.K. representatives and circulated on the 3rd of November as C.S.L.L. (44)1. This paper was then considered, item by item.

Item I. MR. DAVIDSON said that F.E.A. did not agree to the proposal in Item I with respect to identical manufactured goods since such goods might not be in long supply, unlike the case of cotton. He thought that some formula might be worked out with reference to spare parts and components which would be satisfactory to the U.K. side. LORD KEYNES urged that the administrative working of any new arrangement would be very greatly simplified if the U.K. proposal could be accepted: he pointed out that an intolerable burden of work might be involved if both the U.S. and the U.K. had to take steps to ensure that where goods were exported identical to those received by U.K. or U.S. Forces as Lend-Lease or Reciprocal Aid, the Lend-Lease and Reciprocal Aid programmes were amended accordingly or cash payments made. Both Mr. Helmore and he urged that arrangements applying only to spare parts and components would not provide a comprehensive solution of this particular problem. MR. DAVIDSON said that the U.S. side also wanted a solution that would be administratively feasible, but he did not think that the American proposal would in fact involve the kind of administrative complications which Lord Keynes envisaged.

Item II. MR. DAVIDSON said that on this point there was no quarrel with the principle but that there might be some difficulty in the application of the principle, particularly with reference to oil products. LORD KEYNES said that as regards rubber, the effect of the U.K. proposal would be that if Lend-Lease or Reciprocal Aid rubber was exported as such a cash adjustment would be made, whereas there would be no need for a similar adjustment in the case of exports of finished products containing Lend-Lease or Reciprocal Aid rubber. As regards oil, the U.K. had been at pains to take out of its Lend-Lease programme oil products in cases where it was known that identical and identifiable products would be exported. But apart from these Lend-Lease and Reciprocal Aid oil would lose their identity after delivery, and it seemed reasonable therefore that both countries should be regarded as free to export oil without reference to the receipts

of Lend-Lease and Reciprocal Aid oil respectively. MR. DAVIDSON said that the particular problem of oil was being discussed at the present time with F.E.A. representatives, and it was agreed that this point should be left over for further consideration in the light of that discussion.

Item III. The statement set out in the British document was accepted by the U.S. representatives.

Item IV. MR. DAVIDSON said that this was only a question of a form of words and that there was no difference between the U.S. and the U.K. on this point. No departure was intended from the meaning of the phrase as used in the 1941 White Paper.

Item V. MR. CURRIE said that F.E.A. could not accept this proposal. Considerable discussion ensued, in the course of which MR. ACHESON suggested that the U.K. proposal was one segment of a very much broader question which would inevitably be discussed in another context. LORD KEYNES urged that quite apart from the wider considerations of policy to which Mr. Acheson referred, it was desirable to obtain, if possible, an assurance from the U.S. authorities that they would not object to the financial proceeds of any sales of non-Lend-Lease military equipment to third countries accruing to the U.K. The U.K. representatives had thought that the financial issues involved could most appropriately be discussed by a body which was concerning itself with the external financial position of the United Kingdom during Stage II. The CHAIRMAN said that he thought that this question should only be taken up by the Committee if the receipts which might accrue to the United Kingdom would be of considerable significance in connection with the U.K.'s balance of payments position; otherwise he thought that the matter ought to be left for discussion in the separate context suggested by Mr. Acheson.

MR. CURRIE said that there was one particular point in connection with the discussions on export freedom and the Chapter 3 items which he would wish to stress. There might be damaging public criticism in the United States if in a period after export freedom had been accorded to the United Kingdom, the U.K. exports to the sterling area expanded considerably while U.S. exports to the sterling area were restricted by reason of exchange restrictions imposed in the interests of the sterling area dollar pool. He suggested, therefore, that the U.K. would be well advised to agree to make some additional exchange available (possibly of the order of \$50 million) to facilitate the operation of the principle of importers' choice in certain important sterling area countries. LORD KEYNES said that he was not prepared to enter into any sort of bargain on this point as part of the present discussions. In actual fact he was hopeful it would be possible for the sterling area arrangements to remain flexible and for the exchange controls within the area to be ridden with a comparatively light rein. But the extent to which that would be possible would, of course, depend among other factors, upon the size of the sterling area dollar resources. That in its turn depended to some extent upon the decisions on the Chapter 3 proposals. Here again, however, he was not prepared to consider anything in the nature of a bargain.

3. FUTURE BUSINESS.

The COMMITTEE then took note of the outstanding points which remained to be discussed in the course of the negotiations. It was agreed that with reference to Chapter 3, it would be desirable to come to a decision at an early date with respect to the three large items of importance, namely, tobacco - \$110 million, offshore sugar - \$64 million and large aircraft claims and diversions to Russia - \$243 million. It was agreed that these questions would be for discussion at the next meeting of the Main Committee.

It was agreed that the next meeting of the Committee should be held at 3 p.m. on November 16th to discuss export policy and the question of Reciprocal Ail from Australia and New Zealand (if the U.S. side were ready for this) and any other problems on which sufficient progress has been made in consideration by the U.S. side to permit of their being brought before the Committee.

Washington, D. C.

November 15, 1944
3:30 p.m.

TAX CASE - NATION MAGAZINE

Present: Mr. O'Connell
Mr. Cann
Miss Kirchwey
Miss Schultz
Mr. Sterling
Mrs. Klotz

MR. O'CONNELL: Under 1016, corporations, generally speaking, owned and operated exclusively for religious, charitable, and educational purposes, and on a non-profit basis, and no substantial part of their activity consists, in the words of the statute, "in carrying on propaganda or otherwise attempting to influence legislation" - that limited class of corporations are entitled to be tax-exempt under the code.

The importance of the exemption is almost entirely, as I understand it, that if they are exempt under 1016 of the code, then contributions made by individuals to the organization to help it to operate are deductible for personal income tax purposes, you see. The exemption to the institution as such is not ordinarily important because they don't ordinarily operate at a profit, so that to hold the corporation exempt from income tax doesn't ordinarily mean anything.

I think that is true with respect to The Nation because I don't think they make a profit. They are probably able to make both ends meet by virtue of contributions from outside. So the importance of the ruling from their point of view has to do with the deductions that individuals could get from contributions made to them. The Bureau ruled on October 29 that they were not exempt under 1016.

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MRS. KLOTZ: You mean the Bureau ruled for them?

MR. O'CONNELL: Against them.

MRS. KLOTZ: But the ruling was made to The Nation--

MR. O'CONNELL: In answer to their request for a ruling submitted sometime before that.

Now, the issue is simple, although the people can probably differ as to what constitutes a corporation organized on a non-profit basis for educational purposes. That is the issue here. The Bureau ruled that this corporation was not operated for educational purposes, and it is consistent, I believe, with all of the rulings that we have made; and in my examination of it I looked at a couple of the cases and I believe that it is quite clear that the Bureau ruling is quite clearly defensible within the positions of the Board of Tax Appeals and of the courts.

As I say, people can differ as to what is "educational purposes" but the cases, for instance, lay great stress on the non-controversial nature of the operations of corporations held to be exempt; and I think that this particular organization, as well as many others, deals pretty much in controversial subjects, and they don't purport to take an objective view and present both sides of the question which, in the view of so many people, would be, strictly speaking, educational. At least, that is the way we ruled, and I think that one thing in favor of continuing to rule that way would be that if you don't rule that way, it is almost impossible to know where you stop with respect to what would be exempt under 1016.

For example, it would seem to me that if Eugene Meyer should decide that the operation of the New York Post was costing him a little more money operating the way it is than if he set it up under a non-profit basis and deducted his losses, that you would probably be forced to

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say that his Washington Post was tax-exempt if it was set up on a non-profit basis, as is The Nation. There are differences of degree.

H.M.JR: The Washington Post makes Eugene Meyer tax-exempt.

MR. CANN: Through losses he has. That is right.

MR. O'CONNELL: And for another person it might be more profitable taxwise.

H.M.JR: The thing there is this - just read that thing; that is for propaganda. (Points out Section 101, Subdivision 6, of Internal Revenue Code)

MR. O'CONNELL: Let me read the whole section.

H.M.JR: Just the end.

MR. O'CONNELL: (Reading) "No substantial part of the activities of which is carrying on propaganda or otherwise attempting to influence legislation."

H.M.JR: That just strikes them out: They try to influence legislation and they do do propaganda.

MR. CANN: We think that is so, Mr. Secretary. And incidentally, in connection with the definition of propaganda that Mr. Klaus used in connection with some of those corporations we have been following up, it would carry out your views as you would interpret this.

H.M.JR: You mean react against it? Has he been successful?

MR. CANN: We are still processing a great number of them. Some of them we have had to reconsider. I would think we have had reasonable success.

MR. O'CONNELL: Yes, pretty good. There must be some case where the exemption has been revoked.

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H.M.JR: I don't see where he has a leg to stand on.

MRS. KLOTZ: What they want to do is just let you hear their side of it.

H.M.JR: That is the way I interpret that, myself.

MR. O'CONNELL: We have several strings in our bow. You could argue they are not educational, but even if they were, and a substantial part of their activities was propaganda, they are still out because you have to have all those things under the statute.

H.M.JR: Let's give them a hearing.

MR. O'CONNELL: Do you wish us to be here?

H.M.JR: Oh, my God, yes!

(Miss Kirchwey, Miss Schultz, and Mr. Sterling enter the conference)

H.M.JR: I am sorry, but things are beyond my control.

MISS KIRCHWEY: It gave me a chance to visit with my old friend Ernest Green, which was more important, his having been Editor of The Nation.

H.M.JR: Now, which of you people want to speak first?

MISS KIRCHWEY: Maybe I should. I don't know at what point to begin. Suppose I begin from where we left off the last time we were here. Of course, we received the letter from the Department, and I was, of course, rather surprised as well as disappointed about it, because we thought we had established ourselves in the role of a public educational organization, and especially in the light of the other groups and organizations we knew about and had been closely in touch with, which had received the ruling that we had asked for.

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H.M.JR: Other organizations?

MISS KIRCHWEY: Other organizations of a character that seemed to us to be doing comparable work.

H.M.JR: Publications?

MISS KIRCHWEY: For instance, Free World magazine, and of course there is the old case of the Survey Graphic.

MR. O'CONNELL: That was litigated, as I recall.

MISS KIRCHWEY: Yes, the Survey was one of the earliest instances of a membership corporation setup almost identically like ours, with Survey associates, as you remember, as a part of the organization.

H.M.JR: You are prepared, you see, and I am just - you don't mind if I interrupt you?

MISS KIRCHWEY: No, no, please.

MR. O'CONNELL: I am generally familiar with the case of the Survey Graphic.

H.M.JR: Don't let the stenographer worry you; that is just for myself. I do that all day long. I cannot remember what happens all day long.

MR. O'CONNELL: In that case the Tax Court held that this Survey Graphic magazine - I have forgotten the exact legal name - was entitled to a 1016 exemption over the objections of the Bureau at that time.

Our thought is that that case was clearly distinguishable from this in the opinion of the courts concerned, because in that opinion they stressed the controversial character of the material which was published by the magazine over a long period of time, and it was my understanding that as the court saw it, at least, there was none of the element of what the statute refers to as

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any substantial part of the activities being engaged in propaganda or attempting to influence legislation.

At least, that is, as I remember it, what the case held. And I felt that the operations of the Survey Graphic, at least as it was looked on by the Tax Court, were quite clearly different from the operations of The Nation, as a magazine, as we understand it.

MR. STERLING: I think that is quite correct, though there is no intimation in this case, as in the case of Nation's associates, that there was any substantial activity with respect to influencing legislation.

H.M.JR: Just as a layman I would say, if you don't mind my arguing with you - I would say the magazine was no damned good, and I think it is very good if it doesn't try to influence people.

MISS KIRCHWEY: I don't want to interrupt you, but I think it would be ridiculous to pretend we didn't. We take very clear-cut positions and we argue for them.

My contention in this - and I don't want to insist on the Survey Graphic case, because there are others, too, that I think are comparable - but the Survey certainly couches its opinions in less positive tones than we do, there is no doubt. They do argue for all kinds of reform for specific improvements in social legislation, and for all kinds of things that I think they should argue for, but they have done it, perhaps, in a less militant spirit than The Nation has.

I don't know - we share with them the same organizational setup; in fact, I had long consultations with the Editor of Survey before we reorganized Nation as a membership, non-profit--

H.M.JR: Who is that?

MISS KIRCHWEY: Paul Kellogg.

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H.M.JR: What is the other magazine?

MISS KIRCHWEY: I know, you mean Leach.

H.M.JR: What about his magazine?

MISS KIRCHWEY: It has faded out of existence. But Survey did do just what we did. The Survey associates, with a paid membership and a definite non-profit membership setup, legally - and I went into it very carefully with them when we reorganized The Nation before I even went for legal help in the matter - and we have this same relationship between the people who subscribe money as members of the Association; the only difference is that we as an association, really carry on association activities which we plan to extend, and have already developed to a considerable degree, which as far as I know Survey associates - beyond having a dinner once a year - has never bothered to do.

In both of these activities it has seemed to me that we have carried on what I should consider public education, while without for a single moment pretending that we don't represent our own point of view on public questions. The thing that we don't do, and neither does the Survey, is to represent any partisan interest, any private interest, or any group interest of any sort. We simply represent our view of what is for the public welfare and what our public ought to know about public affairs.

MR. O'CONNELL: I can only repeat in part what I said before, and that is that I believe the Tax Court did find as a fact certain distinctions between the situation that existed in the Graphic with respect to what the court, at least, called the non-controversial nature of the materials which were presented; and where they did present something which was of a controversial nature they purported, at least, to try to present both sides of the question.

I am not arguing for that point of view; that is merely what the court said.

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MR. STERLING: That is the correct statement, but I think the Treasury subsequently actually admitted--

MR. O'CONNELL: In addition, I would like to point out that the Treasury did not feel that the Survey should have had a tax-exempt status, either. It took the Tax Court to persuade us of that. We ruled against the Survey in the first instance, and the Tax Court persuaded us we were wrong.

MR. STERLING: I thought I would mention that some years later the Treasury in its regulations really went back to its position in the Survey case, if you want to put it that way, and that it now admits that a position may be taken on controversial issues and there may be a discussion of controversial issues--

H.M.JR: In other publications we admit that you can discuss controversial issues?

MR. O'CONNELL: Oh, yes, the Tax Court held that, in that case.

H.M.JR: I can't follow these things except when something is brought to my attention like that. Do we disregard the court ruling?

MR. O'CONNELL: No, no, the court ruling said--

H.M.JR: Not with regard to the Survey Graphic, but as to other publications? The fact that they have ruled that this is tax-exempt, and other questions come up, we just disregard--

MR. O'CONNELL: No, our existing regulations, as I understand - what we consider the rules laid down in the Survey case as well as others - the court says that if controversial issues were discussed it was done in what the court called an objective fashion, and an attempt made to present both sides of the question. Is that right?

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MR. CANN: That is what we informed you in our letter on Page 2 where we pointed out that it is also noted that the various controversial subjects presented have not been discussed by persons of adverse views.

MR. STERLING: I appreciate that. What I have in mind at this point, and without going into the cases, the Treasury regulation in 1938, or amended regulations, applying to the Revenue Act of 1938 actually does provide that the publication of books, or the giving of lectures advocating a cause of a controversial nature shall not of itself be sufficient to deny an organization the exemption.

I mean, this is actually a Treasury regulation which shows you how far the Treasury has gone formerly beyond the stand in the Survey associates case. I think there are court decisions which go in opposition, the Leubuscher case, Weyl case, and Cochran case, which represent decisions by the Treasury, no doubt, that sustained exemptions where there was a very strong exception taken on a controversial issue.

MISS KIRCHWEY: I think one of them was the National Tax Association. Of course, it was an association, not a magazine, although they probably published something, too.

MR. O'CONNELL: There are all sorts of variations you could think of.

H.M.JR: This seems to be terrifically complicated. This Survey Graphic, let's just leave it for a minute and go to the Free World. Why do they have a tax?

MR. CANN: I am not familiar with that case.

H.M.JR: I know the Free World, and I don't see there is an awful lot of difference between the Free World and The Nation.

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MISS KIRCHWEY: I hate to bring up cases--

H.M.JR: This other one - that is going to get down to splitting hairs. But if the Free World is an associate membership - is it?

MISS KIRCHWEY: Yes, a mixture - association under a magazine.

H.M.JR: And a tax-exempt status.

MR. O'CONNELL: I am surprised.

H.M.JR: Do you know the Free World?

MR. O'CONNELL: Sure, but I did not know it was tax-exempt.

H.M.JR: Do you know of any others?

MISS KIRCHWEY: The Protestant.

MRS. KLOTZ: Was this brought up before?

MISS KIRCHWEY: I think we mentioned it earlier. I am not being critical when I say this, it is a truly propaganda magazine, I am sure very enlightening, and therefore probably educational. It was instituted to fight against the Coughlinites position. It has a very aggressive Board that has been accused of being anti-Catholic. I don't think it is; I think it is only against the more extreme position of that particular group.

H.M.JR: Maybe you had better take it away from them, Joe.

MR. O'CONNELL: I would like to keep a finger in it if you don't mind.

MISS KIRCHWEY: They are doing a good job.

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H.M.JR: I would take the tax exemption away from The Protestant.

MR. O'CONNELL: Actually, I would like to get information on it, although we could get it out of the Bureau. If - as I had not understood, and Norman had not - we are in the position of having given tax-exempt rulings under 1016 to periodicals and to organizations that operate substantially as yours is doing, I think we ought to re-examine it in that light; but that is not as I understood the situation to be.

MISS KIRCHWEY: May I ask a question? I don't know whether an organization is treated differently from a publication--

H.M.JR: May I tell you a little story? My father practiced law, until 1900. He always said, "Henry, when you seem to win your argument, quit arguing."

Mr. O'Connell has just said he wanted to review the thing, and if I might give a little advice to the witness I would stop right here, because I think he and Norman Cann want to re-examine it. Why not give them a chance?

MISS KIRCHWEY: Good.

MR. O'CONNELL: And if we could have a few moments when we leave here to talk about such things as the Free World, and if you have other examples, it would help us in making a search in the other side.

MISS KIRCHWEY: If it wouldn't injure our case.

H.M.JR: I want to say this to you. The reason they are being so over-careful - and this is off the record - is that we are pursuing under this particular statute people like America First, and we have a great many cases. We don't want to injure our position, do you see? We have a number of these cases.

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MR. O'CONNELL: Mr. Gannett's League for Constitutional Government, we did not give them 1016.

H.M.JR: We do not want to give away our case or weaken our position, so we do want to be very, very sure of our position, because this is really the only statute under which the Government can proceed. So this isn't just something we approach lightly. And it is very, very difficult to reach these people, and I am being very indiscreet when I say that, but I want you to know that what you are raising is something more than just your own case.

And the thing is, we take it, that the method from your approach, from your side, is that what you are really looking for is when people do subscribe to the association, it can be deducted as tax.

MISS KIRCHWEY: That is all.

H.M.JR: We understand that. I assure you if there is any way to do the thing within the interpretation of the law we will approach it that way, keeping in mind that we have a number of others which I think you might agree are quite important.

MISS KIRCHWEY: I might almost sacrifice my own position to get them knocked out.

H.M.JR: They are very important, and we are having great, great difficulty.

MISS KIRCHWEY: I realize that.

H.M.JR: So it isn't just something we do lightly.

MISS KIRCHWEY: I am glad you told me that. I think that is a very important part of the whole story.

H.M.JR: But if you have the Free World and The Protestant, or anything else--

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MISS KIRCHWEY: I have several.

H.M.JR: Where are you from?

MR. STERLING: Engel, Judge, and Miller.

H.M.JR: I just wondered if my own attorneys were appearing before me who shouldn't. I am serious about that.

11/15/44

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Ribbon copy given to the President
at lunch today.

C O N T E N T S

Memorandum of the Secretary of the Treasury

General Outline of Proposals

Details of Proposals

1. Federal Reserve Board
2. Federal Open-Market Committee
3. Securities and Exchange Commission
4. Bureau of the Budget
5. Examination of Financial Institutions
6. Federal Deposit Insurance Corporation
7. Postal Savings System
8. Committee on Industrial Financing
9. Committee on Agricultural Financing
10. Committee on Housing Financing
11. Committee on Maritime Financing
12. Committee on Foreign Financial Affairs

MEMORANDUM OF THE
SECRETARY OF THE TREASURY
REGARDING UNIFICATION
OF FISCAL POLICY

PROPOSAL FOR STRENGTHENING FISCAL
CONTROL IN THE FEDERAL GOVERNMENT

With the approach of VE-Day, the Treasury Department must be geared for borrowing and refunding operations on an extensive scale. In the post-war adjustment period, the Secretary of the Treasury will be called upon to make recommendations for the raising of revenue and will have responsibility for the planning and carrying out of a successful financing program for the Federal Government. The immediately foreseeable tasks in this respect may prove to be even more challenging and difficult than those with which the Treasury Department has been confronted during the course of the war. This is not only for the obvious reason that patriotic aspects will be to some extent in the background, but also because the raising of revenue must be more closely correlated with the economic condition of the country and with the borrowing and refunding operations of the Government. It is imperative that planning for the post-war period should be directed toward having taxation and other sources of revenue provide sufficient receipts to meet not only continued substantial outlays of Federal funds but also to afford a margin for the systematic retirement of debt in those years when economic conditions are favorable. Moreover, the need of unified fiscal control over the diverse expenditure programs of the Government will have increasing importance with the cessation of hostilities. The Secretary of the Treasury will be faced with the important duty of obtaining support of this program from the American people, and it is believed that serious attention should be given now to strengthening management of the Federal Government's fiscal and monetary affairs.

Throughout this administration, the Treasury Department has held the view that, as a national policy, the Federal Government's monetary force should be dynamic and useful as an instrument for improving the

total national wellbeing. The use of Federal fiscal power through the early years of the administration represented a significant widening of the Government's responsibility toward the individual citizen and the industrial affairs of the nation. During the formative period, when new programs were conceived and brought into being rapidly to meet the exigencies of the times, it was necessary to set up many activities on an independent footing but experience over the past and also consideration for fiscal tasks of the future point to the need for realignments designed to bring about control or coordinating authority for the entire area of Federal fiscal operations. The need for this is apparent from the fact that the financial transactions of every agency and instrumentality of the Federal Government, whether in the fields of borrowing, lending, insuring, or spending, are closely related to the domestic economy of the Nation and are bound to have a direct or indirect bearing upon the condition of the Treasury and the responsibilities of the Secretary in superintending the revenue and managing the public debt.

The Office of the Secretary of the Treasury should carry the responsibility for over-all policy direction of Federal fiscal affairs. While the Secretary is responsible for supplying the necessary funds for running the Government, and for carrying on the incidental accounting functions, he is not in a position to exercise commensurate authority with regard to the disposition of funds and the coordination of Federal programs which have an impact upon the fiscal position of the Government. This is considered to be a weakness which is a material handicap not only to the Treasury Department in discharging its responsibilities but also to the orderly and unified conduct of the Government's financial affairs. The need for bringing together all of the components of Federal fiscal activity is great today and, as previously stated, will become still more pressing after the war when the preservation of an appropriate balance between taxation, borrowing, lending, and spending will be essential to a healthy

internal economy and the meeting of international responsibilities which may be assumed by the United States. Under present circumstances the Secretary of the Treasury is unable to exercise adequate policy direction in this wide area which, although it is the proper field of the Government's fiscal program, is connected to the Treasury Department in some respects in no stronger way than in a bookkeeping sense. It is this deficiency which suggests a redrawing of top policy lines so as to establish the Secretary of the Treasury in the true role of the Chief Fiscal Officer of the Government and place him in the position to exercise that degree of influence which is imperative to a cohesive Federal fiscal program.

While not attempting to present at this time a comprehensive analysis of the organization and policy realignments in contemplation, there are indicated those activities which, from the purely fiscal point of view, should be centered in the Treasury Department, and those activities which, while remaining organizationally outside of the Treasury Department, would be subject to the degree of coordination necessary to afford the Secretary of the Treasury control from the standpoint of over-all fiscal policy. It is not proposed to disturb, to any great degree, the basic corporate patterns, regulatory and insuring controls, or operational practices of the agencies concerned. The proposal for strengthening fiscal control in the Federal Government is aimed at bringing into focus, for policy purposes, all important financial undertakings that are related to the broad program of finance.

The proposal comprehends extension of the Treasury Department's influence into the following areas of the Federal Government's activities:

- A. Policy making with respect to the money and credit markets of the country, typified by activities of the Board of Governors of the Federal Reserve System, the Federal Open Market Committee, and the Securities and Exchange Commission;

- B. Policy control over Federal revenue and expenditures typified by the President's Budget and proposed legislation submitted to the Congress from the standpoint of a unified fiscal program;
- C. Policy control and correlation of programs relating to banking, insurance, lending, and borrowing now spread principally in the Departments of Agriculture, Commerce, Interior, and Post Office (postal savings), the National Housing Agency, the Office for Emergency Management, and the Federal Deposit Insurance Corporation.

The proposals affecting the agencies involved in the unification of fiscal policy fall into three groups as follows:

- I. Treasury participation in management.
- II. Functions to be centered in the Treasury.
- III. Treasury control through policy committees.

In making this proposal, I am not unmindful of the reasons which have been assigned for the removal of the Secretary of the Treasury from the Federal Reserve Board in 1936, and the transfer of the Bureau of the Budget to the Executive Office of the President in 1939. There should be no conflict between the policy of the Federal Reserve System and the broader policy of the Government which is in the interest of the whole country. It would seem proper and in accordance with good business practice that the Treasury should have representation in the direction of the Federal Reserve System. The Federal Reserve notes are obligations of the United States, and the earning assets of the Federal Reserve banks are largely government securities, or paper collateralized by such securities. Moreover, the market for government securities and the government's credit are vitally affected by Federal Reserve policy.

With respect to the Budget, I am in full agreement with the statement made by Senator Glass in 1919, when

he was Secretary of the Treasury, that "The responsibility for the preparation of the budget should be placed upon the President, and, in my judgment, he should meet this responsibility through the Secretary of the Treasury, the chief fiscal officer of the Government."

Responsibility for raising funds and controlling expenditures cannot properly be separated. After the war, when the fire of patriotism has died down, the Treasury must continue to ask the American people to lend the government five billion dollars a month for at least a year. The American people will be concerned about the purpose for which that money is to be spent. When they lend their money, they will ask the Secretary of the Treasury to justify its expenditure. The Secretary of the Treasury should be in a position to squarely shoulder that responsibility and give them frank answers to their questions. He should not be compelled to say, "I'm sorry, that is not in my department."

**GENERAL OUTLINE
FOR UNIFICATION OF
FISCAL POLICY**

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Details of these proposals
will be found by reference
to the marginal tabs corres-
ponding to the numbers used
in this outline.

UNIFICATION OF FISCAL POLICY

General Statement

The proposal for strengthening fiscal control in the Federal Government is aimed at bringing into focus, for policy purposes, all important undertakings that are related to the broad program of finance. It would be accomplished partly through organizational realignment, partly through policy committees chairmanned by the Secretary of the Treasury, partly through budgetary control placed in the Treasury Department over Federal expenditures, and partly through liaison where the element of budgetary control is not involved or the activities are not of sufficient scope and fundamental importance to warrant realignment or subjection to committee policy.

I. Treasury participation in management

(1) Board of Governors, Federal Reserve System

Secretary of Treasury would be reinstated as a fully constituted and active member of the Board of Governors. Secretary should have power to designate an alternate.

(2) Federal Open Market Committee

Committee is composed of the members of Board of Governors of Federal Reserve System and five representatives of Federal Reserve Banks. Secretary of Treasury would participate in committee affairs through membership on Board of Governors.

(3) Securities and Exchange Commission

The functions and powers of the Securities and Exchange Commission would be transferred to Board of Governors of Federal Reserve System to be performed through a staff agency of the Board. Secretary of

(3) **Securities and Exchange Commission (cont.)**

the Treasury through participation on Board of Governors would have representation in connection with management of this activity.

II. Functions to be Centered in Treasury

(4) **Bureau of the Budget**

Transfer to Treasury Department functions of preparation and administration of the budget; consideration of all proposed legislation and executive orders; and investigation which would be restricted to essential inquiry with regard to the consideration of estimates and matters of purely fiscal management.

Legislative Counsel to President would maintain close liaison with the Treasury Department on proposed legislation and executive orders.

(5) **Examination of Banking and Financial Institutions**

Transfer to the Comptroller of the Currency all functions of examination of banking, insurance, or financial institutions which at present are vested in the Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Federal Home Loan Bank Administration, and Farm Credit Administration.

(6) Federal Deposit Insurance Corporation

The Corporation would be dissolved, its capital stock retired, and its powers and functions transferred to the Comptroller of the Currency. A special fund would be created in the Treasury equivalent to the Corporation's assets and for the assumption of its obligations, to be supplemented with future assessments and earnings and invested in the manner of other special or trust funds.

(7) Postal Savings System

The board of trustees would be abolished and its powers and functions transferred to the Treasury Department. This involves the qualification of depository banks and the management and investment of postal savings funds. It contemplates the use of depository banks as well as post offices for the receipt of deposits from the public.

Treasurer of United States would continue functions as custodian of reserve funds, investments, and collateral of the system.

III. Treasury control through policy committees

The needed element of influence by the Secretary of the Treasury over the fiscal policies of corporations and agencies in the fields of industrial, agricultural, housing, maritime, and foreign affairs financing, should be exercised through a duly constituted committee for each group with appropriate representation at the top level of each agency concerned. Each committee, chair-manned by the Secretary of the Treasury with veto powers, would draw the framework of policy within which the respective financial operations are to be carried on. The committees' determinations on matters of broad fiscal

policy should be controlling, subject of course to specific legislative requirements or Presidential direction. In addition, the approval of the Secretary of the Treasury should be required on all financing -- capital or borrowing -- of corporations owned by the United States or in which it has a direct or indirect controlling interest. The Secretary of the Treasury would need to have a small staff of experts available to carry on liaison with the operating agencies, to deal with important fiscal problems which might arise in any of the constituent groups, and to weld together the programming of all these activities in relation to the Government's financing.

(8) Committee on Industrial Financing

Would embrace fiscal activities of the Reconstruction Finance Corporation and its corporate affiliates, and those of the Smaller War Plants Corporation.

(9) Committee on Agricultural Financing

Would embrace fiscal activities of of the Farm Credit Administration and the corporations of the Farm Credit system, the constituent corporations and agencies of the War Food administration, and other financing corporations and agencies of the Department of Agriculture as follows: Federal Farm Mortgage Corporation, Federal Crop Insurance Corporation (in liquidation), and Rural Electrification Administration.

(10) Committee on Housing Financing

Would embrace fiscal activities of the Federal Home Loan Bank Administration and its constituent corporations, and other corporations and agencies of the National Housing Agency, as follows: Federal Public Housing Authority, Defense Homes Corporation, and Federal Housing Administration.

(11) Committee on Maritime Financing.

Would embrace fiscal activities of United States Maritime Commission and War Shipping Administration.

(12) Committee on Foreign Financial Affairs

Would embrace fiscal activities of Foreign Economic Administration, and its constituent corporations and agencies, and Office of Coordinator of Inter-American Affairs and its constituent corporations and agencies.

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SECTION I(1) BOARD OF GOVERNORS,
FEDERAL RESERVE SYSTEMBackground

Originally, the Secretary of the Treasury and the Comptroller of the Currency both were ex officio members of the Federal Reserve Board (now Board of Governors of the Federal Reserve System). By amendment to the Federal Reserve Act they continued to serve as members of the Board only until February 1, 1936, although there was retained the original legislative provision that any powers vested in the Board which may appear to conflict with the powers of the Secretary of the Treasury shall be exercised subject to the supervision and control of the Secretary.

Functions

The Board of Governors of the Federal Reserve System determines general monetary, credit, and operating policies for the Federal Reserve System; formulates rules and regulations for carrying out purposes of the Federal Reserve Act; supervises the Federal Reserve Banks and member banks of the system, and has the power to examine such member banks.

Proposal

Any decisions in this field which are made by the Board of Governors of the Federal Reserve System and the Federal Open Market Committee have an important bearing on the financial functions of the Treasury Department and therefore it is necessary that the Secretary of the Treasury have a voice in these decisions. Moreover, the functions of the Federal Reserve Banks as fiscal agents of the United States have assumed ever increasing importance and scope with the enlargement of the activities of the Treasury Department in recent years. The Secretary of the Treasury should be

SECTION I

reinstated as a fully constituted and active member of the Board of Governors of the Federal Reserve System, and in view of the many demands upon his time he should have the power to designate an alternate to act for him in that capacity, if and when, he so desires.

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SECTION I

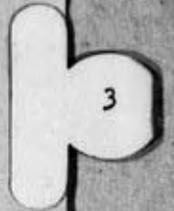
(2) FEDERAL OPEN MARKET COMMITTEE

Functions

The Federal Open Market Committee is composed of the members of the Board of Governors of the Federal Reserve System and five representatives of the Federal Reserve Banks elected annually by the boards of directors of certain specified Federal Reserve Banks. Under regulations adopted by this Committee (with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country), the Federal Reserve Banks engage in open market operations involving the purchase and sale of obligations of the United States, certain other securities, and bills of exchange and bankers' acceptances of the kinds and maturities eligible for discount by the Reserve Banks.

Proposal

Any decisions in this field which are made by the Board of Governors of the Federal Reserve System and the Federal Open Market Committee have an important bearing on the financial functions of the Treasury Department and therefore it is necessary that the Secretary of the Treasury have a voice in these decisions. Moreover, the functions of the Federal Reserve Banks as fiscal agents of the United States have assumed ever increasing importance and scope with the enlargement of the activities of the Treasury Department in recent years. The Secretary of the Treasury should be reinstated as a fully constituted and active member of the Board of Governors of the Federal Reserve System, and in view of the many demands upon his time he should have the power to designate an alternate to act for him in that capacity, if and when, he so desires.



SECTION II

(3) SECURITIES AND EXCHANGE
COMMISSION

Functions

The Securities and Exchange Commission, which at present is an independent agency, has regulatory powers and duties that have an important relation to the broad field of banking and credit in which the Federal Reserve System operates and with which the Secretary of the Treasury is vitally concerned. The Commission supervises the registration of security issues; suppresses fraudulent practices in the sale of securities; supervises and regulates transactions and trading in securities, both on the stock exchanges and in the over-the-counter markets; regulates public utility holding companies; supervises indentures used in the public offering of new securities; and registers and regulates investment companies and investment advisers.

Proposal

The functions and powers of the Securities and Exchange Commission should be transferred to the Board of Governors of the Federal Reserve System to be operated through a staff agency of the Board. The Secretary of the Treasury, through his participation on that Board, would have the contact with this activity necessary for its coordination with the Government's financing and its fiscal program in general.

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SECTION II

(4) BUREAU OF THE BUDGET

Background

When the Budget and Accounting Act, 1921, was passed, the Bureau of the Budget was placed in the Treasury Department. During the years that this arrangement was in effect it was possible to obtain a close coordination between the fiscal policies of the Treasury Department and the financial programs of the Budget. Since the Budget organization was removed from the Treasury Department's control, experience has shown that it has been difficult to obtain the degree of coordination necessary for a unified fiscal program of financing and expenditures.

Functions

Prepares and administers the Budget; studies improvement and economy in administrative management of the Government; coordinates and advises President on proposed legislation and executive orders; studies improvement in statistical services; and coordinates work programs of the executive branch to avoid duplication and effect economies.

Proposal

There should be returned to the Treasury Department functions now performed by the Bureau of the Budget which concern the assembling and reviewing, for the President, of the budget estimates for the several departments and agencies, and the consideration, for the President, of all proposed legislation and executive orders. The review, as well as the approval or disapproval of appropriation estimates, ought properly to be made in the full light of the Government's entire financial program, including the important phase of general financing. This task of reviewing expenditure estimates as well as

SECTION II

that of preparing estimates of revenue ought best to be carried on within the Treasury Department, where they can be coordinated with the Secretary's fiscal policy and closely associated with accounting operations now in his Department by law. In the main, proposed legislation and executive orders are financial in nature or have important fiscal implications and hence should be considered by the Treasury Department in relation to the financial program in general. In addition, it might be desirable for the President to have his own legislative counsel to maintain close liaison with the Treasury Department in such matters. The present somewhat extensive functions of the Bureau of the Budget in the field of administrative management should be left entirely to the respective departments and agencies concerned, except that the Treasury Department should be in the position to make essential inquiry with regard to the consideration of estimates and matters of purely fiscal management.

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SECTION II

(5) **EXAMINATION OF BANKING AND
FINANCIAL INSTITUTIONS**

Functions of Comptroller of the Currency

The Comptroller of the Currency has general supervision over the national banking system, including: supervision over the organization of new national banks, the consolidation of national banks or state with national, and the conversion of state banks with national; the granting of rights to operate branches by national banks; and the administration, through receivers, of any national banks that fail. The Comptroller's office, through its staff of examiners, makes regular examinations of all national banks, reporting on the condition and solvency and state of compliance with the provisions of law with respect to such banks. The Comptroller is also charged with administrative duties in connection with the shipment of Federal Reserve currency to Federal Reserve agents and for the destruction of such currency when it becomes unfit for circulation. These administrative duties could logically be transferred to the Treasurer of the United States to be performed as in the case of United States currency.

Proposal

At present, functions of examination of various classes of banking and other financial institutions (both Governmental and public) are exercised by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Federal Home Loan Bank Administration, and the Farm Credit Administration. There should be centered in the Comptroller of the Currency the functions of the examination of all banking, insurance, and financial institutions which is now performed in different agencies, so as to effectuate a unified and consistent program of examinations. This also would offer possibilities for some economies in operation.

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SECTION II

(6) FUNCTIONS OF FEDERAL DEPOSIT INSURANCE CORPORATION

Functions

The Federal Deposit Insurance Corporation was organized to insure the deposits of all banks entitled to the benefits of such insurance under the Federal Reserve Act, as amended. The capital stock of the Corporation, which has no vote and is not entitled to the payment of dividends, is owned by the Treasury of the United States to the extent of \$150,000,000, and by the various Federal Reserve Banks to the extent of \$139,299,556.99. On September 30, 1944, the accumulated reserves of the Corporation from assessments on insured banks and earnings, amounted to \$487,847,143. The major functions of the Corporation are to pay off the depositors of insured banks closed without adequate provision for the payment of their claims; to act as receivers for all suspended national banks and for suspended state banks when appointed by state authorities; and to prevent the continuance or development of unsafe or unsound banking practices. Loans are made to, and assets are purchased from, insured banks when such loans or purchases will facilitate a merger or consolidation and thus reduce the probable loss to the Corporation. The Corporation periodically examines insured banks not members of the Federal Reserve System, and also makes examinations with the written consent of the Comptroller of the Currency in the case of national banks and of the Board of Governors of the Federal Reserve System in the case of other banks which are members of the Federal Reserve System.

Proposal

In the case of the Federal Deposit Insurance Corporation there are two fundamental questions for consideration: first, whether the corporate form of organization is essential to the conduct of this activity; second, whether the activity should not be administered by the Comptroller of the Currency from the standpoint of a

SECTION II

unification of supervision over banking matters. The capital and accumulated reserves of the Corporation essentially constitute a fund for the payment of insurance losses and for carrying on the other business of the Corporation. These purposes could equally be served by creating a special fund in the Treasury equivalent to the existing corporate assets and to assume the corporate obligations. This fund would be invested in the manner of other special or trust funds, and would be supplemented with future assessments and earnings. There does not appear otherwise to be anything peculiar to the operations of the corporation which would preclude the performance of its functions and the assumption of its obligations by a regular executive agency of the Government. The Comptroller of the Currency, by law, is one of the three members of the board of directors of the present Corporation. In line with the idea of centralizing in the Treasury Department supervision and coordination of authority over banking matters, the Federal Deposit Insurance Corporation could be dissolved, its capital stock retired, and its powers and functions transferred to the Bureau of the Comptroller of the Currency with provision for a Federal deposit insurance fund in the Treasury under the jurisdiction of the Secretary of the Treasury.

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SECTION II

(7) POSTAL SAVINGS SYSTEM

Functions

The Postal Savings System is headed by a board of trustees consisting of the Postmaster General, the Secretary of the Treasury, and the Attorney General, acting ex officio, for the control, supervision, and administration of the System. The purpose of the Postal Savings System is to provide facilities for the deposit by the public of savings at interest, with the security of the United States Government for repayment on demand. Generally speaking, the administration of the Postal Savings System involves the designation of post offices as postal savings depositories, the supervision of the postal savings business transacted at depository post offices, the qualification of depository banks for receiving postal savings funds for the Board of Trustees and the conditions and collateral security for such deposits, and the investment of postal savings funds by the Board of Trustees. The Third Assistant Postmaster General is the agent for these activities which are conducted through the Division of Postal Savings of his bureau. The Treasurer of the United States has custody of the 5 percent reserve fund which is required by law, the bonds and other securities of the United States purchased by the Board of Trustees as investments, and the collateral pledged by depository banks as security for postal savings funds.

Proposal

Due to the manner in which the Postal Savings System is operated, there appears to be no need for a Board of Trustees. Hence the Board should be abolished and in order to integrate the functions of the Postal Savings System with the overall program of encouraging public savings and the investment of such savings in Government securities, its functions should be transferred to the Treasury Department. This contemplates leaving the Post Office Department to act essentially in the

SECTION II

capacity of an agent of the Treasury Department for the receipt and disposition of postal savings deposits through post offices. The Post Office Department would continue to supervise the related business transacted at such post offices. The Treasury Department should be empowered to designate banking institutions also as postal savings depositories.

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SECTION III(8) COMMITTEE ON INDUSTRIAL FINANCINGCommittee Participation

Reconstruction Finance Corporation (under Secretary of Commerce);
Smaller War Plants Corporation (under War Production Board
in Executive Office of President); Department of Commerce; War
Department; and Navy Department.

Agencies Involved

Reconstruction Finance Corporation (under Secretary of Commerce).
Affiliates of R.F.C.:

Federal National Mortgage Association;
The RFC Mortgage Company;
Disaster Loan Corporation;
War Damage Corporation;
Defense Supplies Corporation;
Metals Reserve Company;
Rubber Reserve Company;
Defense Plant Corporation

Smaller War Plants Corporation (under War Production Board).

Agency Functions

Reconstruction Finance Corporation: Extends financial assistance to Agriculture, Commerce, and industry through loans to banks, other financial institutions, and other classes of borrowers, and also by purchase of capital stock of banks, insurance companies, and other institutions, assists in financing the construction of public works and various self-liquidating projects. The corporation, acting directly and through subsidiary corporations, is engaged largely on war activities including the construction and expansion of production facilities for the manufacture of war materials and other supplies and equipment, the procurement and stock piling of strategic and critical materials, the operation of the Government's war damage insurance program, and other projects directly related to the war effort.

Smaller War Plants Corporation: Mobilizes production capacity of small business concerns to be used effectively to augment war production. In furtherance of this, takes prime contracts and sub-contracts, leases machinery, lends money, aids in disposal of surplus material and equipment to small business, and assists in the solution of technical and financial problems. Also arranges for securing of contracts by small business by recommendation and assistance in negotiation. Participates with other agencies in facilitating the prompt and equitable settlement of claims of small prime and sub-contractors arising from termination of war contracts.

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SECTION III

(9) COMMITTEE ON AGRICULTURAL FINANCINGCommittee Participation

Farm Credit Administration; War Food Administration; and the other indicated corporations or agencies of the Department of Agriculture concerned with this class of financing.

Agencies Involved.

Farm Credit Administration (under Department of Agriculture)
 Corporations of Farm Credit System:
 Federal Land Banks;
 Federal Intermediate Credit Banks;
 The Central and District Banks for Cooperatives;
 Production Credit Corporations;
 Regional Agricultural Credit Corporation
 War Food Administration (organizationally in department of
 Agriculture but with Administrator responsible to President)

Constituent Corporations of War Food Administration:
 Commodity Credit Corporation;
 Federal Surplus Commodities Corporation;
 Farm Security Administration;
 Various Departmental Agencies concerned with
 production, distribution, conservation, transportation,
 labor, prices, etc.,

Federal Farm Mortgage Corporation;
 Rural Electrification Administration;
 Federal Crop Insurance Corporation (in liquidation)

AgencyFunctions

Farm Credit Administration: Supervisors, through 12 districts, the Farm Credit system operated through different banks and corporations for financing agricultural long and short term credit needs; also conducts activities regarding land bank commissioner loans, emergency crop and feed loans, and cooperative research and service.

War Food Administration: Determines the direct and indirect, military, other Governmental, civilian, and foreign requirements for human and animal food and for food used industrially. In furtherance thereof, formulates and implements a program that will supply food adequately to meet requirements; allocates the nation's farm production resources as needed and insures the efficient and proper distribution of the available food supply. The War Food Administrator also has responsibility for farm labor supply and farm wage and salary stabilization.

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SECTION III(10) Committee on Housing FinancingCommittee Participation

Federal Home Loan Bank Administration, Federal Housing Administration, and Federal Public Housing Authority, and such other representation of the National Housing Agency as may be appropriate.

Agencies Involved

Federal Home Loan Bank Administration (in National Housing Agency)
Constituent corporations of F.H.L.B. Administration:

Federal Home Loan Banks;
Federal Savings and Loan
Insurance Corporation;
Home Owners' Loan Corporation
(in liquidation)

Other components of National Housing Agency:

- Federal Housing Administration;
- Federal Public Housing Authority;
Defense Homes Corporation (under
Federal Public Housing Authority)

Agency Functions

National Housing Agency: Administers all the housing functions and activities which formerly were carried on by 17 different agencies and administrative units consolidated by Executive Order 9070 (under First War Powers Act, 1921). Has jurisdiction over present 3 agencies carrying out such programs.

Federal Home Loan Bank Administration: Supervises the Federal Home Loan Bank System and Federal Savings and Loan Associations. Examination of member institutions would be placed under the Comptroller of the Currency, Treasury Department.

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SECTION III(11) COMMITTEE ON MARITIME FINANCINGCommittee Participation

United States Maritime Commission; War Shipping Administration (in the Office for Emergency Management; War Department; Navy Department; and possibly Foreign Economic Administration.

AGENCIES INVOLVED

United States Maritime Commission
War Shipping Administration (In Office for Emergency Management)

AGENCY FUNCTIONS

United States Maritime Commission: Carries out long range ship construction program through development of shipyard facilities utilized in merchant ship building program, and insures mortgages on passenger, cargo, and other vessels.

War Shipping Administration: Controls the operation, purchase, charter, requisition and use of all ocean vessels under control of the United States except combatant and auxiliary vessels. Allocate vessels for use by the Army, Navy, and Governments of the United Nations. Provides Marine insurance and reinsurance against loss or damage of vessels. The administration represents the United States in dealings with the British Ministry of War Transport and similar agencies of the Allied Nations.

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SECTION III

(12) Committee on Foreign Financial Affairs

COMMITTEE PARTICIPATION

Foreign Economic Administration, and Office of Coordinator for Inter-American Affairs (both in Office for Emergency Management); Department of Commerce; Reconstruction Finance Corporation (Under Secretary of Commerce); Department of State; War Department; and Navy Department.

AGENCIES INVOLVED

Foreign Economic Administration (in Office For Emergency Management)

Constituent Agencies of Foreign Economic Administration:

Office of Lend-Lease Administration;
 Export-Import Bank of Washington;
 Petroleum Reserve Corporation;
 Rubber Development Corporation;
 United States Commercial Company;
 Cargoes, Incorporated;
 Office of Economic Warfare;
 Office of Foreign Relief and
 Rehabilitation Operations;
 Foreign Economic Operations of
 Office of Foreign Economic
 Coordination;
 Former Foreign Procurement
 Activities of War Food Ad-
 ministration and Commodity
 Credit Corporation.

Office of Coordinator of Inter-American Affairs
(in Office for Emergency Management)

Constituent Agencies of Office of Coordinator:

Institute of Inter-American Affairs;
 Institute of Inter-American
 Transportation;
 Inter-American Navigation Corporation;
 Inter-American Educational Foundation, Inc;
 Prencinradio, Inc.

AGENCY FUNCTIONS

Foreign Economic Administration: Unifies and consolidates Govern-
 ment activities relating to foreign economic affairs, and has
 jurisdiction over various agencies and corporations engaged on such
 program. Also is the active agency in effecting U. S. participation
 in United Nations Rehabilitation and Relief program.

Office of Coordinator of Inter-American Affairs: Serves as center for coordination of cultural and commercial relations for western hemisphere. Formulates and executes programs (with State Department) for effective use of facilities in such fields as arts and sciences, education, travel, etc., to further national defense in the western hemisphere. Formulates and executes programs in commercial and economic fields to further commercial wellbeing in the western hemisphere. Assists in war and navy programs to help American republics increase their military and naval establishments. Has jurisdiction over various agencies and corporations engaged in such programs.

November 15, 1944

Ted Gamble
Secretary Morgenthau

In every drive so far we have made good use of Mrs. Franklin Roosevelt and I would like you to use her again on the radio during the Sixth War Loan Drive.

If you have anything else in mind to use the President and Mrs. Roosevelt other than the night of the 19th, I'd like anything for the President cleared with me and anything for Mrs. Roosevelt cleared through Mrs. Morgenthau. *File -*

25

November 15, 1944.

Dear Mr. Folger:

Thank you for your letter of November 13. It was kind of you to speak so pleasantly of my address before one of the sessions of the Investment Bankers Association of America, and to extend an invitation to address the convention in Chicago on November 28.

I am planning to take a few days' vacation from Thanksgiving on, and so will not be making any official engagements for the days which fall within that time. It is good of you to ask me in connection with the War Bond campaign, and I am sorry not to comply with the suggestion that I attend this and other sessions during the convention of your Association.

With cordial personal regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. John Clifford Folger,
President, Investment Bankers
Association of America,
American Security Building,
Washington 5, D. C.

GEF/abs

INVESTMENT BANKERS ASSOCIATION OF AMERICA

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 FREDERIC J. BLANCHETT SEATTLE
 FRED M. BLANKENSHIP PORTLAND
 JOHN E. BLUNT, DRD CHICAGO
 WILLIAM H. BRAND MILWAUKEE
 CAROL E. BUCKNER NEW ORLEANS
 HAGOOD CLARKE ATLANTA
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 FAIRMAN H. DICK NEW YORK
 ROY A. DICKIE ST. LOUIS
 RUSH S. DICKSON CHARLOTTE
 HENRY H. EOLY NEW YORK
 F. D. FARRELL KANSAS CITY
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 R. MCLEAN STEWART NEW YORK
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 T. JOHNSON WARD PHILADELPHIA
 PHILIP K. WATSON DETROIT
 JAY N. WHIPPLE CHICAGO
 ELMER L. WILLIAMS MINNEAPOLIS
 HARRY B. WYETH, JR. LOS ANGELES

OFFICE OF THE PRESIDENT
 AMERICAN SECURITY BUILDING
 WASHINGTON 5, D. C.

November 13, 1944

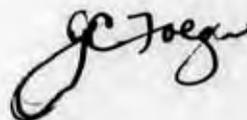
Dear Mr. Secretary:

The Annual Convention of the Investment Bankers Association of America is to be held in Chicago November 27 - 29. I recall most vividly the splendid talk which you gave at one of our meetings in New York.

This is to say that a high point in our meeting this year will be a War Bond Forum on the afternoon of Tuesday, November 28th. We would feel deeply honored and it would be most helpful if you could attend and speak at this Forum. We would be delighted to have you with us for as many of our sessions as possible.

With assurance of my high esteem, I am

Sincerely yours,



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

25

November 15, 1944.

Dear Dick:

Thank you very much for your letter of November 10 enclosing the clippings which described our recent visit to the East Fishkill War Finance gathering. Mrs. Morgenthau and I both appreciated your courtesy in sending us these, and I also read with interest what you said of the meeting.

Thank you for your invitation to attend the ceremonies which will be held at the Poughkeepsie Plant of International Business Machines Corporation on Monday, November 20. I have a speaking engagement of long standing for that day, and therefore shall be unable to be in Poughkeepsie for the noon ceremonies. Will you act for me in expressing to the Employees' Committee my appreciation of their desire to have me present on this occasion and my regret that I cannot be with them?

With cordial regards in which Mrs. Morgenthau joins me,

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Richmond F. Meyer,
Chairman, War Finance Committee,
District 6,
Box 1216,
Poughkeepsie, New York.

CHV/476

of incoming + reply
Copy to Mrs. Morgenthau

Regraded Unclassified



OFFICE OF STATE CHAIRMAN
Box 1216

TREASURY DEPARTMENT

WAR FINANCE COMMITTEE
District 6
Poughkeepsie, New York



November 10, 1944

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

Dear Mr. Secretary:

Herewith is a clipping of an article reporting the War Finance meeting held at East Fishkill last Wednesday evening. It is hoped that the subject matter meets with your approval.

May I say again that I think it was exceedingly generous and gracious of you and of Mrs. Morgenthau to take enough time out of your busy lives to attend this particular meeting, and I know that everyone is grateful to both of you.

There is considerable contrast between a rural town meeting and your great regional meetings, but to me it is very interesting to be reasonably familiar with each note in the scale. In this way one can learn to recognize the importance of both "minor" and "major" cords.

This morning two employees of the International Business Machines Corporation called on me to say that the Employee's Committee of the Poughkeepsie Plant of International Business Machines Corporation wish that you could attend ceremonies in their plant on Monday noon, November 20th, to launch their 6th War Loan campaign. It was my suggestion that the Employee's Committee extend their invitation directly to you. This plant has maintained a very excellent record, not only in regular Payroll Savings, but in selling extra Bonds during each drive. You will remember attending ceremonies there in July 1943 when you presented certificates to several Poughkeepsie industries.

My kindest regards to you and Mrs. Morgenthau.

Respectfully,

Rich Meyer
Richmond F. Meyer, Chairman

RFM:JR

Enclosure

Morgenthau Predicts Success For County in Sixth War Loan

(Special to Poughkeepsie New Yorker)

HOPEWELL JUNCTION—“Dutchess county and its communities have always done well on War loan drives, and I feel sure I can look forward to reports of success in the Sixth War Loan,” Secretary of the Treasury Morgenthau told members of the Town of East Fishkill War Finance committee at the organization meeting of the group last night at the home of Mrs. Earl Nisonger, town chairman.

“Mrs. Morgenthau and I are grateful to Mrs. Nisonger for this opportunity to participate in a meeting of this kind,” said Secretary Morgenthau, “a meeting just like thousands of others now being held throughout our land for the purpose of planning for the successful conduct of the Sixth War Loan. Such meetings are an expression of American democracy at work.

Calls It World Wonder

“It is one of the wonders of world finance that volunteer workers, such as are gathered here this evening, have helped make possible the tremendous sale of War bonds to ap-

Morgenthau

CONTINUED FROM PAGE ONE

proximately 85 million of our nation's 135 million persons. I pay tribute to the volunteers and to the business firms, newspapers, radio stations, magazine publishers, and other organizations that have made contributions of time, effort and money in the promotion of our work.

“To carry on, it is imperative that this same volunteer effort continue to expand, and it is to this end that I urge each and every one—those present here and all citizens in our United States and possessions—to devote themselves to the limit of his or her ability in promoting this all important home-front activity, the sale of War bonds.

“As a vehicle to inspire volunteer workers I strongly urge the acceptance of the Blue Star Brigade plan. It works wonders in locations where it was tried in the Fifth War Loan and should help now on a nationwide basis to put our Sixth War Loan over the top.”

Those at the meeting, and the communities they represented were: Mr. and Mrs. Nisonger, Mrs. Lewis McKeel, Margaret Whalen, Mr. and Mrs. Caplan, Postmaster Storm and Hadley A. Ross, Hopewell Junction; Russell Brooker, Shenandoah and Gayhead; Mrs. Mae VanAnden, Mrs. Norman VanAnden and Mrs. Mildred Beasimer, Stormville, and Grant Vall, Old Hopewell.

Also at the meeting were Secretary and Mrs. Morgenthau, Cornelius Garrison, War Finance vice chairman for townships of Dutchess county; and Richmond F. Meyer, acting county chairman.

The purpose of the meeting was to outline plans for the Sixth War Loan drive, and this was done by Mr. Meyer. He also described and distributed promotional literature in connection with the Sixth War Loan drive. Each of the above named leaders of their respective communities will appoint additional members to their committees.

It was unanimously agreed by the East Fishkill committee members present to adopt the Blue Star Brigade to enroll workers, and they are looking forward to the cooperation offered by Boy and Girl Scouts, 4-H clubs and Granges, Mrs. Nisonger said.

November 15, 1944.

Dear Mr. Wagner:

I thank you for sending me a copy of the editorial in the Indianapolis Star of election day.

As you surmise, kind words do occasionally come as a shock, even though highly welcome.

In this case they have an added virtue in making me acquainted with friends I haven't met whose words hearten me.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. John Wagner
48 Lafayette Loan & Trust Building
Lafayette, Indiana

HEG/mah

WMS

THE INDIANAPOLIS STAR

Established as The Indianapolis Journal in 1888.
The Indianapolis Sunday Sentinel Absorbed in 1904.

Published Every Day in the Year by
STAR PUBLISHING COMPANY,
Pennsylvania and New York Streets
Eugene C. Pulliam, Editor and Publisher.

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Sunday by Motor Carrier Outside Marion Co., Per Copy 15 Cents

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Daily Only.....	9.25	4.70	2.35	.18
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Daily Only, One Year.....	\$8.00
Six Months.....	5.00
One Week.....	.18

No mail subscriptions accepted in towns where carrier delivery service is maintained.

"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 history of this war is finally written, the name of Morgenthau will shine forth as one of the great names of this era.

JOHN WAGNER
48 LAFAYETTE LOAN & TRUST BLDG.
LAFAYETTE, INDIANA
3973 - PHONES - 5211

November 10, 1944

Personal

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

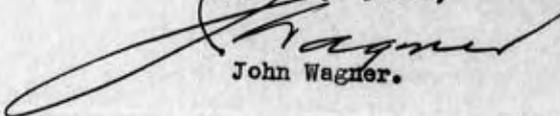
Dear Mr. Monganthou :

This is from a friend you have never met. I merely want you to have a copy of the editorial that appeared in the Indianapolis Star of Tuesday November 7th. I thought, possibly, you would never see it unless I sent it .

Public officials are often subjected to unjust criticism . And that has been your lot . But I like the way you have taken it on the chin . In the long run you will win out in the esteem of the American public -- as a public servant who honestly and conscientiously served his country in a most difficult and trying job.

No acknowledgment of this letter is necessary.

Sincerely yours,



John Wagner.

November 15, 1944.

Dear Mr. Gieske:

As you suggested in your letter of November 13 I am sending you, correctly addressed, my letter of October 30 intended for you as editor of the Parkersburg News.

I regret that inaccuracy of our records caused the original letter to be erroneously addressed to Mr. Adams.

Sincerely,

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury.

Mr. Herman E. Gieske
Editor, Parkersburg News
Parkersburg, West Virginia

HEG/mah

[Handwritten signature]

JK
November 15, 1944.

Memorandum

TO: Secretary Morgenthau
FROM: Mr. Gaston

You sent me a memorandum on Saturday asking me to talk to you about the whiskey label matter, which I have not yet done.

You did set up a committee, consisting of Sullivan, O'Connell and myself, to consider the request of distillers that they be permitted to use for blended whiskey labels heretofore used for straight whiskeys, including bonded whiskeys. This committee reported to you on September 18 and you approved the report, a copy of which I am attaching. Since then labels have been submitted and brand changes approved in accordance with the press release issued to comply with the memorandum. I am attaching a copy of the release.

Our memorandum also called for hearings on the question of requiring that the front labels of blended whiskeys use the words "a blend with neutral spirits" or "blended with neutral spirits." These hearings have not yet been called.

We found that in the past distillers had been permitted frequently to change the composition of the liquor being sold under a given brand name. Paul Jones, for instance, had been changed from a straight whiskey to a blended whiskey, back to a straight whiskey and again back to a blend. Our requirement of a distinctively different label, plus public notice of the brand change, was considerably more drastic than anything that had been done before.

Attachments

MSG

September 18, 1944

MEMORANDUM FOR SECRETARY MORGENTHAU

From: John L. Sullivan
Herbert E. Gaston
J. J. O'Connell, Jr.

In regard to the requests of distillers to change a number of their brands from bottled in bond, or straight whiskies, to blends containing neutral spirits without changing the brand name, we think we should advise Mr. Berkshire the requests may be granted under the following conditions:

- (1) A new label must be submitted for the approval of Alcohol Tax and this label besides containing the change in language required under the regulations must be so changed in color or form, or both, as to be instantly recognized as a different label.
- (2) If the distiller finds it necessary to market any of the changed product before approval can be obtained on a new label design, then he should be required to affix a sticker on the front label of each bottle containing the words "A Blend with Neutral Spirits", or "Blended with Neutral Spirits", in type not smaller than Gothic caps of eight point face. This, of course, will not relieve the distiller of the requirement to affix a back label revealing the composition of the blend.
- (3) A press release should be issued announcing the change and the reasons for it and naming the brands changed.

We believe a hearing should be held at an early date on the question of requiring the front label of bottles of so-called blended whiskey to carry the words "blended with neutral spirits" or their equivalent. We think the present regulations which permit the words "blended whiskey" or "whiskey" - a blend" or even "a fine blended whiskey" are deceptive notwithstanding what Mr. Berkshire states about the antiquity of this understanding of the word "blend" in the whiskey trade. We agree, however, that there is some point to the argument that this issue ought not to be tied to the matter of granting the requests now pending for changes in various brands. We don't agree that the hearing should be long delayed. We think a call for it should go out within two weeks, at the most, after the brand changes have been authorized and the new labels approved. This will further serve to inform the public that the composition of whiskies is being generally changed as a result of war conditions and they should be on guard and know what they are getting.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Wednesday, November 8, 1944.

Press Service
No. 43-99

The Treasury Department announced today that it had issued certificates of label approval, under the terms of the Federal Alcohol Administration Act, covering a number of prominent whiskey brands, for whiskies of different character from those on which the brand names have previously been used.

The brands in question have for varying periods been associated with straight whiskies or blends of straight whiskies and, under the new approval certificates, will be employed on blended whiskies, blended bourbon whiskies or blended rye whiskies, containing varying percentages of neutral spirits. In other words, labels heretofore used on bottled in bond and other straight whiskey may hereafter be used on blends of whiskey and neutral spirits.

During the month of August, distillers, whose plants have for nearly two years been occupied exclusively with the production of war alcohol, were given a holiday during which they were again permitted to distill beverage spirits. Much of the production during this period was of neutral spirits or alcohol, such as is commonly used in the production of blended whiskies, gins and liqueurs. These spirits may properly be blended with straight whiskies and the resultant product marketed as a blended whiskey, blended bourbon whiskey or blended rye whiskey, depending upon the percentage and character of straight whiskey employed.

Since the stocks of aged whiskies produced prior to the war are definitely limited, the current trend toward the increased sale of blended whiskies will have the effect of extending existing whiskey stocks.

The brands affected by these changes are: Golden Wedding and Cream of Kentucky, marketed by Schenley Distilleries, Inc.; Paul Jones, marketed by Frankfort Distilleries, Inc.; and Mount Vernon, Hill and Hill, Old McBrayer, Black Gold, Bond and Lillard, Blue Grass, Bourbon De Luxe and Old Sunnybrook, marketed by National Distillers Products Corporation.



TREASURY DEPARTMENT

WASHINGTON 25

November 15, 1944

not read file

MEMORANDUM FOR THE SECRETARY:

There follows a resume of my trip to Puerto Rico, October 30 - November 2, 1944, with an outline of the matters discussed, and the accomplishments with the Army, Navy, and others:

October 30 p.m.

Following arrival, we proceeded to our office, and with Mr. Gilmer, our San Juan representative, we went over his organization. A new organization chart was drafted, allowing for the filling of positions sufficient to take care of the immediate future program. Internal procedures were also discussed, and prescribed for the documentation, inventorying, inspection, appraisal and sale.

October 31 a.m.

Met with Governor Tugwell and two of his aides, Mason Barr, Federal Coordinator, and Paul Edwards, Director of the Insular Government's War Emergency Program. Following a brief outline to the Governor of the purpose of our visit, the matters of the insular government were discussed to determine the extent that surpluses could be absorbed on the Island.

For the purpose of simplification, and to prevent competition among the various branches of the

Notes on Oluchi's final report of trip dated 11-15 marked in ^{Amis} handwriting refer to

#2-
Memorandum for the Secretary

11/15/44

insular government, the Director of the War Emergency Program, was designated by the Governor to act for all branches of the insular government.

It was agreed further that a list of requirements would be developed and made available to our representative so that he could determine to what extent the needs could be met from existing surpluses. It was decided that any property needed by the insular government would be sold to them at a fair value.

The use of certain salvage items in connection with the work relief program was also explored. As an example, the War Emergency Program agreed to accept salvaged Army clothing for rehabilitation in the sewing room projects.

At the present time, certain difficulties exist as to the availability of insular funds; however, it is expected that the difficulties will be eliminated, and funds will be made available to the extent needed.

October 31 - Noon

Addressed, on invitation of Mr. Edwards, a Rotary Club gathering of about 65 members of the San Juan business community, outlining the overall surplus property program both within the States and on the Island.

#3-

Memorandum for the Secretary

11/15/44

October 31 p.m.

Met with Colonel Shely, Assistant to the Assistant Chief of Staff (G-4), Major Parkinson, Assistant G-4, and Lt. Col. Westley, Assistant G-4, representing the Antilles Department of the Caribbean Defense Command as to the present and future position of Army surpluses on the Island.

With the exception of property required in other theatres of operation, and items needed for reissue to troops within the States, it was agreed that property should remain on the Islands, particularly those items in short supply. In this connection, it was pointed out that very little civilian production has been made available to Puerto Rico within the past several years, and shipping has been very limited. Consequently, any effort on the part of the Army to make property available would go a long way to alleviate many of the shortages. The Army agreed to review its inventories to determine whether or not certain items now appearing on the insular's urgent list could be made available immediately.

Procedures as affecting Army operations as they relate to the Treasury Department were also discussed, and it was generally agreed that harmony would exist between our two organizations. The Army representatives were very helpful, and it was obvious that every effort would be made to make our disposal job as easy as possible.

#4-

Memorandum for the Secretary

11/15/44

October 31 p.m. (Con't.)

Met with Harold S. Boreham, representing the Governor of the Virgin Islands, regarding the acquisition of construction equipment declared surplus by the Navy on the Island. Agreed to assist the local Government in obtaining the use of this property, and in subsequent discussions with Navy officials it was indicated that the local Government would be assisted by every means available.

November 1 a.m.

Held a meeting with approximately twenty Naval officers, and reviewed the Surplus Property Program as pertaining to the Tenth Naval District. It is not anticipated that any great value of surpluses will be available from this source until the progress of the war is much more advanced, and the Navy will be in better position to determine its requirements. Arrangements were made, however, for the acquisition of certain items of construction equipment, and motor vehicles now located on the Virgin Islands. The Tenth Naval District officers agreed to allow this equipment to remain on the Virgin Islands until the Department of Interior can secure an appropriation for sufficient funds to acquire this property.

Among the Naval officers present were:

Captain Weld

Commanding Officer
Naval Air Station

Lt. Comdr. Geppart

Executive Officer
Naval Air Station

#5-

Memorandum for the Secretary

11/15/44

Captain Dickenson District Supply Officer

Commander Tily Area Public Works Officer

Commander Paynter Supply Officer
 Naval Air Station

Lt. Graham District Stores Officer

Lt. Ullmer Sales and Contract Officer
 together with their assistants and all
 supply officers of the Naval Air Station.

Visited Fort Buchanan, and made a tour of those areas where surplus property was stored to get some idea of the actual physical problems of storage, sales and handling, as there was a substantial lot up for sale at that time. Property consisted mostly of motor vehicles, obsolete office furniture, tentage, and the like. Conferred with Major Velez, Salvage Officer, and Colonel von Holsendorf, Commanding Officer.

November 1 p.m.

I addressed representatives of all federal agencies on the Island and outlined the various methods by which they could aid in disposing of surpluses, and also discussed their position as acquiring agencies for surpluses. Following the address, a question and answer period was held, and all present seemed to be intensely interested in the program and the many adherent problems.

#6-
Memorandum for the Secretary

11/15/44

November 1 p.m. (Con't.)

Met with Major General Harding, Commanding General of the Antilles Department of the Caribbean Defense Command, following meeting with Colonel Shely and Major Parkinson, and generally reviewed the Surplus Property Program, which the previous day had been discussed with the other officers under his command. This appointment was at the request of the Commanding General.

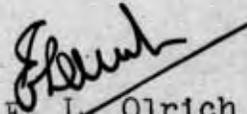
November 2 a.m.

Met with Vice Admiral Giffen, Commandant of the Tenth Naval District, to briefly review the previous discussions had with other Naval officers. This was a courtesy call, and we were very graciously accepted.

Visited the Custom's House to express our thanks to the Collector of Customs who had shown the utmost courtesies on our arrival.

November 2 p.m.

Left San Juan shortly after noon for return to the States.


E. L. Olrich
Assistant to the Secretary

11/15/47

Resignation of Ernest L. Olrich as Assistant to the Secretary in charge of the Procurement Division was announced today by the Treasury Department.

Mr. Olrich informed Secretary Morgenthau that it was essential that he return to the presidency of Munsingwear, Inc., of Minneapolis, from which position he took leave of absence to come to the Treasury last April. His resignation is effective November 27.

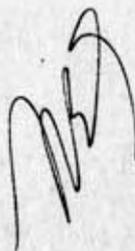
Mr. Olrich has had responsibility for organizing the unit of the Procurement Division in charge of disposing of consumer type goods declared surplus by the War and Navy Departments.

"I regret very much," said Secretary Morgenthau, "that developments in his own business have made it necessary for Mr. Olrich to leave us. In the few months he has been with the Treasury Department he has done an extraordinarily able job in developing in the Procurement Division the organization necessary to handle the tremendously difficult surplus disposal work. He has done this at the sacrifice of his own interest and at

- 2 -

substantial personal expense. His has been a really fine patriotic contribution to the Nation in time of war."

Mr. Olrich expressed great appreciation of the free hand given him by the Secretary in establishing the surplus disposal organization.



C
O
P
YTHE WHITE HOUSE
Washington

November 15, 1944

My dear Mr. Secretary:

The President on November fourteenth signed a proclamation entitled "Specification of the Termination Date as Provided in the Renegotiation (sic) Act."

Very sincerely yours,

/s/ M. C. Latta

M. C. Latta
Executive Clerk

The Honorable
The Secretary of the Treasury,
Washington, D. C.

AIRGRAM TO AMEMBASSY, QUITO, ECUADOR

Reference is made to Department's A-514 of November 8.

Reported to be interned in Camp Belsen-Bergen near Hanover, Germany, are Dr. Hermann Heiden-Heimer with wife, Anna Marie, and children, Carola and Robert, all Dutch citizens formerly resident in Amsterdam. Ecuadoran visas were issued to them 1940 or 1941 in Amsterdam and renewed 1941 in Spain. Hermann's sister is Senora Gertrude Hahn, Ecuadoran citizen and wife of Frederico Hahn, formerly professor of chemistry at Quito and now professor of chemistry at Guatemala City. Frederico's son, Roberto, also Ecuadoran citizen, still living in Quito.

The Heiden-Heimer family would seem to offer a close parallel to the program suggested in Department's A-514, and is recommended for special consideration by Ecuadoran authorities in connection therewith.

You may find it advisable to consult Roberto Hahn in this matter.

10:25 a.m.
November 15, 1944

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

BAksin:tmh 11-14-44

CONFIDENTIAL

FROM
LONDON
November 15, 1944
Recd. 1 p.m., Nov. 21

Secretary of State,
Washington, D.C.

A-1368, November 15

FOR DEPARTMENT AND FEA

Reference Bern's 4421, July 10 to Department, repeated to London as 1204.

The following reply has been received by the M.E.W. from the London Delegation of the International Red Cross in response to a request for information concerning the proposal to evacuate children from German occupied Europe to Sweden:

"May I refer to a conversation Colonel de Watteville and I had with you in the month of August.

You asked me whether the International Red Cross Committee had received from Sweden a proposal to hospitalize in that country children residing in occupied countries.

I transmitted this enquiry to Geneva, and have received the following answer:

Through the United States Legation in Berne and the British Consulate in Geneva, both the United States and the British Governments in memoranda dated respectively 6th and 10th July 1944, have communicated to the Committee that the Swedish Government have expressed their will to receive in their country a certain number of children - irrespective of their race - from Norway and other occupied territories.

As soon as the Committee were notified of this decision, they communicated it to the German Government and several neutral countries. Following the wish expressed by the American and British Representatives, the International Committee themselves pretended to be the instigators of this request. They based themselves on the memorandum addressed to the belligerent Governments, dated 15th March 1944, dealing with the sanitary zones and localities, security zones and localities.

The Committee has, so far, received no answer to these various messages. For the moment the situation remains unchanged; all further developments will be communicated to you as soon as received by us.

I am sorry that this answer has been so much delayed, but this is due to the irregularity of our mail to and from Geneva during the last months."

GALLMAN
CHARGE D'AFFAIRES AD INTERIM

MC:JM

PARAPHRASE OF TELEGRAM SENT

126

FROM: Secretary of State, Washington
TO: American Embassy, Paris
DATED: November 15, 1944
NUMBER: 438

SECRET

Of more urgency at the present time than it was in August is the matter which is taken up in instruction from the Department to Algiers dated August 24, No. 213. Should it become possible to rescue any of the persons from Germany to whom reference is made in Resolution XXIV, the facilities of the Fedhala camp are urgently needed for use. There is no other destination available for these people at the present time. It is expected that these individuals will be released into Switzerland and from there will travel, either directly from France or by way of Spain and France, to the Fedhala camp, as transportation can be arranged, under the auspices of the War Refugee Board, if an exchange involving these people can be arranged. We would appreciate it, therefore, if you would urgently take up this matter with the Provisional Government of France and secure its consent in principle to the admittance into French territory from Switzerland of any persons included in such a movement, to their travel to a point of exit on the frontier of Spain, or to Marseille, or to any other port which may be designated, and to their entrance into Morocco for accommodation at Fedhala camp, subsequently.

If Reber would take up the question with SHAEF and secure agreement in principle to this kind of movement, along with a statement of requirements of SHAEF, it would likewise be appreciated. Screening of these people, it should be pointed out, cannot take place until they reach French territory; also that authorities in Germany who have the custody of the camps where they are held will apparently select the individuals for exchange. Jewish intellectuals from Poland comprise the majority of the individuals concerned, who can, it is presumed, be identified promptly as they are relatively well known in such circles.

The Government of the United States and the British Government have stated that they are opposed to the closing of the Fedhala camp, which still has definite purposes to serve; this for the information of Reber and the Embassy.

SWP:AEC:BB

STETTINIUS
(ACTING)

Paraphrase:
DCR:LCW:MEM
11/17/44

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

03
GEX
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SECRET W

November 15, 1944

10 p.m.

AMPOLAD

CASERTA

385

The cable below is from War Refugee Board.

The following is the substance of a message that has been received from McClelland, WRB representative at Bern:

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

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

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

-2- #385, November 15, 10 p.m., to Caserta

children from Valdosola 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.
UNQUOTE

It is requested

-3- #385, November 15, 10 p.m., to Caserta

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 Phillippsville 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.

STETTINIUS
(ACTING)
(GLW)

WRB:MMV:KG
11/13/44

SE

WE

NE

SWP

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

CABLE TO AMEMBASSY, MADRID, SPAIN

Reference is made to your dispatch 3208 of October 9, and cable 3489 of October 18. Please inquire and advise Board of nature of action taken by Spanish Government in consequence of your representation.

10:25 a.m.
November 15, 1944

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

BAksin:tsh 11-14-44

FE
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November 15, 1944

9 p.m.

AMEMBASSY

MADRID

3043

The following is from War Refugee Board.

Reference is made to your dispatch 3208 of October 9
and cable 3489 of October 18. Please inquire and advise
Board of nature of action taken by Spanish Government in
consequence of your representation.

STETTINIUS
ACTING
(GLT)

WRB:MMV:KD
11/15/44

WE RPA

Miss Chancy (for the Sec'y)

CABLE TO MINISTER JOHNSON, STOCKHOLM, FOR OLSEN, FROM WAR REFUGEE BOARD

The War Refugee Board requests that the following message be delivered to Mr. Fritz Hollander, Congress Committee, Postbox 7306, Stockholm from Dr. Leon Kubowitzki:

QUOTE Kindly have foodparcels forwarded following Bergenbelsen inmates: Josephine Ellenberg; Anna and Hermine Frumkin; Eugenia Gorlin; Henryk and Maria Goldberger; Isaac and Zivi Katznelson; Klara, Alfredjosef and Doriana Kurz (barrack 23); Ellen, Erna and Julius Lauer; Emil Racz, wife and children; Walter Siegel, Henry Wilner. For Swedish protection suggest: Gisela Friedman, Szent Istvanypark 17, Budapest 5; Elizabeth Tauber, 57 Dohanyutca, Budapest. UNQUOTE

THIS IS WRB STOCKHOLM CABLE NO. 247.

2:15 p.m.
November 15, 1944

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

PJMcCormack:ar 11/14/44

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Aksin, Cohn, 133
Drury, DuBois, Friedman, Gaston, Hodel, Lesser, Mannon, Marks, McCormack,
Pehle, Files.

CORRECTION

FMH

PLAIN

November 15, 1944

Cable from Bern 7475 November 10 for WRB change
serial number to "7465".

DIVISION OF COMMUNICATIONS AND RECORDS

CSB

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

ASB- 335

Bern

Dated November 15, 1944

Rec'd 11:20 a.m.

Secretary of State,

Washington.

US URGENT

7541, November 15, 2 p.m.

FOR WRB FROM MC CLELLAND.

Swiss received wire from their Legation at Budapest dated November 3. (Legation's 7269, November 1) stating that departure of 7,000 Palestinian certificate holders and 4500 holders of Swedish protective documents was being organized and should take place within about two weeks, military situation permitting.

HARRISON

RR

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND.

Reference is made to penultimate and ultimate paragraphs of your 5689 of August 31 and Department's 3180 of September 14, item one, paragraphs five and six.

By note of October 17, Ecuadoran Foreign Office informed Amembassy Quito that Ecuadoran representative in Switzerland has been instructed to confirm or suggest changes in the list being compiled by Amlegation Bern of holders of documents purporting to indicate Ecuadoran nationality.

By memorandum of October 13, Venezuelan Foreign Office informed Amembassy Caracas that it had notified Swiss Government through Venezuelan Charge d'Affaires in Bern by cable that the Venezuelan Government ratifies the lists in so far as concerns persons named in Venezuelan documents, that it appreciates the offer of this Government with regard to protecting said persons and that it agrees that the lists mentioned be delivered to the Swiss authorities.

THIS IS WRB BERN CABLE NO. 273

10:25 a.m.
November 15, 1944

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

BAksinitah 11-14-44

Regraded Unclassified

CABLE TO MINISTER HARRISON, BERN, FROM WAR REFUGEE BOARD.

Please deliver the following message to the International Red Cross, Geneva, from Adolph Held, Chairman, Joseph Baskin, Secretary, David Dubinsky, Treasurer, Jacob Pat, Executive Secretary, Jewish Labor Committee, 175 East Broadway, New York:

QUOTE WE HAVE JUST BEEN INFORMED THAT THE INTERNATIONAL RED CROSS IS PROVIDING ASSISTANCE TO POLES IN THE CONCENTRATION CAMPS OF PROSHKOV. WE WERE HAPPY TO LEARN OF YOUR ACTIVITY ON THEIR BEHALF. WE HAVE ALSO BEEN INFORMED THAT THOUSANDS OF JEWS IN CONCENTRATION CAMPS OF POLAND ARE STARVING AND ARE IN NEED OF SPEEDY RELIEF. WE APPEAL TO YOU TO DO FOR THE JEWISH VICTIMS IN THE CAMPS IN OCCUPIED POLAND WHAT YOU ARE DOING FOR THOSE IN PRUSHKOV. PLEASE CABLE. UNQUOTE

THIS IS WRB BEN CABLE NO. 275.

2:15 p.m.
November 15, 1944

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

RDrury 11/15/44

LC-594
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 (SECRET W)

Bern
 Dated November 15, 1944
 Rec'd 6:12 a.m., 16th

Secretary of State,

Washington.

7542, November 15, 3 p.m.

Department's 3245, September 20 - WRB 178.

Foreign Office note November 8 which was personally handed same day to Legation secretary by Depury states in substance following.

During interview of Feldscher the latter declared he had been instructed to return these two notes (Legation forwarded by note dated September 23 to Foreign Office substance of first and second paragraph your 3245. Foreign Office transmitted these to Swiss Legation Berlin by two separate notes each enclosing text in English as received from Legation).

According to Sethe the German Government does not (repeat not) recognize right of American Government to undertake representations in these two cases matters do not (repeat not) concern protection of American nationals and additionally it considers tone of these notes unacceptable particularly threat contained in latter part of paragraph one your 3245.

Since German Government does not recognize right of Swiss representatives as representing American interests to intervene in favor of bearers of Latin American identity documents (note here refers to Foreign Office note of September 5 with enclosures which were transmitted to Department with Legation's strictly confidential despatch 9250 September 15). Feldscher inquires whether he should nevertheless bring to attention of German Foreign Office four points contained in Legation's notice of October 31 to Swiss Foreign Office (first paragraph Department's 3648, October 26) concerning deportation bearers documents this category previously interned Marian Kain Slovakia. In view Sethe's declaration Foreign Office sees no useful purpose in delivering to German Foreign Office a note based upon Legation's notice of October 31 acceptance

of which

-2- #7542, November 15, 3 p.m., from Bern

of which without any doubt will be refused. Foreign Office accordingly gave instructions to Feldscher not to pursue the matter. End summary.

Legation continued its negotiations with Division of Foreign Interests after said meeting with Depury and these concluded in discussion with him on November 13 at which time he agreed to have Swiss Legation Berlin approach German authorities pursuant first paragraph Department's 3648 as applied to bona fide United States Nationals and similar nationals of Latin American countries represented by Switzerland.

At meeting of November 13 Legation Secretary was handed notice dated November 10 with reference to Grassli's proposals which were subject of Legation's note dated November 9 to Swiss based Department's 3769 November 4. Said note includes following observations:

(1). German refusal accept notes of Swiss Legation Berlin based on fact that German Government contests right of American Government to make representations in matter pertaining to bearers of Latin American documents.

(2). Grassli nevertheless insists that persons claiming and actually possessing United States nationality are held in Slovak concentration camps. It is possible that German authorities would not refuse a representation made not concerning bearers of Latin American documents but regarding persons claiming United States nationality.

(3). However procedure suggested by Grassli would involve instructing Swiss Legation, Berlin to intervene with German Government regarding action taken by German Government authorities in Slovakia-- provided it be limited to United States citizens properly speaking--but requesting German Government to surrender Jews concerned to Slovak Government. Swiss observe that such action might be interpreted as implying recognition of Slovak state and request Department's comment. End summary.

Since receipt

-3- #7542, November 15, 3 p.m., from Bern

Since receipt of foregoing Legation communication to Swiss contents Department's 3852 November 11 and in view above summarized Swiss comments would appreciate to Department's observations as to whether and on what basis Swiss should be requested further to pursue Grassli's suggestions.

HARRISON

WSB

NOT TO BE RE-TRANSMITTEDOPTEL No. 371

Information received up to 10 A.M. 15th November 1944

1. NAVAL

On 13th/14th MTB's torpedoed and probably sank a 10,000 tons ship and a trawler off NORWEGIAN Coast, 40 miles north of BERGEN. On 14th, a British Cruiser and Destroyers sank one armed Trawler and probably another in TRONDHEIM FIORD. Same day aircraft from a British Escort Carrier bombed R.D.F. Station at entrance to the Fiord.

2. MILITARY

Western Front 14th. Further progress by U.S. Third Army N and S.E. of METZ. Considerable forces including armour now established N.E. of METZ-SAAREBOURG Railway while forward troops are threatening the important road running east from METZ to SAAR. They have closed in further on METZ and have captured some of the fort defences of the town. The two Third Army Bridgeheads across the MOSELLE S.E. of THIONVILLE have been joined up and the whole enlarges.

Second British Army launched an attack against the German positions West of the MEUSE in the area N.W. of ROERMOND against minor enemy opposition. German defences this area were thinned out before the attack and important observation posts, likely to be of use to our troops destroyed. British armour in conjunction with this attack have seized important Lock Gates on WESSEN Canal linking the CANAL DU NORD and the MEUSE. This will prevent the enemy draining the canal and rendering our pontoon bridges useless. The WAAL and lower RHINE continue to rise.

Italy -Slight German withdrawal Forli area where our troops have advanced with little contact. They are now 1 $\frac{1}{2}$ miles N.W. of FORLI on Highway 9 and have gained further ground astride this road. Poles have also made progress East of MODIGLIANA.

Russia Russians have made slight gains East of BUDAPEST and have eliminated a German Bridgehead East of the DANUBE 45 miles south of BUDAPEST.

3. AIR OPERATIONS

Western Front 14th. No bomber operation due to weather A small number of reconnaissance sorties flown.

Mediterranean 12th/13th. 14 heavy bombers dropped 31 tons by pathfinder technique on oil refinery BLECHHAMMER causing fires. 13th. 767 medium and fighter bombers and fighters (6 missing) attacked communications PO Valley and supported ground operations with good results.

German Activity to 7 A.M. 15th. 8 Rockets during period 14th/15th. 32 flying bombs plotted in three phases.

November 16, 1944
9:40 a.m.

SECRETARY'S NAVY SPEECH

Present: Mr. Gaston
Mr. Duffield
Mrs. Klotz

H.M.JR: This is finished and polished? (Refers to attached draft of Navy speech)

MR. DUFFIELD: No, it is not. You said to give you an outline of a speech.

H.M.JR: No, no, I told you I wanted a finished speech.

MR. DUFFIELD: That has more Navy and Navy figures in it than you will want. You will want a good deal more on your side of the picture, but you can compress this thing.

H.M.JR: Have you seen Admiral King?

MR. DUFFIELD: It was being typed. I tried to get a copy to bring over to you. He said his Aide would send one to Ted Gamble as soon as it is finished, so you should have it this afternoon.

H.M.JR: I hope!

MR. DUFFIELD: You will. I will see that you do.

H.M.JR: See that it comes to Mrs. Klotz.

MR. DUFFIELD: All right.

MR. GASTON: I will call up Ted's office, and if it is already over there--

- 2 -

H.M.JR: Which was the Admiral he was going to refer you to?

MR. DUFFIELD: Thibaud.

H.M.JR: I knew the only fellow who could get the stuff for me was King.

MR. DUFFIELD: That is right. He is the only one who can clear Security on this stuff.

H.M.JR: Let me read this: "Last June, just as the Fifth War Loan Drive began, the first Navy planes were wheeling in over Saipan. Three days later, the first assault waves of Marines landed and the Battle of the Marianas was in full swing. Since that time -- between these two War Loan Drives -- our armed forces have driven another 1600 miles farther west to the Philippines, deep in the ocean which the Japanese had boasted was their own forever. The Philippine landings are one milestone on the fastest-moving offensive in the history of warfare. Since a year ago, our forces in the central Pacific have driven the Japanese back 4,000 miles."

MR. DUFFIELD: That really is pretty fast. I was amazed when I looked it up myself. A year ago we hadn't moved into Tarawa yet.

MR. GASTON: People don't realize the huge distance between those islands.

H.M.JR: (Continuing): "No other Nation ever imposed on an enemy so rapid and humiliating a retreat. Therefore, it is fitting that early in this Sixth War Loan Drive the Treasury and the Nation honor the Naval forces which have been the spearhead in that offensive. For that reason, I am especially pleased to appear on this program with Admiral King.

"The forces under his leadership have given the people of the Nation an inspiring example of forceful and decisive action. It is now up to us to support that action by

- 3 -

equally clear and decisive action during the current War Bond Campaign.

"At no point during its tremendous westward advance has the Navy ever had to look back over its shoulder to see whether the people at home were furnishing the money necessary to pay for the attack. Our Navy, Army and Air Force have always been sure that the taxpayers and the buyers of bonds would give them all the money they need to whip our enemy. I know the Sixth War Loan Drive will be another similar reassurance to them.

"Constructing and manning the Navy which carried out this Pacific offensive, and which, at the same time, cleared the Atlantic for our Army's invasion convoys, has been a costly undertaking.

"In the past four and a half years, this Nation has spent \$69,000,000,000 for its Navy -- and every dollar has been well spent. But this total is more than our entire national income in 1938."

MR. DUFFIELD: I am not sure that is right, sir.

H.M.JR: Don't worry about that. Before I give a speech Henry Murphy goes over it inside and out, and Herbert Gaston kind of looks over Henry Murphy's shoulder.

(Continuing): "It is more money than we have raised in the first four War Loan Drives, and it is more money than we have paid in income taxes during the past years."

I would rather just say, "In the past four and a half years, this Nation has spent so-much for its Navy -- and every cent has been well spent."

MR. GASTON: Yes, we don't want to boast about how much our national income was in 1938.

MR. DUFFIELD: And I don't want to boast about how much it costs, either.

- 4 -

H.M.JR: How do we know Roosevelt will be around for a fifth term!

(Continuing): "Let us look for a minute at the cost of a single naval operation. Take, for example, the Marianas operation which, as I've said before, began just as the Fifth War Loan Drive started. The naval force which participated in this single operation represents an investment by the American people of well over \$5,000,000,000."

Herbert, you have to look that up. I used some Navy figures.

MR. DUFFIELD: It was the Marshalls operation, back in Quajalein.

H.M.JR: How did you do that?

MR. DUFFIELD: I read it.

H.M.JR: "Of course, this investment in ships and planes and guns will be used again and again, and cannot be charged up as the cost of conquering Guam, Saipan, Tinian, and the other Mariana islands. But we did pay out almost a billion dollars --- \$997,000,000, as nearly as we can estimate it --- for the Marianas operation alone."

MR. DUFFIELD: Now, what we try to do here is try to show how it adds up, and the break-down into planes, ships, people, and then just because ammunition is usually something special and expendable - those different things.

H.M.JR: "In the first place, there were the advance bases where the invasion force assembled before shoving off for their strike 1500 miles westward. These bases cost \$112,000,000."

You don't mention what the bases are.

MR. DUFFIELD: The bases are in the Marshall Islands. There is no reason why you shouldn't mention it.

- 5 -

MR. GASTON: You can easily stick it in there - advance bases in the Marshalls.

H.M.JR: Is there any reason?

MR. DUFFIELD: The Marshalls are spread out and there are a couple of anchorages there - they don't want to say just which ones they used.

H.M.JR: I see. "Second, there was the cost of sending out the great armada of ships, which amounted to another \$129,000,000" - what does that mean?

MR. DUFFIELD: It comes in the next sentence.

H.M.JR: "Of this amount, by far the largest part was for depreciation, losses, repair, and maintenance of the vessels themselves."

MR. DUFFIELD: They said it cost about ninety million dollars for the depreciation of vessels that were lost, the repair on the vessels that were damaged, and the maintenance. There is no reason why you can't use that if you want to.

MR. GASTON: "Of this total of one hundred and twenty-nine million, ninety million was for depreciation of vessels that were lost, the repair on the vessels that were damaged, and the maintenance." No, you couldn't subtract - he just says, "...by far the largest part."

MR. DUFFIELD: If you want to use the figure, that is all right.

H.M.JR: Put it on the side, Herbert.

MR. GASTON: Yes.

H.M.JR: (Continuing): "Nineteen million dollars was necessary to pay for the fuel and other lubricants for these vessels, and still other millions were paid as charter fees on the merchant vessels which accompanied the Navy striking force."

- 6 -

MR. DUFFIELD: That is just if you wanted to add up to a total.

MRS. KLOTZ: It is very interesting to me because this is in such simple style that I can understand it and follow it. I don't get the feeling there are too many figures here.

H.M.JR: Well, there is our audience; above average in intelligence, but our audience.

MRS. KLOTZ: Thank you, sir, very much. It is eighth grade.

H.M.JR: That is what I usually try to talk to.

MRS. KLOTZ: You are.

H.M.JR: Now, what has the Navy got to do with charter fees?

MR. DUFFIELD: We had in that operation for supply and cargo and troop transports evidently some merchant vessels that were WSA vessels, on which we paid the charter fees.

H.M.JR: I see. (Continuing): "Third, this great assemblage of ships carried with it its own umbrella of air power plus a striking force of aircraft which knocked Japan's land-based air power out of the air. The cost of operating this huge naval air force during the Marianas campaign is estimated at about \$199,000,000. Here again the principal cost was depreciation, maintenance, losses and repairs, while additional millions were spent for fuel and lubricants for the planes."

Now, the word "depreciation," what does that mean?

MR. DUFFIELD: That is one reservation I have about this. I don't know what they have done. They have probably taken the average life of a plane and have allocated out of that a percentage which represents the time of this thing.

- 7 -

H.M.JR: My own advice would be to leave it out. Make this "losses and repairs." After all, if you pay the cost of repairs it takes the place of depreciation.

MR. DUFFIELD: It does in large part, except you gradually write off a plane.

MR. GASTON: No, the Navy will hold a plane three or four years at the most before it becomes obsolete. Repairs may amount to two or three hundred dollars in that time.

MR. DUFFIELD: I think for oratorical purposes I agree with you.

H.M.JR: I would say, "losses, maintenance and repairs."

MR. GASTON: Depreciation is technically there.

MRS. KLOTZ: That holds true of any expensive thing you talk about.

H.M.JR: Oh, well, "maintenance, losses, and repairs."

MR. GASTON: I am for leaving it out.

MR. DUFFIELD: Call it wear and tear.

MR. GASTON: No, it isn't that.

H.M.JR: "Losses, repairs, and maintenance" is enough.

"By far, the most valuable component of this Navy striking force was the men who fought the ships and flew the planes. Their pay, equipment, medical supplies, and food cost \$439,000,000. By far, the greatest part of this sum was expended for their pay, which amounted for the total of the Marianas operation to more than \$300,000,000. To feed this great force for the six weeks of the Marianas campaign cost \$29,000,000. Their equipment and medical supplies cost another \$80,000,000."

- 8 -

Is this fresh in any sense?

MR. DUFFIELD: I have never seen these figures before in my life.

H.M.JR: With any other operation?

MR. DUFFIELD: No, we have never done it this way; we have never taken the bases, the ships, the planes, and so forth. At the top of the next page the word "Fourth," should be "Fifth."

(Secretary completes reading the attached draft.)

H.M.JR: That is good. And I think I have heard someone say, "Which are you going to economize on, ammunition or lives?"

"It is the policy of our Army and Navy" - Herbert, will you make a note at the end - "This is following out the traditional American policy in fighting this war, that we are expending ammunition rather than lives."

MR. DUFFIELD: Right. I didn't attempt to put an ending on, because I thought you might want to write it yourself.

H.M.JR: I don't know, because this is so good. Of course, they are only allowing me eight minutes, aren't they?

MR. DUFFIELD: That is right.

H.M.JR: It is a thirty-minute program.

MR. GASTON: No, they told me it was fifteen minutes on the air, of which I got eight minutes. I don't know, though--

H.M.JR: I tell you what I would like to do. I think it is swell, and I think it is beautifully written. Would they miss you for another hour?

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MR. DUFFIELD: I don't think so. I will just check on my phone and make sure.

(The Secretary takes telephone call from Mr. Stettinius, as follows:)

November 16, 1944
9:57 a.m.

HMJr: Hello.

Operator: Go ahead.

Edward R.
Stettinius: Henry.

HMJr: Yes, Edward.

S: Good morning.

HMJr: Fine. Good morning to you. You sound as though
you had

S: I'm letting you down.

HMJr: buckwheat cakes or something for breakfast.

S: I'm letting you down, sir.

HMJr: Oh.

S: I have to fly to New York this morning with Joe
Davies and Halifax and Gromyko to speak in Madison
Square Garden tonight.

HMJr: Yes.

S: And I will not be here tomorrow for your final
round-up with the British.

HMJr: Oh - oh.

S: Now, I've been over the whole thing with Dean
very thoroughly.

HMJr: Yes.

S: How bad is that going to be from the standpoint
of appearance if I'm not -- my not being there
for the final show?

HMJr: Well, having been in the diplomatic service for
twelve years, it's going to be terrific if you're
not there.

S: You mean for twelve months -- me for twelve months.

HMJr: Twelve years.

S: (Laughs)

HMJr: Why, I just don't know what we'll do without you.

S: It's really going to be -- the whole thing will probably fail, won't it?

HMJr: Absolutely.

S: Perhaps I should phone Keynes and tell him

HMJr: I knew there was going to be a Russian party up in New York. Why didn't you take me along?

S: You'd have come with me?

HMJr: Sure. Listen

S: We've got to speak to thirty thousand people in Madison Square Garden.

HMJr: My God. I know -- I was asked. That's Smith -- isn't that his name?

S: Yeah.

HMJr: Well, we'll do the best we can. I'm in a good humor so I like to kid you but

S: Henry

HMJr: Yeah.

S: it seems to me that it's in awful good shape.

HMJr: It is. I ran into something very funny across the street.

S: At lunch yesterday?

HMJr: Yeah, on this thing, and I'm sending a delegation over to wait on General Leahy -- Admiral Leahy

S: Yeah.

HMJr: to explain the whole thing to him so he, in turn, can explain it to the President.

S: Yeah.

HMJr: This is just a little flea in your ear -- these speeches that Churchill has been making

S: Yeah.

HMJr: have ruffled him tremendously.

S: Ruffled the Boss?

HMJr: Yep.

S: I know; I was there before before you yesterday.

HMJr: Oh. So you found that so, didn't you?

S: Yeah.

HMJr: And he acts as though he never heard of this thing.

S: Yeah.

HMJr: "And what is this ship for and what's that plane for?"

S: Yeah.

HMJr: See?

S: I know.

HMJr: So I'm sending a delegation of Dean and Lauch Currie and White and an Admiral and a General over to explain it to Leahy.

S: Yeah.

HMJr: And I know that Leahy is going to be all right and let him, in turn

S: Henry.

HMJr: Yeah.

S: Is it necessary to really put the barrel over the dam, actually, before they leave the country?

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HMJr: Well, I can't in view of the position that the President has taken.

S: Because you know

HMJr: But, God, don't breathe that. I'm not telling that to anybody now.

S: Well, now, Henry, the thought that I had

HMJr: Yes.

S: You know it would be awful -- awful safe and wise from the standpoint of the future relations

HMJr: Yes.

S: for somebody to have a private talk

HMJr: Yes.

S: with the Chairman of the Appropriations Committee.

HMJr: Yes.

S: And say, "Now, here, we're doing this thing; we think it's within the law -- within the Lend-Lease Act, but we just want to be sure, now, that you understand the whole thing."

HMJr: Yes, I think that's smart.

S: You see you could get -- you could have a fellow like Cliff Woodrum and Dick Wigglesworth, Republican and Democrat, and you -- you would be on much safer ground for the next four years if you got the Appropriations Committee to say, "Yes, this looks right." And it wouldn't -- that wouldn't take anybody -- somebody could do that in an hour.

HMJr: Yeah.

S: I mean Oscar could do it privately with them, you know.

HMJr: Yeah. Well, let me talk it over with our own boys and get their reaction.

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S: All right. But you'll excuse me and I'll communicate with Keynes and present my apologies.

HMJr: Well, I'm serious, I'm sorry you're not going to be here but I -- I will explain.

S: Yeah, but this isn't going to be the finale anyway from what you say.

HMJr: I don't think so but

S: That's private.

HMJr: Yeah.

S: Now, Henry.

HMJr: Yeah.

S: One other thing. Did the President at lunch yesterday bring up with you the Treatment of Germany?

HMJr: Yeah.

S: He brought it up with you?

HMJr: Yeah.

S: He told you of the draft memorandum?

HMJr: Which he was sending over to me for me to look at?

S: That's correct.

HMJr: Yeah.

S: Now, what -- now, I want to get this straight because I -- I went to him the last -- a week ago and said, "Well, now, we have something new;...."

HMJr: Yes.

S: ".... it's in draft."

HMJr: Yeah.

S: "Do you want this sent to War and Treasury before you see it?" He said, "I want to see it in draft privately."

HMJr: Yes.

S: I sent it to him in draft privately and he didn't respond. Then yesterday I said, "Now, how did you like it?" He wanted to change it. I said, "Does it present your views?" He said, "I think it's fine. I think it's well-balanced."

HMJr: Yes.

S: Well, I said, "Well, now, can we send it to Henry and to Stimson?" He said, "Please prepare notes for my signature." I last night prepared notes from him to you transmitting a copy of it which I sent over last night, which -- but I wanted to emphasize the fact that it was in draft, Henry, you see.

HMJr: Well, he -- of course, I didn't know anything about it, but he brought it up and said that this was in the works and he wanted my advice and wanted me to go over it.

S: Yeah.

HMJr: So evidently you've done a good job and I appreciate your attitude and I think that's the way it should be.

S: Yeah, but -- but it's important that when I -- well, we sent it to him, we said, "Now, if this doesn't meet your -- your desire -- the way you want this thing, let us re-do it." You see? And then he -- but what's coming to you now, he says, is what he is satisfied with.

HMJr: I see.

S: Okay, boy.

HMJr: Now, wait a minute.

S: Yeah.

HMJr: This is what he is satisfied with?

S: Well, what he says is this -- his letter of transmittal, he says, "Herewith -- Henry, herewith is a draft memo of -- covering this economic treatment of Germany which has been prepared by State. It correctly and adequately sets forth my views. What do you think?"

HMJr: Yes.

S: Now, that's just the way -- that's the way it ought to be. See?

HMJr: Yes.

S: From your standpoint.

HMJr: Yes. Well, all he said to me was there was a draft and that he wanted me to look at it and let me tell him what I thought about it.

S: All right, Henry, well, now

HMJr: Well, now, practically the same

S: That's good.

HMJr: And, of course, since the Kilgore Committee and the publicity they got, his attitude on this whole business is just like lifting a cloud.

S: I know that.

HMJr: I don't know whether he's talked with you

S: I know that.

HMJr: but he went so far as to say, "As far as the public is concerned, now," he said, "I don't care." He said, "Since the Kilgore affair."

S: Yeah.

HMJr: Huh?

S: Now, of course, this thing might not go far enough to satisfy you and if it doesn't, why, we ought to thrash it out.

HMJr: If it doesn't, we'll thrash it out with you before I answer the President.

S: All right, old boy.

HMJr: Is that fair enough?

S: Yes, thank you, sir.

HMJr: And I thoroughly appreciate your cooperative spirit, and by the way what -- how was your talk with the gent that came over to see you?

S: Very good. I wrote you a note.

HMJr: Did you?

S: It was most satisfactory and what -- what took place was -- was probably a couple of years ago in Lend-Lease when it was a criticism of policies and not of personalities.

HMJr: Good.

S: But I'm all on the line and it's all cleared up.

HMJr: Wonderful.

S: Thank you, sir.

HMJr: Have a good time and have a drink of vodka for me.

S: All right, old boy. Thank you.

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H.M.JR: Well, I figure one hundred and ten words is thoroughly safe; that is eight hundred and eighty words. I don't know what you have there, and whatever I am going to do - I did this once in Philadelphia and they had ten officers in uniform and every one with a stop watch. But they did run it off well at the Philadelphia Navy Yard.

MR. DUFFIELD: This runs probably not quite eight hundred words.

H.M.JR: I want a peroration, you see, and if I could just take a minute and bring in the peroration to fit in with what Marshall wants, and bring in two things: One, that it is the American policy to use ammunition rather than lives; and then, that this is only an indication of what will happen when we really come to grips with the Japanese, and the thing is going to be so far more expensive. Now, I would like to stress that, because that is what Marshall has asked me to stress, and the way he put it, he says, "There will be a hundred Aachens - a flaming war - the front is a thousand miles long."

I would like to bring that in in the Pacific, because that is true. I don't really believe we will come to grips with the Japanese in Leyte, but that is still ahead of us, and therefore when it comes it is going to be terribly expensive, and that is why we need this loan, and that is why we are going to need a Seventh and an Eighth.

And the other little thing - that the manner in which we do it, and the spirit in which we do it - that if that can be transplanted over to our boys it will be heartening to them. If that could be gotten into an end paragraph, the thing would sort of dovetail with the other one.

MR. DUFFIELD: Fine, sure.

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H.M.JR: Now, what other thing, Herbert? Have you time now, or have you some meeting?

MR. GASTON: I have plenty of time. I have a meeting that I want to tell them I will not be at.

H.M.JR: Well, if you and Gene could sit down for an hour you could give me a finished document, because this is so good.

MR. GASTON: This doesn't need anything but just, as you say, a finish.

H.M.JR: That one part - I may want to change a word or two.

MR. DUFFIELD: This isn't a contract. You can do anything with it you want.

H.M.JR: Just one other thing which I have not yet said I would do - you might have that in mind - they are really crazy to have me - do about three minutes with Bob Hope later that night. I have still refused to do it because nobody knows where the President will be Sunday night, including himself. My problem is, if I have to come back I can leave there at six-thirty and be back Saturday night here in Washington. If I stay there with Bob Hope it means I can't leave there until Sunday morning. But I don't know whether we might leave something out of this for three minutes--

MR. GASTON: I think there is a late train.

H.M.JR: But those trains are very slow, they are twenty-four hour trains, which would mean I would get in here - I would be riding all Sunday.

MR. GASTON: No, I think you can get a fast train to New York, and then you would have to get down from there.

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H.M.JR: To ride for twenty-four hours alone on a train isn't my idea of pleasure.

Have the other three-minute spot in mind. I am simply delighted.

Now, if you will call up your office--

MR. DUFFIELD: Yes. I am pretty sure I haven't anything over there until eleven o'clock.

Last June, just as the Fifth War Loan Drive began, the first Navy planes were wheeling in over Saipan. Three days later, the first assault waves of Marines landed and the Battle of the Marianas was in full swing. Since that time -- between these two War Loan Drives -- our armed forces have driven another 1600 miles farther west to the Philippines, deep in the ocean which the Japanese had boasted was their own forever.

The Philippine landings are one milestone on the fastest-moving offensive in the history of warfare. Since a year ago, our forces in the central Pacific have driven the Japanese back 4,000 miles. No other Nation ever imposed on an enemy so rapid and humiliating a retreat. Therefore, it is fitting that early in this Sixth War Loan Drive the Treasury and the Nation honor the Naval forces which have been the spearhead in that offensive. For that reason, I am especially pleased to appear on this program with Admiral King.

The forces under his leadership have given the people of the Nation an inspiring example of forceful and decisive action. It is now up to us to support that action by equally clear and decisive action during the current War Bond Campaign.

At no point during its tremendous westward advance has the Navy ever had to look back over its shoulder to see whether the people at home were furnishing the money necessary to pay for

the attack. Our Navy, Army and Air Force have always been sure that the taxpayers and the buyers of bonds would give them all the money they need to whip our enemy. I know the Sixth War Loan Drive will be another similar reassurance to them.

Constructing and manning the Navy which carried out this Pacific offensive, and which, at the same time, cleared the Atlantic for our Army's invasion convoys, has been a costly undertaking.

In the past four and a half years, this Nation has spent \$69,000,000,000 for its Navy -- and every dollar has been well spent. But this total is more than our entire national income in 1938. It is more money than we have raised in the first four War Loan Drives, and it is more money than we have paid in income taxes during the past years.

Let us look for a minute at the cost of a single naval operation. Take, for example, the Marianas operation which, as I've said before, began just as the Fifth War Loan Drive started. The naval force which participated in this single operation represents an investment by the American people of well over \$5,000,000,000. Of course, this investment in ships and planes and guns will be used again and again, and cannot be charged up as the cost of conquering Guam, Saipan, Tinian, and the other Mariana islands. But we did pay out almost a billion dollars -- \$997,000,000, as nearly as we can estimate it -- for the Marianas operation alone.

In the first place, there were the advance bases where the invasion force assembled before shoving off for their strike 1500 miles westward. These bases cost \$112,000,000.

Second, there was the cost of sending out the great armada of ships, which amounted to another \$129,000,000. Of this amount, by far the largest part was for depreciation, losses, repair, and maintenance of the vessels themselves. Nineteen million dollars was necessary to pay for the fuel and other lubricants for these vessels, and still other millions were paid as charter fees on the merchant vessels which accompanied the Navy striking force.

Third, this great assemblage of ships carried with it its own umbrella of air power plus a striking force of aircraft which knocked Japan's land-based air power out of the air. The cost of operating this huge naval air force during the Marianas campaign is estimated at about \$199,000,000. Here again the principal cost was depreciation, maintenance, losses and repairs, while additional millions were spent for fuel and lubricants for the planes.

By far, the most valuable component of this Navy striking force was the men who fought the ships and flew the planes. Their pay, equipment, medical supplies, and food cost \$439,000,000. By far, the greatest part of this sum was expended for their pay, which amounted for the total of the Marianas operation to more than \$300,000,000. To feed this great force for the six weeks of the Marianas campaign cost \$29,000,000. Their equipment and medical supplies cost another \$80,000,000.

Fourth, before the Marines and Army landed, the Marianas Islands were subjected to tremendous air and surface bombardment, and this bombardment continued in support of our landing operations after the invasion was under way. All told, throughout the campaign, our Navy's ships and planes pumped about \$133,000,000 worth of bombs and shells into Guam, Saipan, Tinian, and their adjacent islands. The ground force shot up another \$19,000,000 worth of ammunition. I am sure everyone will agree that the enormous Navy plane and surface bombardment which cost \$133,000,000 was money well spent because that tremendous bombardment leveled the enemy defenses and saved American lives.

Wavy-

Dutton's revision of
Duffield's draft. 165

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(Pencil changes)
11/16/44

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~~enormous Navy plane and surface bombardment which cost \$133,000,000 was money well spent because that tremendous bombardment leveled the enemy defenses and saved American lives.~~

This heavy and costly bombardment in the Marianas is merely one example of what Admiral King and General Marshall tell us is a firm and definite American war policy. *That policy is to make expenditure of*

supplies and material save American lives, wherever and whenever possible to avoid unnecessary casualties. We hope to make this war, insofar as we can, inexpensive in terms of human losses even though by doing so *it is the wish and aim of our military leaders* they made more *it is* costly in material things. Such a policy requires huge sums of money — money raised in bond drives like the one now beginning —

in order to keep our Army and Navy and Air Forces supplied and armed. *fully and completely* Think of this — that in trying a bond you may be saving the life of a hero — one of our boys. The cost will mount. It will mount because now in this world-girdling war we are truly at grips with our enemies — in the forests

before Cologne, at Metz, in Italy, on Leyte, in the Philippine sea. We are closing in on the citadels of the Nazis and the Japs. There may be a hundred Aachens, a hundred Leytes between us and final victory. That is why there must be a Sixth War Loan Drive and a Seventh and an Eighth *probably* *before* until this war is won.

I know this Bond Drive will succeed. But the spirit in which it succeeds is as important as success itself. Let us go about this drive in a spirit which, if it could be transmitted to the men on every front, would warm their hearts and steel their wills, for the struggle and the victory that lie ahead — the victory that will be won only by fighting and by working — not by waiting.

H

*Re-Typed copy of Duffell's
draft with Pastors' revisions* 170

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- 6 -

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~~in hearty tribute to them. I feel especially honored by~~
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~~the presence of Admiral King on this Sixth War Loan program.~~
~~For that reason, I am especially pleased to appear on this program~~
~~with Admiral King.~~

The forces under ^{Admiral King's} leadership have given the people of the Nation an inspiring example of ^{Admiral King} ~~leadership~~ and decisive action. It is now up to us to support that action by ^{an spirited} ~~equally~~ and decisive ^{response to} ~~action during~~ the current War Bond Campaign.

At no point during its tremendous westward advance has the Navy ever had to look back over its shoulder to see whether the people at home were furnishing the money necessary to pay for

the attack. Our Navy, Army and Air Force have always been sure that the taxpayers and the buyers of bonds would give them all the money they need to whip our enemy. I know the Sixth War Loan Drive will be another similar reassurance to them.

Constructing and manning the Navy which carried out this Pacific offensive, and which, *with the aid of our allies*, at the same time, cleared the Atlantic for our Army's invasion convoys, has been a costly undertaking.

In the past four and a half years, this Nation has spent \$69,000,000,000 for its Navy -- and every dollar has been well spent. ~~(But this total is more than our entire national income in 1938. It is more money than we have raised in the First World War Loan Drives, and it is more money than we have paid in income taxes during the past years.)~~

Let us look for a minute at the cost of a single naval operation. Take, for example, the Marianas ^{campaign} operation which, *brilliantly* ~~marked for history the date of the beginning of~~ *Five said before,* ~~began just as the Fifth War Loan Drive started.~~

The naval force which participated in this single operation represents an investment by the American people of well over ^{four billion dollars.} ~~\$5,000,000,000.~~ Of course, this investment in ships and planes and guns will be used again and again, and cannot be charged up as the cost of conquering Guam, Saipan, Tinian, and the other Mariana islands. But we did pay out almost a billion dollars -- \$997,000,000, as nearly as we can estimate it -- for the Marianas operation alone.

in the Marianas

In the first place, there were the advance bases, where the invasion force assembled before shoving off for their strike 1500 miles westward. These bases cost \$112,000,000.

Second, there was the cost of sending out the great armada of ships, which amounted to another \$129,000,000. Of this amount, by far the largest part was for ~~depreciation~~, losses, repair, and maintenance of the vessels themselves. Nineteen million dollars was necessary to pay for the fuel and ~~other~~ lubricants ^{used by} ~~for~~ these ~~vessels, and still other millions were paid as charter fees on the merchant vessels which accompanied the Navy striking force.~~

Third, this great assemblage of ships carried with it its own umbrella of air power plus a striking force of aircraft which knocked Japan's land-based air power out of the air. The cost of operating this huge naval air force during the Marianas campaign is estimated at about \$199,000,000. Here again the principal cost was depreciation, ^{and} maintenance, losses, ~~and~~ repairs, while additional millions were spent for fuel and lubricants for the planes.

By far, the most valuable component of this Navy striking force was the men who fought the ships and flew the planes. Their pay, equipment, medical supplies, and food cost \$439,000,000. ~~By far, the greatest part of this sum was expended for their pay, which amounted for the total of the Marianas operation to more than \$300,000,000.~~ To feed this great force for the six weeks of the Marianas campaign cost \$29,000,000. ~~Their equipment and medical supplies cost another \$80,000,000.~~

Finally,

Fourth, before the Marines and Army landed, the Marianas Islands were subjected to tremendous air and surface bombardment, and this bombardment continued in support of our landing operations after the invasion was under way. All told, throughout the campaign, our Navy's ships and planes pumped about \$133,000,000 worth of bombs and shells into Guam, Saipan, Tinian, and their adjacent islands. The ground force shot up another \$19,000,000 worth of ammunition. I am sure everyone will agree that the enormous Navy plane and surface bombardment ^{represented} ~~which~~ ^{it} ~~\$133,000,000~~ was money well spent because ~~that tremendous bombardment~~ leveled the enemy defenses and saved American lives.

This heavy and costly bombardment in the Marianas is merely one example of what Admiral King and General Marshall tell me is a firm American war policy. *That policy is to save the expenditure of lives by the expenditure of* ~~We try in every way possible to~~ ~~expended~~ ammunition and materiel, ~~rather than lives. We hope to~~ ~~in the way, insofar as~~ ~~we can, inexpensive in terms of human losses, even though by doing so~~ ~~we make it costly in material things.~~ *Such a policy requires huge* sums of money -- money raised in bond drives like the one now beginning -- in order to ^{give} keep our Army and Navy and Air Forces ^{*the utmost in weapons and equipment,*} supplied and armed.

The cost will mount. It will mount because now in this world-girdling war we are truly at grips with our enemies -- in the forests before Cologne, at Metz, in Italy, on Leyte, in the Philippine sea. We are closing in on the citadels of the Nazis and the Japs. There may be a hundred Aachens, a hundred Leytes between us and final victory. That is why there must be a Sixth War Loan Drive and a Seventh ^{*perhaps*} and an Eighth ^{*before*} ~~until~~ this war is won.

I know this Bond Drive will succeed. But the spirit in which it succeeds is as important as success itself. Let us go about this drive in a spirit which, ~~it should be transmitted to the men on every front,~~ ^{*will*} ~~will~~ ^{*the*} warm ~~their~~ hearts and steel ^{*the*} ~~their~~ wills ^{*of the*} fighting men on every front.

Mary Speck - Barth - 11/16/44 - 181
Second -

Last June, just as the Fifth War Loan Drive began, the first Navy planes were wheeling in over Saipan. Three days later, the first assault waves of Marines landed and the Battle of the Marianas was in full swing. Since that time - between these two War Loan Drives - our armed forces have driven another 1800 miles farther west to the Philippines, deep in the ocean which the Japanese had boasted was their own forever.

The Philippine landings are one milestone in the fastest moving offensive in the history of warfare. Since a year ago, our forces in the Pacific have driven the Japanese back 4,000 miles. No other Nation ever imposed on an enemy so rapid and humiliating a retreat. All America honors the Naval forces which spearheaded that offensive, and the Treasury joins in hearty tribute to them. I feel especially honored by the presence of Admiral King on this Sixth War Loan program.

The forces under Admiral King's leadership have given the people of the Nation an inspiring example of daring and decisive action. It is now up to us to support that action by an equally spirited and decisive response to the current War Bond Campaign.

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Constructing and manning the Navy which carried out this Pacific offensive, and which, at the same time, with the aid of our Allies, cleared the Atlantic for our Army's invasion convoys, has been a costly undertaking.

In the past four and a half years, this Nation has spent \$69,000,000,000 for its Navy - and every dollar has been well spent.

Let us look for a minute at the cost of a single naval operation. Take, for example, the Marianas campaign which brilliantly marked for history the date of the beginning of the Fifth War Loan Drive. The naval force which participated in this single operation represented an investment by the American people of well over five billion dollars. Of course, this investment in ships and planes and guns will be used again and again, and cannot be charged up as the cost of conquering Guam, Saipan, Tinian, and the other Mariana Islands. But we did pay out almost a billion dollars - \$997,000,000, as nearly as we can estimate it - for the Marianas operation alone.

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In the first place, there were the advance bases in the Marshalls where the invasion force assembled before shoving off for their strike 1500 miles westward. These bases cost \$112,000,000.

Second, there was the cost of sending out the great armada of ships, which amounted to another \$129,000,000. Of this amount, by far the largest part was for losses, repair, and maintenance of the vessels themselves. Nineteen million dollars was necessary to pay for the fuel and lubricants used by these ships.

Third, this great assemblage of ships carried with it its own umbrella of air power plus a striking force of aircraft which knocked Japan's land-based air power out of the air. The cost of operating this huge naval air force during the Marianas campaign is estimated at about \$199,000,000. Here again the principal cost was losses, repairs, and maintenance, while additional millions were spent for fuel and lubricants for the planes.

By far, the most valuable component of this Navy striking force was the men who fought the ships and flew the planes. Their pay, equipment, medical supplies, and food cost \$489,000,000. To feed this great force for the six weeks of the Marianas campaign cost \$29,000,000.

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Finally, before the Marines and Army landed, the Marianas Islands were subjected to tremendous air and surface bombardment, and this bombardment continued in support of our landing operations after the invasion was under way. All told, throughout the campaign, our Navy's ships and planes pumped about \$133,000,000 worth of bombs and shells into Guam, Saipan, Tinian, and their adjacent islands. The ground force shot up another \$19,000,000 worth of ammunition. I am sure every one will agree that the enormous Navy plane and surface bombardment represented money well spent because it leveled the enemy defenses and saved American lives.

This heavy and costly bombardment in the Marianas is merely one example of what Admiral King and General Marshall tell me is a firm American war policy. That policy is to save the expenditure of lives by the expenditure of ammunition and materiel. Such a policy requires huge sums of money - money raised in bond drives like the one now beginning - in order to give our Army and Navy and Air Forces the utmost in weapons and equipment.

The cost will mount. It will mount because now in this world-girdling war we are truly at grips with our enemies - in the forests before Cologne, at Metz, in Italy, on Leyte, in the Philippine sea. We are closing in on the citadels of the Nazis

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I know this Bond Drive will succeed. But the spirit in which it succeeds is as important as success itself. Let us go about this drive in a spirit which will warm the hearts and steel the wills of the fighting men on every front.

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*Army - M. G. - 11/20**Draft from
which reading
copy was made - 11/14/44.
(Barth #1)*

6th War Loan -- Opening Address
Secretary Morgenthau

War is the greatest and grimmest of human endurance tests. The side that wins, in the final analysis, is the side that is in there working and fighting at the end - the side with the stamina and the spirit to endure the long and terrible ordeal.

The present war imposes its test no less upon civilians than upon the men in the armed services. For no modern army can fight without full support at home. Victory goes inevitably to the side whose men and women, in and out of uniform, stick longest and most unwaveringly to the performance of their jobs.

Our enemies believed that the democracies were soft and decadent. They believed that we who had lived our lives in freedom would not muster the self-discipline or the toughness to stick out the long, hard grind until the end. They believed that somewhere along the line we would flinch and falter, that we would grow tired and slacken in our stride, that we would hesitate to pay the total cost of total victory.

Well, they miscalculated. They have found out from the Americans they met in France and on Leyte, and at a score of other bridgeheads, that there is nothing either decadent or soft about us. But perhaps they still cling to the hope that we who have been

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left safe at home will be lulled into complacency and will quit our job before we have completed it. If so, they are wrong about this, too.

I have been talking lately about our job at home with one of the great architects of our victories overseas - the Chief of Staff of the United States Army, General George C. Marshall. Before each of our great War Bond campaigns, I have gone to General Marshall and asked him to tell me something of the needs of our fighting forces ~~for~~ ^{to gain} the objectives immediately ahead - to tell me, in other words, what the men at the front expected of us here at home. It has always given me reassurance and inspiration to talk with him - reassurance because I have come away with a fresh certainty that those who have to bear the real brunt of this terrible conflict will do all that we expect of them - and more; inspiration because I have come away with a clearer understanding of the vital part our own efforts play in the tremendous job that they are doing.

What I am going to tell you about the current needs of our armed forces is not based on any amateur or armchair strategy. It comes directly from General Marshall himself. He has authorized me to report it to you.

There has been a fundamental change in the nature of the war, both in Europe and in the Pacific. A year or two ago we were attacking the enemy only on the periphery of his farthest advance. Each time we attacked, we had a single, limited objective. Today, in the east and in the west, we are closing in on the enemy's homeland. There is no limited objective now. The objective is total victory.

In Europe, we have embarked upon the final push. It demands a concentration of materials and of effort immeasurably greater than any we have yet brought to bear. The nearer we drive toward the enemy's heart, the costlier the war becomes. It requires, in its present phase, guns and tanks, trucks and bridges and pipelines and railroads in quantities far beyond anything called for in past offensives. The last barrage, that fearful tornado of high explosives which will knock, first Germany, and then Japan, out of the war, will make our previous expenditure of ammunition seem trivial.

We have moved into position for our final thrusts through a series of short, sharp blows. The last drive in Tunisia, for example, took only 18 days. Tarawa was captured in 10 days, Kwajalein in 8, Guam in three weeks, the Island of Sicily in a little over a month.

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But the war has now settled down to a sustained, continuous attack. And sustained, continuous attack is costly in supplies. For we must now blast the enemy out of heavily fortified positions to which he clings with the tenaciousness of despair.

Let me illustrate the difference for you in terms of the weapons and munitions and equipment consumed by General Eisenhower in the three campaigns through which he has ^{so brilliantly and so successfully} led our troops - Tunisia, Sicily and the Battle for Germany.

The whole of the Tunisian battle lasted 96 days and cost 88 mortars. It took 38 days to overrun Sicily where we lost 47 mortars. But in a single month on the German front we expended no less than 700 mortars.

A single month of combat on the German border destroyed 2400 of our trucks and jeeps - two and one-half times the rate of loss in the other two campaigns.

As we hem the enemy in, we naturally shoot more heavy ammunition. Last June, our 105 millimeter howitzers hurled a quarter of a million high explosive shells at the Germans. In September, just three months later, they fired a million and a half rounds - six times as much. Our 155 millimeter cannon during September flung more than 130,000 big shells at the German lines - a greater total than during the preceding three months combined.

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In the Aachen sector alone in two weeks last month, our artillerymen fired 300,000 shells from their 105 millimeter howitzers. This is at the rate of 900 big, high-explosive shells an hour - one every four seconds, day and night, for two weeks.

Now, remember this: Aachen is just a sample. A hundred other Aachens lie spread along the front from the North Sea to Switzerland. We have encountered the same thing at Metz. We shall have to encounter and overcome it at every waypoint on the long road to Berlin, ^{and Tokyo.} ~~And then, along the road to Tokyo.~~ There are no short cuts to victory and no bargain prices for the purchase of it.

Ever since our troops landed in Normandy on the sixth of June we have been able to supply them only through the battered, inadequate port of Cherbourg and by the use of floating harbors on the Norman beaches. This ^{bottleneck} ~~limitation of supply~~ has prevented the United States Army from deploying its full strength against the enemy. It is this factor, and no other, which has been responsible for the pause in our advance into Germany. We have had to wait until tanks and guns and munitions could be ^{put ashore and} ~~moved up to~~ our front lines.

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with help of our allies

But the handicap will soon be overcome. When the great port of Antwerp comes into operation, the tonnage of materiel shipped to American forces in Europe is expected to double. It is expected to be twice as great as it has been during October of this year.

And in the Pacific, the supplies moving to General McArthur must be half again as great as those he received at the beginning of the year. The Navy, too, must be given greatly increased quantities of ships and planes and shells for its final obliteration of the Japanese fleet.

These are the needs of the men on the firing lines. The nearer we come to victory, the greater these needs will be. And the more quickly we meet them, the more quickly can victory be achieved.

I know that Americans need no appeal to meet these needs beyond a simple knowledge of the facts.

The way for each of us here at home to meet them is through unceasing devotion to his job and through the purchase of war bonds to the limit of his individual ability. The Sixth War Loan offers to every American an opportunity to play his part in the great offensives now being launched against the enemy.

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There have been many demands made of you in the three long years that we have been at war. You have met all of them faithfully and generously. If you are tired now or feel that you have done your utmost, then think for a moment of the men in battle. Think of the men who come out of the foxholes drained of their last physical resources, cold and grimed and hungry, their nerves pulled taut to the breaking point by the incessant whine of bullets and the shattering roar of unseen high-explosive shells. And think of their response when they are asked to go into the firing line again - to find inside themselves new sources of courage and of strength and of endurance.

One indispensable source of spirit to these men is the knowledge that we at home are backing them up with all we have - with nothing less than the fullest consecration of our wealth and strength. *This is our endurance test as well as theirs.* Our response to the Sixth War Loan drive will be the vindication to these men of their faith in us. ~~This is our endurance test as well as theirs.~~

November 16, 1944
10:13 a.m.

HMJr: to tell you personally that I am not going to settle anything until Roy Blough is back here on Tuesday.

Roy Blough: Well, that's very kind of you, Mr. Secretary.

HMJr: And I'm being very serious and this is just a little way that I have of showing you how much I appreciate all you've done since you've been here.

B: Well, thank you very much, Mr. Secretary. The way we were talking -- Charlie Bell and Joe O'Connell and I the other day, I think probably something can be worked out that will be okay.

HMJr: Well, you'll have a day or days in court until you are entirely happy.

B: That's very good of you and I appreciate it no end.

HMJr: Because I need your services very badly and I want you to work under friendly and happy surroundings.

B: Well, thank you very much.

HMJr: So, we'll work it and don't worry and when we come back Tuesday, we'll have another talk and we'll keep talking until everything shakes down.

B: Good enough.

HMJr: Right.

B: Thanks very much.

HMJr: You're welcome.

B: Bye.

November 16, 1944
10:25 a.m.

WAR BOND SPEECH

Present: Mr. Gamble
Mrs. Klotz

H.M.JR: I thought you might want to say a word or two about this. I have Gene Duffield free, and he has just come through with something he says has never been in the papers before on the cost of one battle in the Pacific, one naval battle. But he says he has never seen this release before. It is the greatest detail. Mrs. Klotz was thoroughly impressed.

MRS. KLOTZ: It was interesting, and I followed it. Most times when he has figures in his speech they are meaningless to me.

H.M.JR: Did anybody tell you how my thing went over at OPA?

MR. GAMBLE: No.

H.M.JR: Inquire, will you?

MR. GAMBLE: I will. Let me give you this thought, and maybe you won't have to read that, but I thought I would have it in case you asked for something. The thought I think you could give to the press about the War Loan Drive is that we are better prepared than we have ever been in any previous drive. We have six million volunteers; there is great enthusiasm among our workers; we have wonderful cooperation from all the media; it is now up to the individual buyer, and we don't know, of course, what his attitude is; we think it is good.

H.M.JR: What are the two words that Dewey always used--bungling and confusion. Do you think it would be all right to say it, "Notwithstanding the bungling and confusion"?

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MR. GAMBLE: Oh, sure, it would be perfect.

H.M.JR: We are better organized.

MRS. KLOTZ: You said that recently.

H.M.JR: I said it in East Fishkill.

MR. GAMBLE: It would be all right to say it, because in every section of the country--well, you saw some of it.

H.M.JR: As a matter of fact, it wouldn't be bad to say that I went to a meeting in my own township and that is the level to see whether they are organized.

MR. GAMBLE: And you also went to regional meetings, and then to a meeting in the township, so they would get the impression you have been all over the country. And the people are ready.

MRS. KLOTZ: If you say bungling, some nasty person might play it up, "Even Henry Morgenthau, Junior, Secretary of the Treasury, admits it."

MR. GAMBLE: And they might, too, get the impression that someone had said that this particular program had some confusion and bungling in it, which they haven't.

H.M.JR: The series of speeches which I made certainly had the campaign in mind. I never heard any speaker do that on the war bonds. I guess we might just as well leave it alone.

MR. GAMBLE: Well, it has been non-controversial, but you could say without any equivocation, Mr. Secretary, that we are in the best shape we have ever been in.

Now, you have seen some of it, and I have seen it in thirty of our forty-eight States. We had a perfectly amazing meeting yesterday in Pittsburgh. We had three hundred and three bankers on the banker program present at this meeting, and they spent the entire day. They came from all over western Pennsylvania.

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H.M.JR: Stay behind afterwards a minute. Did you get my note?

MR. GAMBLE: Yes, sir. I called early. He was out of his office. I left word with his office to call me this morning. We are now preparing six hundred words, and they will be ready before the day is over. Also, we invited Mrs. Roosevelt, through Mrs. Morgenthau, to do one job. Mrs. Morgenthau thought the selection of the day was wrong. We wanted her on a special Thanksgiving program.

H.M.JR: Yes, I thought it was silly to ask the Roosevelts to do something in their home; they just won't do it.

MR. GAMBLE: The home part of it was just for their convenience, but it was a special Thanksgiving program for the people of the country.

H.M.JR: I don't think she got it that way; it was Mrs. Roosevelt giving something of the Roosevelt's home life on Thanksgiving day.

MR. GAMBLE: That is wrong.

H.M.JR: If you want her to, take two minutes and call up Mrs. Morgenthau, yourself, but the message was, "Would the President and Mrs. Roosevelt stop in next Thanksgiving day in their home and give the American people an insight into their home living on Thanksgiving day?"

MR. GAMBLE: Well, they had a full range of programs. NBC on Thanksgiving day is dedicating every program on the air to war bonds.

H.M.JR: Will you explain that, please?

MR. GAMBLE: Yes, sir, but I wanted you to know we are on it.

H.M.JR: I thought the most effective thing I could do was to read to them from Shirer.

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I was desperate yesterday. I had absolutely nothing. What's-his-name gave me just an absolutely flat job. He took this thing and God! I got Alan Barth off, and whoosh, "This is wonderful, this is marvelous; I can make a great speech of this thing," and he went right to work. Then Gene couldn't get anything out of the Admirals. The Admirals didn't come through. Well, he got them, and he said he, himself, has never seen figures like this before.

MR. GAMBLE: That is wonderful.

H.M.JR: So yesterday it was good you were out of town.

MR. GAMBLE: Well, I think what we ought to do, Mr. Secretary, if we first decided you were going to do this job and we had plenty of time so we wouldn't have imposed on Barth, to have him do it.

Now, fellows like Barth don't grow on trees; they are not easy to get, and I would almost rather see you plan your speeches far enough in advance that we can use that fellow.

H.M.JR: Somebody wrote a speech for Jimmy Byrnes in the Army.

November 16, 1944
10:30 a.m.

PRE-PRESS

Present: Mr. Shaeffer
Miss Chauncey
Mr. Gamble

H.M.JR: Is there anybody outside?

MR. SHAEFFER: Yes, about fifteen prepared to ask you about the Morgenthau plan and the tax program - Has John L. Sullivan resigned? - Are you in favor of pressing social security? - And have you resigned? I think that is about all.

H.M.JR: Well now, what are you going to say to these people? I resigned yesterday, and the President said, "I reappoint you." Should I tell them that?

MR. SHAEFFER: I don't know. It strikes me that the President should make that announcement.

MR. GAMBLE: Another reason I wouldn't do it is, there are half a dozen newspapers around the country that have been picking on certain Cabinet Members. They haven't been picking on you, but if you are the first fellow that is publicly reappointed, they might use you as a symbol and say, "Is this what the President is going to do, reappoint all these people?"

H.M.JR: Simply say, "That is the President's business"?

MRS. KLOTZ: Yes.

H.M.JR: Now, when they get on this Morgenthau plan, what I would like to say, unless you are all going to sit on me, is this: "This so-called Morgenthau plan is part of a series of memoranda furnished the President by State, War, and Treasury, but some disloyal person who had access to them took it upon himself to take a memorandum which

- 2 -

was furnished the Commander in Chief during wartime and showed it to some newspaperman."

MR. SHAEFFER: Flynn is out there. He is very friendly toward the plan. They all are, as a matter of fact.

H.M.JR: Now, would you say that?

MR. SHAEFFER: Yes.

H.M.JR: Of course, what I said to one of the people who I thought did it the other day is, "Some son of a bitch did it"--pardon me ladies--and I looked him right in the eye.

MRS. KLOTZ: I would like you to word it just that way.

H.M.JR: I would rather just say, "Some disloyal so and so."

MR. SHAEFFER: That is very good.

MRS. KLOTZ: I don't know.

You see one minute I think so, and the next minute I don't know, because you are saving that story; that ought to be a part of a lot of other things you give out. I don't know.

MR. GAMBLE: Have you thought about not saying anything for the record about the Morgenthau plan? It has taken an awfully good turn, Mr. Secretary.

H.M.JR: Just no comment?

MR. GAMBLE: I would almost rather let you see it take its course.

H.M.JR: Yesterday the President said that since the Kilgore Report came out, as far as he is concerned, what the public thinks now he doesn't care. He thinks the Kilgore Report was so wonderful on this thing.

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MRS. KLOTZ: You haven't talked up to now, and because you haven't the criticism has been so favorable to it.

MR. GAMBLE: And I think you have gotten the respect of the people for holding your counsel.

Herbert and I talked a bout it. You know, you suggested that we talk about your three suggestions, and we did talk about it. We more or less thought that this was taking such a good turn that anything we might try to do to help it might hurt it rather than help it, and it might be smart at the moment to do nothing about it. And I am satisfied in my own mind that that is the best course.

H.M.JR: I don't want to show that it has gotten under my skin.

MR. GAMBLE: I would just very smilingly say, "I would rather not discuss it."

H.M.JR: I will say, "You people have all discussed it so much, why should I?"

MR. GAMBLE: You couldn't answer all the things that have been said about it in a week.

MR. SHAEFFER: That would be consistent, because you have never discussed anything that happened between you and the White House.

November 16, 1944
11:10 a.m.

AMERICAN STEERING COMMITTEE - BRITISH LEND-LEASE

Present: Mr. White
Mr. Acheson
Mr. Casaday
Mr. Collado
Mr. Currie
Mr. Cox
Mr. Angell
Mr. Coe
Mr. Davidson
Mr. Fedder
Mr. Havlik
Mrs. Klotz

H.M.JR: What I did - they asked me about it, and they asked a question something like this, "How are you getting along with the loan to Great Britain?"

I said that there was no loan, and as far as I knew there was no statute under which we could make a loan.

They said, "Was it five billion dollars?"

I said that the British Government and the United States Government had under discussion, as an outgrowth of Quebec, extension of Lend-Lease after the fighting in Europe stops, in order to continue the war in the Pacific, but that the thing was purely in the discussion stage. That is all I told them.

Then they asked something about this export. I said, "Well, some newspapers wrote a wholly erroneous statement on the export, and I think the people who wrote it knew it was erroneous at the time."

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MR. COX: Well, read Krock tomorrow!

H.M. JR: They said, "Do you mean Krock?"

I said, "I never mention names, or reporters, or newspapers." And I never do. So Crider spoke up and said, "Well, nobody denied it before."

I said that I knew Mr. Krock was told he was wrong that same morning.

He said, "Nobody has publicly denied it."

I said, "I am publicly denying it, then."

That is all. I got off that easy. I don't know whether it was right or wrong, but I was awfully good on everything else, but I just did have to get that off, that he knew it was erroneous when he wrote it.

I don't know whether you agree, Oscar--

MR. COX: I don't know whether he did or not. That is a mental operation.

H.M. JR: Anyway, these people come on the radio and write everything they want; I ought to have the same privilege at a press conference.

Somebody said to me this morning, "You are not fair to me."

I said, "Since when does a person have to be fair in Washington!"

I don't think I did it any harm. I did hit that export thing awfully hard, and did hit that there is no loan, and that the thing is wholly within the discussion stage, and it didn't get into who was here on the Committee, or who took part - any of that. I will make available what I said. I think it was all right.

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The only person I don't think will like it is Mr. Krock, and that is too damned bad. I don't like what he says, either!

Now, at your service.

MR. WHITE: What I would like to do is to review very quickly the progress that has been made, and then come to the specific problems for your consideration. On the unsettled items, what is first is the question of the export policy - the British White Paper. Let me set that aside for a moment and I will come back to that.

The next item was the question of food, and yesterday Keynes complained a little bitterly to me that the FEA had abandoned its position, or was trying to put something over. Anyway, he was quite upset about it; and inquiring this morning from the FEA I am informed that the food matter is settled and agreed with with the British, and Keynes just didn't happen to know what he was talking about on that particular thing.

MR. COX: Wait a minute, Harry.

MR. WHITE: Davidson just told me.

MR. COX: We have agreed on the American side, but they still want the principle of the pre-war standard.

MR. WHITE: Then you had better go on and expound the whole situation.

H.M.JR: May I just ask this question, because it is a rather startling statement? I thought that that very important memorandum of Mr. Davidson, shown me yesterday, was from Lord Keynes.

MR. DAVIDSON: Yes, sir, it was. However, our computations, scheduled as to the amounts that we put in, were not determined as of yesterday, and have only been determined since that time. We have agreed to put in

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sufficient money to meet the British requests in one way or another. We are going to take issue with the question of principle.

It is my own feeling, and I think we all believe, that from what was said in Keynes' note yesterday, that they will be satisfied with that, because my own reading of that note leads me to believe that it will be acceptable to the British, but they haven't yet seen the document. We are agreed on the American side.

MR. WHITE: I gathered from Keynes' remark - and he will speak for himself, unquestionably - that he does not like the statement of principle which FEA has announced; but whether he will be satisfied with the fact that you are giving him whatever they ask for financially, or not, I don't know. But he will speak for himself.

H.M.JR: Now, wait a minute. Isn't Keynes satisfied with this document which the British Mission sent us?

MR. DAVIDSON: There is some question of interpretation, I gather, of that document. The reading we had yesterday seemed to me, and to all of us, I thought, perfectly clear that we were not agreeing in principle at this time, that it would be subject to the decisions made later by the proper allocating authorities, and that we were merely agreeing to put in sufficient money.

MR. WHITE: That is true. He accepts that. That would satisfy him very definitely. But he said, in addition to that, that the FEA has stated that under no circumstance will you agree to finance increased food consumption that is more than half way between the pre-war and--

MR. DAVIDSON: That has been resolved since yesterday.

MR. COE: We have abandoned that - FEA.

MR. WHITE: That is what I say; I just heard that you have abandoned it and you will be in agreement.

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H.M.JR: What did they abandon?

MR. COE: A proviso on meat and certain other short things, that we would only finance up to three-quarters of the way back to pre-war. Now we are willing to finance all the way back.

MR. COX: If the supplies are available.

MR. COE: Of course.

MR. WHITE: It was Keynes who objected to what they have abandoned, so it is all right now.

H.M.JR: He objected to the point which they have subsequently abandoned.

MR. WHITE: So that is clear.

MR. CURRIE: I think I had better elaborate, that in the itemized program of fats and oils, and the carcass meat, there only is amount sufficient to go three-quarters of the way back to the pre-war standards from the present levels, but at the end of the program we will have the contingencies, I figure, but no items opposite of money which would be available to finance the additional, if the supplies were available.

H.M.JR: I am just a simple apple-grower; one man says you have abandoned it, and what you say is that it is still there.

MR. CURRIE: I was just elaborating.

H.M.JR: What these gentlemen on the left said was that you abandoned the statement that you were only willing to finance up to three-quarters of the pre-war standard; that has been abandoned, and you are willing to finance all the way up, provided the meat is available. Is that correct?

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MR. CURRIE: It is not related to the meat or any item now. We are putting in a final supplementary item, just a dollar figure, which if the supplies were available could be used to raise the whole program slightly to the pre-war level. But the itemized program, as you go down the list, only specifies the three-quarters of the way back to the pre-war.

H.M.JR: Keynes is satisfied with that?

MR. CURRIE: I don't know.

MR. WHITE: That is a new wrinkle.

MR. CURRIE: That happened this morning at nine-thirty. You really ought to meet continuously.

MR. WHITE: We have been!

H.M.JR: When were these side wrinkles put in?

MR. WHITE: Must have been between midnight and eight this morning.

MR. ACHESON: They have done it in two bites instead of one.

MR. COLLADO: The second bite is over-all - not itemized.

MR. ACHESON: He doesn't insist that you subscribe to that particular Paper that he handed in as long as you get a total amount of money in.

MR. CURRIE: If he raises that point with you, Mr. Secretary, as he may, to interpret the correct agreement, as providing for a moderate **easement** as meaning the complete restoration of the pre-war diet standards, as a matter of principle, that may give you some difficulty because I don't think we could go along.

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H.M.JR: No, let me just say what is in my mind; that is that we would increase the amount of food to the British public over what they have been getting in this year.

MR. WHITE: That is right. Nothing was said about the pre-war standard.

MR. CURRIE: And in that document you read yesterday he is interpreting this "moderate easement" as meaning full restoration.

H.M.JR: Never heard it until this morning - or have I?

MR. WHITE: No.

MR. CURRIE: You read the document.

H.M.JR: At Quebec that was never mentioned; simply that these people, after four or five years of war, were so tired and so exhausted they needed more to eat, which I am wholly in sympathy with. That was all; there were no general terms.

MR. WHITE: I thought if they had gone back to their pre-war standard they would take a cut in their food. They are supposed to be eating more food than they were before the war. however, that is academic.

H.M.JR: It is academic until you sit down at the table.

MR. WHITE: Well, the people who ate well are eating much less well; the people who ate very badly are eating better.

H.M.JR: But I think the standard for the children is now above the pre-war standards.

MR. COX: And for most of the people.

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MR. WHITE: That is good, unless there is something important that you want to add.

MR. COX: I want to add one footnote that always ought to be kept in mind, that is, the Russian food program for Russian soldiers is being cut fifty percent presently by War Foods. It is going to be tough to get food for the liberated areas, so you just have a practical problem, probably, for all of '45 in terms of U.S. production.

H.M.JR: Talking just as a member of Mr. Roosevelt's Cabinet, I think before it should get out in any kind of a way, I do think he should have a chance to know about it.

MR. CURRIE: Mr. Secretary, on that same point, and the one we were discussing yesterday of the current allocation being made, recommended by the War Food Administration, which cuts the allocation of meat to the British one-seventh of what they are getting, I believe it is, we are having a paper prepared for you today which will come over today stating these facts which you may or may not want to take up with the Committee.

H.M.JR: You mean you are giving them one-seventh?

MR. COX: Of what they are asking for, and the Russians one-half.

MR. COE: I think what Oscar was saying yesterday, and where there was some dispute, it does add up to the fact relatively fast that War Food has to be cracked on this because they are taking impossible positions.

H.M.JR: Mr. Roosevelt hasn't asked me to do anything about the Russian thing, but if in any way it could be brought to my attention so I could do something about it, I would like to, because I think it is one of the stupidest proposals, from a military angle, I have ever heard of. It is no secret that we had hopes that they will come in and help us lick Japan. Well, there isn't much

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incentive for them to come in if as a reward we are going to cut half their meat.

MR. COX: No, but they are cutting the protocol requirements by fifty percent, so what it means, in effect, is that as far as we know that you miss meeting the protocol by fifty percent.

MR. ACHESON: When does this get into the Protocol Committee, because we had a meeting of the Protocol Committee?

MR. COX: It should have been in before. Fortunately, our people got this thing thrown back into subcommittee for a week.

MR. ACHESON: This has not come to the Protocol Committee.

MR. COX: No, and I think that Committee ought to get it.

H.M. JR: White, are we on the Protocol Committee?

MR. WHITE: No.

MR. ACHESON: Harry Hopkins is the Chairman.

MR. CURRIE: But you come into it very much in this program, Mr. Secretary.

MR. COX: They are related questions.

H.M. JR: Now it is one-seventh?

MR. COE: Proposed allocation for the first quarter.

MR. COX: For the whole year.

MR. ACHESON: Just meat alone? What relation does that bear to a similar quota?

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MR. DAVIDSON: It is about a fourth.

MR. WHITE: How much does that mean you will have to cut their meat consumption?

MR. COX: As against '44, by three hundred and some odd thousand tons.

MR. WHITE: What is that in terms of percent?

H.M.JR: Could I get a memorandum from you of how much meat they have been getting in England and Russia - not in percentage, but in pounds?

MR. CURRIE: I will get that for you this afternoon.

H.M.JR: Now, what else.

MR. WHITE: The next item is oil which they raised this morning. If you will describe the oil agreement briefly, Al--

MR. DAVIDSON: The chief problems with respect to the oil program related first of all to stocks, and second of all to British exports of petroleum from the United Kingdom.

With respect to the stock problem, we have reached an agreement that we will be free to control the supplies that we provide during 1945 in order to bring stock levels down, but that, of course, we will try to reach mutual agreement as to what the proper level of stocks is. That has been agreed to by the British oil people.

The second problem relating to British exports of petroleum from the United Kingdom is involved with the question of proceeds; who gets the proceeds and how much. In the past we have been getting the proceeds of all petroleum shipped from the United Kingdom to non-sterling areas, and with respect to the shipments to sterling areas, they have only been permitted to ship with our consent, and we have, of course, only consented where it supplied a vital war need.

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It is proposed that that agreement continue. The only modification of the principle is in connection with the level that stocks may reach; if they decline to a point where we believe they would be more reasonable than they are at the present time, we have agreed that we will not demand the full proceeds, but only get the proportion which the United States supplied in relation to the total supply available in Britain. And that has also been agreed to by the British.

MR. WHITE: Then the oil program is completely agreed?

MR. DAVIDSON: That is correct.

MR. WHITE: Now the shipping, Lauch--

MR. CURRIE: We had complete agreement with the British on the shipping program except for certain coastal ships which we had undertaken to supply them. And we had made a proposal that those coastal ships which would be used in the Japanese war we would lend-lease them and those that would be used in the European war, coming off the ways in the spring, to take on the 3-C agreement.

They declined to do that; we then went to the War Department to see whether they would take these ships being used in the European war. I got a call from my people saying that not only would the War Department be delighted to take those, but they wanted all of them. They went into a meeting this morning with the British shipping people and that will be communicated to Keynes right away; and I don't know whether or not he will agree to that, but we can't help ourselves very much if the War Department wants them. That may come up this afternoon for further discussion.

Apart from that we are all fixed on the ships.

MR. WHITE: That leaves two items.

MR. CURRIE: No, the raw material program, the miscellaneous industrial commodities - that has been agreed upon. That should be ready today.

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MR. WHITE: Then that leaves the export policy and Chapter 3?

MR. CURRIE: No, it leaves the Dominions and India, and the reciprocal aid question.

MR. WHITE: That is in the Dominions, isn't it?

MR. CURRIE: The last check is that we have pretty complete agreement with the Dominions and India. One remaining item they were working on yesterday is steel.

MR. WHITE: And the reciprocal aid program is raised in a letter from Patterson to you, of yesterday, which we want to bring up for discussion later because it isn't satisfactory.

So then I will very briefly describe the export policy. In the main, it might be said on the major points there is agreement on it in the American group, and we think there will be agreement with the British that the position they are now taking will be satisfactory to them, though there may be a couple of minor points which will continue to give some trouble; and there still remains to be worked out the final formulation of the document.

But the major question which Oscar raises, and which we need to focus on, is this one. When we started the discussion of a change in export policy we started with the understanding that it applied to Phase II, the end of the European war. They presented a definite date of January 1. We took that date hypothetically; we said, "All right, let's assume it is going to stop January 1." As the discussion proceeded they froze that date saying that that was the date that they had to have, whether the war ended or not, that they had to have a specific date according to which their exporters could plan, and they felt that January 1 would be satisfactory, though they had at first wanted December 1.

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Now, the point that Oscar raises is this one, that if the change in policy were publicized here as a change which was initiated in the end of the European war, it would be a simple matter at home, it would be recognized as a reasonable alteration in the policy.

If, on the other hand, the date at which the British are to announce a change in policy would be as of January 1, and the war is not ended by January 1, that there would be political objections in this country to a relaxation - an apparent relaxation, though, in effect, it wouldn't necessarily mean that - of the export policy at a time when both they and ourselves should be devoting full efforts to the prosecution of the war.

Now, the British will be pretty adamant on the specific date. I say they will be adamant - as a matter of fact, I personally don't see they have any choice. If you object, the worst they can do is to refuse to accept Lend-Lease, but the question as to whether the political objections to giving what they want are too great to make a fuss about it, is the issue.

H.M.JR: I would like to make a statement here for the benefit of all of you. Mr. Stettinius called me up this morning. We had quite a long talk and he was explaining why he couldn't be here tomorrow, and made his apologies. He raised one question and made one suggestion. The question was, do we have to push the barrel over the waterfalls before they leave - conclude the thing definitely? The other thing was, he thought that before we got too much of a definite agreement, that somebody - he mentioned Oscar Cox - ought to go up and see the members of both parties of the Committee on Appropriations and tell them a little something about this thing and get their reaction before we go too far.

I thought that was an excellent suggestion, that before we go too far, that we do sort of tell whoever the legislation is going to come up before.

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MR. COX: House Foreign Affairs and Senate Foreign Relations.

MR. WHITE: Currie and Cox have taken that position. I think State Department ought to be with them.

MR. COX: We all ought to be together.

H.M.JR: But I think that before we commit ourselves too far, that that is a good suggestion. And then I take it that everybody present here can keep his mouth shut, or else he wouldn't be here. The Committee has to wait on Admiral Leahy to explain what we have done so he in turn can explain it to the President.

MR. WHITE: I haven't talked to them about it yet.

H.M.JR: I gave the President that report yesterday and the President always, the first thing, wants to know what about ships - what kind of ships. Well, I couldn't tell him. So he asked me some other questions and said he would like to know more about it. So I asked him if it would be agreeable to him if I explained it to Admiral Leahy. He said wholly. I stopped in to see Admiral Leahy, and his only interest was, are we making any commitments that will go beyond the duration of the Pacific war? I assured him we wouldn't, which was all right as far as he was concerned. But I thought that somebody from State, FEA, and Treasury, plus a general and an admiral, ought to call pretty promptly - if possible today - on Admiral Leahy. But he said he wanted a memorandum which he could speak to.

I gather this thing hasn't seeped up to the Chiefs of Staff; they knew nothing about it. I don't look for any trouble, but the thing ought to be done. So that is another reason why we can't commit ourselves too much until first we sell Admiral Leahy. I don't look for any trouble. His only worry was, are we going to give them anything which they want after both wars are over. Evidently he had heard - and I had heard - of some battleship coming over here that is going to cost a lot of money.

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I said, "If it is, it hasn't come to us."

Forrestal mentioned weeks ago that they had a big program. I asked him for it and he said it didn't come. I didn't think it was up to me to follow up. He said he wouldn't do anything without sending it over here.

But I am just for a minute mentioning my conversation with the President and Admiral Leahy, and then the conversation this morning with Mr. Stettinius. So I think we are going to have to, so to speak, drag our feet a little bit as to when to get down to a joint paper, or whatever it was. They didn't say "joint"; they want to submit their report to Churchill to us for approval. Then I think the thing on the Hill should be done.

MR. WHITE: I think that Keynes can come back from Canada if you have some time between. What is the final date as far as you are concerned?

H.M.JR: I am going down to spend Thanksgiving with my son and his wife. I am going to take a week after that and I am not coming back to see Keynes or anybody else.

MR. WHITE: After that?

H.M.JR: I will be back the week after Thanksgiving.

MR. WHITE: The boys in FEA have been complaining that they are pushing them too hard for the magnitude of the problem. I don't see why it is an impossible request to ask Keynes to come back. By that time many of these things will be ironed out.

H.M.JR: Been giving them the Bretton Woods rush?

MR. COX: Yes, that is our old Bretton Woods fullback.

MR. WHITE: He is turning the tables, this time!

H.M.JR: Well, I am just thinking out loud, which I think I can in this group. I am keeping you people posted

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as to what happened yesterday noon and afternoon, and this morning. But I think the Congressional thing is very important.

MR. WHITE: Then do we still have instructions to push ahead and try to wind up by Saturday?

H.M. JR: Yes, I would like to carry out the thing. At least we have reached a point where we know what we can or cannot do, and I think we might just as well go full steam ahead. Lauch looks a little pale, but Oscar doesn't.

MR. COX: I think you have to move ahead, because you can't, for example, go up to Congress for their advice unless you know pretty clearly what you want to do, because the minute you open it up--

MR. COE: Mr. Secretary, Admiral McCormick of the Navy rang me the other day and asked me when this stuff would descend from being "Top Secret." He said that they had this schedule for 1945 now, and that is the one that they thought there was no question but what they would go along on, and it was an awful nuisance having all the papers held in, and what was the next step, according to the protocol?

I said I thought this wasn't agreed until it was submitted by the Committee to the President and the Prime Minister; however, they would get as far as they could on a planning basis and use their own judgment as to whether on concrete steps they had to make them according to this document or not.

H.M. JR: You had better tell him to go easy, because he happens to be in the one field the President is interested in. He better hold his horses until Admiral Leahy and the President have a look at it. Just as soon as he saw ships, that is his meat, and he wants to know what it is.

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But I don't want to be misunderstood. I think we ought not to slow up any, and try to get just as far as we can. It is only another day.

MR. CURRIE: I think we can get you these major programs, but the Chapter 3 items and the commercial policy thing are both very difficult things which I hate to rush through at the very last minute, because I think it needs a good deal of thought and consideration.

H.M.JR: They haven't come to me yet, Lauch.

MR. WHITE: They will this morning, Mr. Secretary.

H.M.JR: I am going to stop at twelve o'clock, gentlemen, but I am available this afternoon.

MR. COX: This point Frank raised is a very important one in the light of what the Secretary said, because this is no longer a Stage II program, you know, even on the munitions. It has become a program for the year '45. Now, the productions may, in part, be effective - they have to act fairly quickly on the Navy stuff.

H.M.JR: Tell that to Leahy.

MR. WHITE: The character of the negotiations has changed. It is a '45 program instead of the first year of Phase II.

H.M.JR: Tell that to the Admiral.

MR. WHITE: All right. Did you have any reaction, then, as to whether it is politically necessary to convert this export policy into a VE-Day or whether it can be January 1? Do you want to state your case?

MR. COX: I would only like to add about three sentences.

H.M.JR: He asked me a question.

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MR. WHITE: Oscar can restate it.

MR. COX: I only want to add about three sentences. This thing started out as a Stage II problem, and this is an emotional issue which goes to straight politics. But emotionally and psychologically, nobody knows when the war is going to end on the European phase. The British have their own local political problems to get going and be able to start the planning on the exports as much as possible.

We have, I think, oversold the reconversion thing, and at the same time are reversing the field in trying to create the impression now, which I think is sound, that the war isn't over by a long sight in Europe, and you certainly have to get your production moving to the full hilt.

Now, obviously, they have got to play up the January 1 day, and the way, to my mind, it may hit the public, is - "What is all this great noise and to-do about the British exporting from January 1 on, when our fellows are getting killed and we can't get supplies for civilian purposes as well as we got before" - because you may, in this whole picture, get more severe rations--

H.M.JR: Oscar, I can answer you - if you don't mind my interrupting you - I think certain things that have happened, and I think the President is going to feel that way from things that he said yesterday - I think the thing will be VE-Day and not January 1.

MR. COX: That is what I would argue for.

H.M.JR: If you are asking me how I feel, that is it. And if Mr. Churchill makes a few more speeches like he did in Paris, it may not even be VE-Day. So I think you will find he will want it VE-Day and not January 1. That has nothing to do with - like the Navy and the Army--

MR. COX: All I am trying to present, Mr. Secretary, is that that is a matter of political judgment.

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H.M. JR: I would say VE-Day.

MR. WHITE: Dean, do you want to present your view on that?

MR. ACHESON: Yes, I certainly do. It is very hard for me to understand whether Oscar is talking about the statement of the thing - how you state it - or whether he is talking about the technical decision which is made, because we get on this thing about emotional attitudes towards things. The thing I am talking about is not how you state it; we can state it in any way that it is desirable to state it. The point I am talking about is what we decide.

Now, the British wanted to be released from certain of the White Paper obligations as of December 1. What we finally worked out was that all the materials which went in, of any sort of exports the British were going to have, would be cut off Lend-Lease on January 1, bang! No more raw materials which go into their exports, on January 1.

Now, as of that date, they ought to be relieved from inhibition of export. That doesn't mean they are going to export; they have said over and over again that they are not going to export until their manpower is released from the war.

But the decision we ought to make is perfectly clear, and we will be in another three-weeks debate here if we say to the British, "Beginning January 1 you get no more materials of any kind, such as steel, iron, all these materials which go into your exports; but you cannot be released from the White Paper until some indefinite date in the future."

Now, that is going to make it impossible for them to present this to the House of Commons.

H.M. JR: I think Oscar can answer you.

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MR. COX: My point is that whatever the decision is, I think, obviously, we can all make the best case, or at least try to make the best case that is available, but on this specific point it seems to me the two ought to go together; that is, that the stuff ought not to be taken off Lend-Lease; if you pick the VE-Day, that they both ought to go off at the same time, unless you want to have a gap period there.

But my only point is a matter of politics, and it is just my guess that no matter how you present it, if you pick the January 1 date, even if you do the best job in the terms of context of American public opinion, if the war should be going on when the announcement is made as of January 1, the public will have a great deal of difficulty understanding all this hoop-la about exports when the war in Europe is not over. Just the same as if we announced a reconversion program on January 1 and had a lot of conditions in it, the public would have greater difficulty than they would if we said we had a reconversion program that begins after VE-Day, which is a certain indeterminate fact in that you can't predict, but it means when the German resistance is over.

MR. CURRIE: It is my distinct understanding that the British are prepared to cut off all these industrial raw materials January 1, regardless of the course of the war. That is the impression I have at the moment.

MR. WHITE: That is right.

H.M.JR: It isn't quite clear in my mind. I mean, if we stopped furnishing them with these raw materials, are they going to buy them?

MR. ACHESON: Yes, as of January 1.

H.M.JR: Does that also mean - does it necessarily relate to the export?

MR. COX: Yes.

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MR. ACHESON: But if they do buy them, then they say they ought to be free to export. Now they say, "We are not going to export because we will have to be working on the war, but as soon as the war is over, we want to export." They want to go out and get orders and make plans, and so forth.

H.M.JR: Then if we say no to them then we are in the impossible position of saying that we don't want to be paid in cash, we want to lend-lease after January 1.

MR. ACHESON: That is right.

H.M.JR: That doesn't sound very good.

MR. COX: You have to tie the two things together; one is if they get them on Lend-Lease then you have certain additional restrictions as to the commercial exports of those things, so that they will get a much smaller amount where they can't export, under existing conditions, the Lend-Lease articles themselves or substantially similar articles. If they pay cash, in the reality of the situation, they will, in effect, be limited by short supply and the allocation machinery. So that is a practical matter; if the war in Europe is still heavy, they won't be able to get very much and export very much.

H.M.JR: Oscar, I think that you and Dean ought to get together and argue this a little bit more, privately. Do you mind? See if you can't get together.

MR. COX: That is all right.

H.M.JR: I think you want to accomplish the same thing, but--

MR. WHITE: Then we will leave the export policy and go to Chapter 3, which is the major remaining item - and reciprocal aid of the Army is the second.

H.M.JR: Why do we always get down to the last ten minutes on this? Yesterday it was six minutes.

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MR. COX: Harry, will you talk long enough for me to eat an apple?

H.M.JR: He can talk long enough, but can you keep quiet?

MR. WHITE: They have tentatively agreed, they haven't thoroughly cleared, amounts around one hundred and twenty-five million dollars - twenty-five million a month, more or less; there is another one hundred and fifty million dollars of -. I was going to say odds and ends - for various items which they are in the process of considering and for which they will need a good deal of time to go to the bottom of some of them. It would be most unlikely that they will get anything like the maximum. That leaves three major items, on which no agreement has been reached, and which I think further discussion at a lower level will not be very productive.

H.M.JR: May I interrupt you, Harry? The ones that have to do - which you tell me that everybody agrees - that RFC owes them - why don't we in some way or other bring the RFC into the thing and tell them that we have examined this thing, it is a contract - which it is - they owe them the money, and this is as good a time as any to pay it?

MR. WHITE: We propose to do that.

H.M.JR: I wouldn't wait too long because Mr. Jones doesn't move too fast.

MR. WHITE: All right. We can draft the letter on both items tomorrow.

MR. DAVIDSON: We have letters ready.

MR. WHITE: Who is going to sign them?

MR. DAVIDSON: If you would like to sign it, that is fine.

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MR. CURRIE: We have already had a very formal exchange of letters with Jones on these two points.

MR. COE: I think if we send our letter, and you draft one for the Secretary--

MR. WHITE: You show me a draft of the one you have written.

H.M.JR: It could be signed by the Committee - State, Treasury, and FEA.

MR. WHITE: Now, the three items which, as I say, I don't think any more discussion at the lower level is going to be fruitful - and to be delicate, we are dumping it in your lap at this stage of the game - one is the tobacco; two is the off-shore sugar - the tobacco has been increased to one hundred and ten million by virtue of cutting down certain other items--

H.M.JR: I want somebody to tell me, is the cigarette shortage due to labor, or due to the amount of tobacco in storage? I think that is important and we ought to have a memorandum on that. My impression is there is plenty of tobacco, but we don't have the people to make the cigarettes. I am also under the impression that the tobacco is shipped in leaf form to England.

MR. COX: No, most--

H.M.JR: Sir Robert Sinclair said, didn't he, Frank, what they wanted is leaf tobacco?

MR. WHITE: For civilian uses.

MR. COX: That is the supplementary thing, but the tobacco which is being supplied now is in the form of tobacco and cigarettes for the soldiers. Now we are going to have the civilian--

H.M.JR: I think you ought to have a little one-page memo saying what the leaf tobacco situation is in this country.

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MR. COE: There would still be objections, though, Mr. Secretary. I think it is our position that almost irrespective of the facts, if we say we are lend-leasing tobacco to civilians, misrepresentations will get around which will be very hard to check.

H.M.JR: Frank, when these gentlemen go up on the Hill, that is one of the things they can ask their advice about - how would the Hill feel about it.

MR. COE: All right.

MR. ANGELL: There is no manpower for curing tobacco. It isn't only processing.

H.M.JR: And how does the Hill feel about off-shore sugar.

MR. WHITE: Then on those two items you would like to get the reaction of people on the Hill?

H.M.JR: Yes. I can be convinced--

MR. WHITE: They amount to about two hundred million dollars - both of them.

H.M.JR: But I don't feel about those two items the way I feel about the airplane contracts.

MR. DAVIDSON: I don't think there is much question that if you put those items up to the Committee they are going to turn you down. It seems to me that - I can not envisage the fact that they would tell you to go ahead on those two items if you bring those up to them.

MR. CURRIE: That is pretty significant in itself, isn't it?

MR. WHITE: Unless you made a very strong case of their financial position.

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H.M.JR: Mr. Davidson, the Hill is funny; if there is a large supply of tobacco leaf on hand in North Carolina and Virginia, you will get support - if there isn't, you don't.

But aside from that, some one item like this, if they feel uncooperative about it, the whole program might fall through.

MR. DAVIDSON: In the first place they, like ourselves, will not particularly want to step up and take responsibility for what is being done.

H.M.JR: Yes, but if this is going to be dumped in my lap for me to advise the President, I definitely want to know how the Hill will feel on those two items.

MR. COX: I think that is right, Mr. Secretary, but I think it is dependent on the point you made about tobacco. If you know the facts and know what position you want to take with the Congress - I mean, you just can't go up there--

MR. WHITE: We asked about those facts at least two or three weeks ago. I guess some of your men are still getting them.

H.M.JR: I could call up Marvin Jones and get them in a half hour, I hope!

MR. COX: You have to know in advance if you go on the Hill, and be pretty firm about what you want to do, because they won't take the responsibility if you leave it up to them cold.

H.M.JR: Now, does anybody in this room want to stand up and fight for reopening the airplane contract?

MR. WHITE: All of them - all except Maxwell.

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MR. CURRIE: Except on this condition, Mr. Secretary, you wanted to pick on one item - of helping the British balance. We feel that item would be less vulnerable than the others. For us to put sugar back at this time we can explain it on no other ground than doing that to preserve the British balance.

H.M. JR: I don't think you can get General Arnold to budge one inch on that thing. You see, you people, I don't think, lived through that thing the way I did. Dean did - I think he probably could convince the Army.

MR. ACHESON: I was around in '42; I think that is when we were talking about it. We did one item, you remember, of some eighty million, which is just like this.

Could we look at the thing from the point of view of what we are trying to do here? The British Paper, on the basis of the requests which they have made, cut down as they are, claims that their position will deteriorate - the foreign exchange position will deteriorate - beginning at the last quarter of '44 to the end of '45 by six hundred million dollars.

Now there is scepticism among those who know about this, whether that will really happen. Harry, I think, guesses it will be nearer one hundred and fifty or two hundred million, sloughing off. But it is somewhere in between those two figures.

Now, the most that we are able to get out of Chapter 3 is a little over a hundred million dollars.

H.M. JR: In what way?

MR. ACHESON: Of cash payments, or removing cash payments. So we can squeeze out about a hundred million. Now, if Harry is right there will be fifty million to a hundred million deterioration, which we wouldn't have covered; if the British are right there will be five hundred million.

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Now, there are only two groups of items that really have any promise in them at all - or come nearer doing something; one is the airplanes, which is two hundred and fifty million, and the other is this tobacco and off-shore sugar coming to about one hundred and seventy million.

If you allowed either one of those items you would take care of whatever deterioration there was going to be, and you would accomplish what you said when we began these meetings, that we wanted to bring them to the end of '45 in as good shape as possible without having them suffer. Now, that is the point.

We either don't do it, or we have to pick one or the other of these two items.

H.M.JR: Well, let me ask you - I am not going to answer you now - I don't know why it seems we are always dodging the thing and leaving it to the last part of the meeting. I would like to start the next meeting, whenever it is, with this discussion. Now, when can we meet again?

MR. WHITE: Two-thirty or three?

H.M.JR: Three o'clock would be perfect for me.

MR. WHITE: Why don't we postpone meeting the British until tomorrow morning? We ought to have a meeting with you (Currie) here. By then you will have your reports on the food and oil in written form that could be presented tomorrow.

MR. CURRIE: Yes. There may be kick-backs from Keynes this afternoon, both on the food and on the shipping.

MR. WHITE: Don't you think, Dean, we could more profitably spend that time at this meeting than with the British?

MR. ACHESON: Yes, if we could get a decision on these points; then we would not argue with the British any more, just say, "This is it."

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MR. WHITE: Then we need more time. If you want to discuss the planes this afternoon, then we ought to have the Army.

H.M.JR: I have plenty of time starting at three o'clock.

MR. WHITE: Then suppose we call off the British meeting.

H.M.JR: Will you call Admiral Leahy?

MR. WHITE: We will try to get him at two o'clock or two-thirty.

MR. ACHESON: Do you want to talk with him before you have these items finished up?

MR. WHITE: Maybe we could see him tomorrow morning or at five o'clock - preferably tomorrow morning, I think, because the more we can tell him--

H.M.JR: I know he goes in to see the President in the morning.

MR. WHITE: Suppose you get in touch with him and find out, but we will need a little time.

H.M.JR: I will do it now. I will ask him how early in the morning you can see him.

(The Secretary places a call for Admiral Leahy over White House phone)

H.M.JR: (Over telephone) Will you let Mrs. Klotz in my office know? I thank you.

She suggests nine-thirty.

MR. COX: He is Secretary of State today, in case you don't know it!

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MR. ACHESON: So I won't be able to go to too many meetings.

H.M.JR: Well, do you want to come back at three?

MR. ACHESON: Oh, yes, I will come back at three.

MR. WHITE: Is the date set or will you verify it?

H.M.JR: She will verify it.

MR. WHITE: Don't you think we had better call Patterson and Forrestal and find out whom they want to go?

H.M.JR: That is right.

U.S. Committee on Mutual Lend-Lease Aid
Between the U.S. and the U.K.

Minutes of Meeting held in Secretary Morgenthau's
Office, U.S. Treasury Building, on November 16, 1944,
at 11:10 a.m.

Present

Secretary Morgenthau, Chairman
Mr. White
Mr. Casaday
Mrs. Klotz

Mr. Acheson
Mr. Collado
Mr. Fetter

Mr. Cox
Mr. Angell
Mr. Davidson
Mr. Havlik
Mr. Coe, Secretary

Press Reports on Phase II Discussions

SECRETARY MORGENTHAU stated that at a press conference he had made it clear that the British Government and the United States Government now had under discussion lend-lease arrangements after the end of the war in Europe, that a loan was not being contemplated, and that newspaper reports to the effect that lend-lease goods would be used for export from Great Britain were in error.

United Kingdom Food Requirements

SECRETARY MORGENTHAU referred to Lord Keynes' memorandum on the civilian standard of food consumption in the United Kingdom (CSLL(44)2, 14th November 1944), and asked whether agreement with the British had been reached. MR. CURRIE and MR. DAVIDSON stated that agreement had been reached in the FEA to offer to finance the whole of the British request, without accepting the principle on which the requirements were calculated. Owing to probable future shortages in certain items, chiefly carcass meat and fats and oils, the itemized program for such items would list funds sufficient to lift the British consumption three-quarters of the way back to

British pre-war levels (or U.S. 1944 levels, whichever was lower) from the present consumption levels. In addition, the remainder of the British request would be covered by a contingency fund to be used if supplies are available. Actual food supplies available for lend-lease would depend upon allocations by the War Food Administration.

SECRETARY MORGENTHAU said that he was in full sympathy with the desire of the British to achieve easement with respect to food consumption. MR. CURRIE thought that the FEA proposal would satisfy the British representatives but that FEA specifically desired to avoid commitment to the principle of full recovery in civilian consumption standards.

MR. COX briefly reviewed the current allocation difficulties with respect to meat, and stated that FEA would supply additional information on the effect of such allocations upon British and Russian food requirements.

Petroleum Requirements

MR. DAVIDSON stated that complete agreement had been reached with the British at the technical level on petroleum. With respect to stocks in the U.K., the U.S. would control 1945 supplies so as to bring stocks down to levels to be agreed upon. Further, it has been agreed to continue the arrangement by which full proceeds from non-sterling exports were paid to the U.S., with the condition that, if U.K. stocks fall to certain lower levels, the U.S. would receive that proportion represented by the U.S. supply to the U.K. in relation to the total U.K. supply.

U.K. Shipping Program

MR. CURRIE reported that agreement had been reached with the British on the shipping program, except for certain coastal vessels. While the British accepted the FEA proposal to lend-lease those coastal ships to be used directly in the Japanese War, they had rejected the offer of those to be used in the European War (and coming off the ways in the Spring of 1945) on an agreement under Section 3(c) of the Lend-Lease Act. In the meantime, the War Department, however, has requested all the vessels; and this will remove them from the British lend-lease program.

Other Programs

MR. CURRIE reported progress on the remaining program as follows:

- (a) Raw materials and miscellaneous industrial commodities - complete agreement reached with the British
- (b) Dominions and India - agreement practically complete on lend-lease items. The problem of reciprocal aid to the U.S. Forces remains to be settled.

Export Policy

MR. WHITE reviewed the discussion at the preceding meeting of the U.S. Subcommittee (at 10:00 a.m., November 16, 1944), indicating that while a substantial agreement had been reached by the Subcommittee, the major question of the effective date of freedom of British exports remained to be resolved. There followed a discussion of the effective date of the proposed export policy. In view of the lack of agreement, SECRETARY MORGENTHAU requested the Subcommittee to consider the matter further in an attempt to arrive at a complete and early agreement.

Chapter 3 Items

After some discussion on tobacco and sugar, SECRETARY MORGENTHAU requested additional information on the supply situation and indicated that Congressional reaction to the lend-leasing of these items should be investigated. It was agreed that a further meeting with the Army representatives should be held at 3:00 p.m. that afternoon to discuss (a) the British claims with respect to airplanes and engines, and (b) reciprocal aid from the Dominions.

SECRETARY MORGENTHAU stated that Mr. Stettinius had made a suggestion, which he endorsed, that the appropriate Congressional Committees be informed of the substance of the British program and of the proposed export policy before a final commitment is made. Further, he said that, at the President's suggestion, a small group would wait on Admiral Leahy as soon as possible to review the proposed program with him. He further requested Mr. Coe to advise the Navy that the program had not yet been approved by the President and that its details should not be made known at operating levels.

November 16, 1944
12:15 p.m.

HMJr: Hello.

Operator: Mr. Baruch.

HMJr: Hello.

B. M.
Baruch: Hello, Henry.

HMJr: Talking.

B: This is Bernie.

HMJr: How are you?

B: All right. I tried to get a hold of you last Friday -- or Saturday before election

HMJr: Yes.

B: just to tell you how I thought things were going to go and not to be discouraged by anything that Dewey said because it wasn't affecting anything.

HMJr: Good.

B: I knew that you were unhappy about it and that's what I tried to get a hold of you for.

HMJr: They told me you cancelled the call when I tried to put it back.

B: Well, I'll tell you I just said, well, I wasn't going to bother him, but all I wanted to say to you was, "Don't worry; don't be annoyed about anything because it's going to be worked out all right." And I knew how -- that you were sensitive to

HMJr: Well, who wouldn't be?

B: (Laughs) Well, when you win, it doesn't make any difference.

HMJr: Well

B: Well, I want to -- I want to talk to you about this thing -- I -- I was -- I saw the President the other day and did you see Cherwell after he came to see me?

HMJr: Oh, yes.

B: How did he seem to react to what I told him?

HMJr: Good.

B: Now, I want to talk to you a little bit more about that. Has the President talked to you about it at all?

HMJr: Well

B: I went in to see him about luncheon and also about a tax program.

HMJr: Yes.

B: I don't know whether he spoke to you. I supposed, naturally, he would and I thought I'd wait until he said something to you before I spilled it all to you and go in more details.

HMJr: Well, I -- we covered the whole waterfront yesterday. I don't know -- of course, we did talk about the Kilgore report and that sort of thing.

B: Oh, well, that -- that -- I think that -- I think pretty soon that you and I had better make medicine over that -- over that German control.

HMJr: Well, when would you like to do it?

B: Well, if I stay here 'till tomorrow, I can -- I'll keep open tomorrow morning, unless you -- you're probably tied up.

HMJr: Well, I could

B: You look over your schedule and see how you're fixed for tomorrow, Henry.

HMJr: Well, I could do it at 9:30.

B: Oh, listen, what are you trying to do -- get me up in the morning? (Laughs)

HMJr: Well, I've got to go on the Hill at 11:00.

B: Yeah.

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HMJr: What time

B: Well, let's see

HMJr: Do you want to make it -- I don't know -- how long -- I've got to leave here at 10:45 to go on the Hill. Do you want to come over around 10:00?

B: Well, I could -- I can do that. If I get up in the morning, I'll be there.

HMJr: Well, you -- you name the time now, what would be comfortable for you?

B: Well, I'll try to get there at about ten minutes of ten.

HMJr: At ten minutes of ten?

B: Yeah, about that time.

HMJr: Tomorrow morning?

B: Yeah, is that all right?

HMJr: What are you going to do at a quarter of ten?

B: (Laughs) Well, I just want to be -- I want to be certain I'll be up.

HMJr: (Laughs) I'll be waiting for you.

B: All right.

HMJr: Thank you.

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November 16, 1944
2:12 p.m.

HMJr: Hello.

Operator: Colonel McCarthy.

HMJr: Hello.

Colonel
McCarthy: Yes, Mr. Secretary.

HMJr: Good afternoon.

M: How are you, sir?

HMJr: Fine. Colonel, I would like to now send over
my proposed speech for next Monday.

M: Yes, sir.

HMJr: And if there's anything like -- in it you don't
like, if you'll call me....

M: Fine, Mr. Secretary.

HMJr: personally

M: Yes, sir.

HMJr: I'd appreciate it.

M: Well, thank you very much. I'm looking forward
to seeing it and I'll have our security people
take a look at it, too, if I may.

HMJr: Yes. Now, to save me a little wear and tear, once
it's cleared over there could you tell O.W.I. it's
all right?

M: I certainly shall.

HMJr: So that I won't have to bother going through that
rigmarole.

M: Well, I'll call Mr. Davis' office

HMJr: Yeah.

M: and tell them. Are you going to refer it to
them, Mr. Secretary?

HMJr: Well, we can but if it's -- if it's cleared by you it won't be necessary. We normally send the speeches over but this has got so many unusual figures.

M: Yes, sir. Well, what I will do is to tell them that it's all right as far as the War Department is concerned, but then they still will probably ask to see a copy of it, won't they?

HMJr: Yeah, but then I give it to them very late.

M: (Laughs) All right, sir.

HMJr: I'll tell you what happened once before for your guidance.

M: Yes.

HMJr: When General Marshall made available those figures on Sicily

M: Yes.

HMJr: Elmer Davis got all excited and he wanted a joint release and he wanted to get in on it and everything else.

M: We have those troubles ourselves. I know exactly what you mean.

HMJr: And I don't want to be bothered to go through with it. And he tried to release his ahead of my speech and all that damn nonsense.

M: Yes, sir, I understand.

HMJr: See?

M: Well, what I'll do is this, once we have it cleared here, I'll simply call up and say that you're working on a speech and we want them to know that it's all right with the War Department.

HMJr: Fine.

M: And that won't say anything about when you submit it to them.

HMJr: I'll give it to them about five minutes before
I go on the air.

M: Fine, sir, we'll take care of that.

HMJr: Thank you.

M: Yes, Mr. Secretary.

HMJr: All right.

M: Bye.

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Copy to Coe -
11/23/44

November 16, 1944
3:10 p.m.

AMERICAN DELEGATION - BRITISH LEND-LEASE

Present: General Somervell
Mr. Lovett
General Styer
Mr. Acheson
Colonel Stewart
Mr. Cox
Mr. Collado
Mr. Coe
Mr. Currie
Mr. Davidson
Mr. Angell
Mr. Havlik
Dr. White
Mr. Casaday
Mr. Fedder

H.M.JR: Gentlemen, I don't know who is to blame, but we are a little late.

Anyway, we have now arrived at the difficult stage of these negotiations with our friends the British, and we are in this Chapter Three which has to do with re-opening some of these contracts.

We are trying awfully hard to find them some money, and some of our good friends in this room think it is easier to open up the airplane contract than it is to give them tobacco for the civilian population.

I, sitting in this chair for this meeting, will try not to take sides, other than I'd like to get some money out of the turnip. I think we have to get it somewhere - I don't say where - whether it is tobacco or off-shore sugar - out of the RFC or out of the Army.

Have I put it well or badly, Mr. Acheson?

- 2 -

MR. ACHESON: That is clear.

H.M.JR: So if somebody for the Army would let us know how they feel about these contracts, I'd appreciate it.

MR. LOVETT: I suppose, Mr. Secretary, you are referring to the comments made by the British in Chapter Three of this Second Phase document. And you ask about the feeling of the Army. I can state with some accuracy the feeling of the Air Forces on it, and I believe that that is in consonance with the War Department's feeling, although the time has been short to go through these files which date back to 1941.

We feel that we must recommend against it; that is, against acceding to the British request that they be re-opened. Our feeling is based on two main factors: First, that we do not think that the British claim has merit in it for the reasons I'll attempt to show; and secondly, we feel that going back and attempting to re-open the matter may cause grave embarrassment in other ways.

To be specific, and perhaps to over-simplify it a little bit, they referred to what they call "aircraft and engines that were taken over by the War Department between the 7th and 31st of December, 1941" and subsequently the so-called "Arnold-Portal" agreement with respect to the diversion of aircraft which they state they had ordered and paid for.

The second item they referred to is the so-called "take-out of capital" facilities.

H.M.JR: May I interrupt you a minute? I have not studied this for this meeting. It has just been physically impossible for me to prepare myself, and I wondered if you would be sufficiently patient to go back a little bit and refresh my memory. I know we had a great discussion - there were either 800 or 900 planes right after Pearl Harbor. I haven't looked at this for two years, so you will have to be charitable - but right after Pearl Harbor, as I recall, there were 800 or 900 planes that you needed desperately, and which we took off their lines, so to speak.

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And then, as I remember it, we paid them--

MR. WHITE: ...eighty millions--

H.M.JR: ...for those eight or nine hundred planes.

MR. WHITE: It was seventy million, and then nine million was later calculated as the value--seventy-nine million dollars.

MR. LOVETT: We not only paid them for the planes, but we also replaced the planes.

H.M.JR: In Lend-Lease?

MR. LOVETT: Yes, sir, subsequently, so they got their military requirements over a period of months.

H.M.JR: It was around eight or nine hundred, wasn't it?

MR. LOVETT: I don't remember, sir, but it was around eighty million dollars.

MR. COX: That is my recollection, but the amount, I think, is quite accurate.

H.M.JR: And then we paid them for them, and now I have heard for the first time that we replaced them with similar planes.

MR. LOVETT: Or superior planes over a period of less time so that the British military requirement has been met through the Munitions Assignment Board. They have not only been repaid for the items which we seized immediately following Pearl Harbor to replace the losses at Pearl Harbor and adjacent fields, but also they received their military requirement on their basic claims under Lend-Lease.

H.M.JR: Are they re-opening that phase?

MR. LOVETT: I don't know, sir.

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MR. ACHESON: No, that is another.

MR. LOVETT: But they state that as being a precedent, which I think I can bring out somewhat more clearly if you will let me go back and try to bring you up to date on the matter you asked about.

H.M.JR: If you would, please.

MR. LOVETT: In 1941 you wrote the War Department under date of October 14, in detail, in which, among other things it was stated that there were outstanding contracts for one hundred and fourteen million dollars, for which the British have obligated themselves to pay dollars, and that is being discussed with Mr. McCloy.

I am speaking in part from recollection, sir, and in part from the files, as all of this matter was handled through Mr. McCloy, and only the aircraft section referred to me.

Out of that one hundred and fourteen million dollars there were forty million dollars' worth of aircraft engines contracted for prior to March 11. I suppose that relates to the Lend-Lease.

MR. COX: That is right.

MR. LOVETT: The Army in defense of Lend-Lease stated that everything up to that time had been paid for in cash and that Lend-Lease applied to future items, as I recall it, in the military field.

Upon receipt of the request from the Treasury Department to see if we could help strengthen their dollar position by taking over these contracts from the British, we then arranged to take over forty million dollars' worth of engine contracts as requested by the Treasury by this transparent method. To make it clear, we will assume that plant A is running a line which produces one thousand engines under British contract and five thousand engines under Army contracts. The engines are interchangeable.

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We, therefore, took over the one thousand engines on the British contract for American use, and gave them one thousand identical engines under the Army contract; and by that device they received the cash in the amount of forty million dollars, and the identical engines.

Now, it seems to me, therefore, that the merit of their case is thin, to say the least, since they not only received delivery in kind, though it may have been at a later date, but they also received cash. That was in 1941.

They then assert that payment in part is an indication of inconsistency when we subsequently decided that we could no longer do that, since our appropriations were defined to given classes.

In connection with the request from the Treasury to supply funds by exchange by taking over these contracts, we examined every type of contract we had. There were a very large number that we could not take over, as, for example, if they were building a specific item for a thirty caliber gun which we did not use in our types, clearly there was no method of working that interchange from the same line, and therefore, it became impossible. As to certain of the facilities, it also became inadvisable, or at least appeared unlikely to stand up, because the facility was producing a type of plane in which the Army had absolutely no interest and had never used it.

In those circumstances the file is perfectly clear, the correspondence between the War Department and the Treasury Department as late as this year on the attitude of the War Department toward efforts to take over these current facility contracts except on a reciprocal aid basis.

Now, they refer here to items that were agreed on in 1942 as being taken over. As I have previously said, by and large the British received their military requirements through the Munitions Assignment Board on asserted needs. They got them even though they may have come from an American contract as compared with a British contract,

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and we can't see that that makes the slightest difference in the British end product.

As to the take-out of capital expenditures, we have had a list of items which have been taken out, the recommendation in each instance being that the take-out be worked out if the Treasury felt it necessary or desirable on the basis of reciprocal aid.

Let me give you a case in point. On May 19 of this year - in the Packard Company case - the British asserted a cost of approximately twenty million dollars as representing their expenditures in the Packard plant to build Rolls Royce engines. The Army subsequently went in and built facilities in the amount of thirty-three million dollars, and out of that combined facility - it not being segregated, but a single facility - we have delivered to the British as of the middle of May 985 million dollars worth of engines.

Consequently, in making the answer to the Foreign Economic Administration, we pointed out this situation and stated that we felt that the combined contribution of this country and the British in that plant which had produced deliveries to the British of 985 million dollars was a matter which the FEA might wish to consider as an offset credit item in reciprocal aid.

H.M.JR: How much are the facilities they are asking for at Packard?

MR. LOVETT: That was twenty million dollars of British funds and thirty-three million dollars of American funds.

H.M.JR: Of which they received almost a billion dollars worth of engines.

MR. LOVETT: Yes, sir.

H.M.JR: On an investment of twenty million? That is a damned good investment!

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MR. LOVETT: On February 1, 1944, after Mr. Denby had written the British Ministry of Supply on this subject, relating to the matter of handling this through reciprocal aid - that is, giving them a twenty million dollar credit - they replied to Judge Patterson as follows:

"Careful consideration is being given by them--that is, the London group--"to your proposal that the facilities in question be transferred on a reciprocal aid basis and the matter thus terminated. They have reached the conclusion that the method of settlement might be left over for future consideration, as they do not feel justified in present circumstances in agreeing to your proposal."

I think the "future circumstances" - or consideration - is what faces us now.

I won't multiply these cases, Mr. Secretary, unless you want to go into them.

H.M.JR: I'll ask Mr. Acheson whether he at all cares to argue in behalf of the British viewpoint - just as a Devil's Advocate.

DR. WHITE: May I add some facts before that? The Army took the position at the time when you had urged them to take out as many of the contracts as they thought they could, in order to bring up the balances, that they could take care of some of the ordnance - which they did. It was a hundred million dollars. They could take care of some of the take-outs, which they did. They examined the plane situation and they said the maximum they could do was to take the planes up to January 1 - from December 7 to January 1; and that was, we thought at the time, a hundred million. It became seventy-nine million in the final settlement.

They said they were doing that only because of the grave urgency of the dollar balances, and that they could not go any further. When the matter was re-opened a year or a year and a half ago, they re-canvassed the situation and again reiterated their position. So at the time when they took this seventy-nine million dollars worth of planes it was definitely understood it was not

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to be a precedent, but it was to meet an existing urgency which they did most reluctantly and at the request of the President at the time.

MR. LOVETT: And we have a statement at the State Department that they agreed it would be unreasonable to ask us to open up those contracts again.

You see, what we had to do was to take a contract which was based on Army specifications or AN specifications and match that insofar as possible against some British contract. Then, as I have indicated to you, we take over the British contract and pay them for it in cash. Then we give them the product of the American contract and a like amount which they have asked for on their own contract; so that they get the dollars and the planes and that comes out of Army appropriations.

MR. ACHESON: What I am not clear about, Mr. Secretary, is whether we have yet talked about the principal item which the British put forward. They talk about the eighty million or the seventy-nine million, and about that Mr. Lovett has talked. We know what has happened and exactly the same thing happened - they got the dollars and they got the planes. In addition to that, there is two hundred and fifty million representing what the British have paid for planes, which were taken by the United States and not paid for. They say, since that time, of course, the British have received planes far in excess of that value and that that might be an argument which would carry the day.

H.M.JR: We took two hundred and fifty million of their planes?

MR. ACHESON: That is what they say.

MR. CURRIE: That would make two hundred and twenty-four subsequently.

MR. WHITE: It went into the pool.

MR. LOVETT: What happened was that under the Lend-Lease arrangement we threw aircraft into a pool, and they received their two hundred and fifty million dollars worth of corresponding aircraft from us.

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MR. ACHESON: They say that.

MR. WHITE: May I quote from General Meyers? It was on this general point. The discussion had proceeded for several months, the question of whether they could take over additional amounts beyond the eighty million dollars which were suggested, and in reply to that particular point which the British raised, General Meyers says, "May I reiterate that in the agreement under which the United States is taking over the airplanes in question, the following is pertinent: U.K. will receive nine hundred and eighty-eight planes from the AAF contracts, and a thousand, eight hundred and eighty planes from the Lend-Lease contracts, making a total of two thousand, eight hundred and seventy-seven planes. U.S. will receive from this pool seven hundred and seventy-three airplanes--from the United Kingdom contract." And he said, "It is merely an exchange in the use of equipment based on strategic employment of the minimum amount of shipping."

MR. LOVETT: We left out the hundreds and hundreds of planes that were given them otherwise. In other words, we can see no merit in their setting up a two hundred and fifty million dollar claim when they got the two hundred and fifty million dollars worth of planes by agreement. What happened was that they wanted long-range--what was then called VLR's, B-24's, and items of that sort for coastal command, and in order to get them we took some other kind, B-17's, for example, which were not so suitable for that work. It was a shuffling out of a pool and was not a take-over in the ordinary sense at all.

H.M.JR: Mr. Lovett, could I just interrupt for one minute? I am a little confused. I thought General Somervell was here in connection with this problem. I understand he is here in connection with Reciprocal Aid. I want to give General Somervell a chance. How would you suggest I proceed?

MR. LOVETT: I have said my say, sir.

H.M.JR: I mean, I want to get the benefit of General Somervell, but on the other hand--you haven't said your say, have you?

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MR. ACHESON: I think we are practically to the point of reaching some conclusion about this thing. It would be well to stay on it for five minutes and be through with it.

H.M.JR: Is your appointment for four o'clock?

GENERAL SOMERVELL: Yes.

H.M.JR: It is just that I have a--

MR. ACHESON: The point that I am trying to bring out, Mr. Secretary, is that on this engine matter--on this airplane matter--the facts which had been brought out are exactly the facts that have already been stated.

MR. LOVETT: That is where I disagree, Dean. I don't think the facts have already been stated with their proper implications.

MR. ACHESON: All right, let's say they haven't been, but they now are. The point is that the British paid dollars on account of some planes which went into a pool, and the British got some other planes out of the pool.

Now, they admit, and everybody admits, that if that is all there is to it, and if there is no financial problem, why, the thing is over. They got planes, and they paid dollars. Now, the point, as I see it, is that there is a financial problem. There is a necessity of trying to find some dollars somewhere, and the question is, is this the best source we can use to find those dollars? And the point is, it is no different from what was done before, and if you want to find dollars, and if the British position requires your finding dollars, here is the source.

Now, if the Army is adamant on the thing and they won't do it, why then it is not a source.

MR. LOVETT: I disagree that there is the possibility of finding in this fashion the articles which were interchanged were not identical as they were in the identical-engine case,

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and I feel that the records are so clear as to the War Department's position that we would be very badly advised to attempt to open this whole thing up again. We had much better find them funds through a frank loan or some other way of doing it than to go back and skate on the thin ice of a claim that they had paid dollars for these items and that therefore we owed them dollars or could now go back and pretend that we took over these planes without some current quid pro quo.

MR. ACHESON: You mean they got their exact planes?

MR. LOVETT: They got the planes which they wanted at that time - you bet they did!

DR. WHITE: Not the exact planes, but you said better planes.

MR. LOVETT: I mean a counterpart, equivalent.

H.M.JR: Was this before or after March 11, 1942?

MR. COX: After.

DR. WHITE: The discussions started before. They continued right through March and April.

MR. COX: It started in 1940. I think Bob has stated the history very concisely. Lend-Lease went in in March, 1941; but you remember in the fall of 1940 the thing started of the War Department taking the British out of cash contracts that they had placed right up to the time--

DR. WHITE: They paid dollars for all of that.

MR. COX: Sure, but we stepped in. It was financial assistance. Ordnance stepped in and Air stepped in in 1940, and then it went through and you had the plant thing which came up in 1941.

H.M.JR: I don't think Oscar is right, but may I just get this: These particular planes, could you just date them for me?

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MR. LOVETT: Well, the planes never happened at a given moment, Mr. Secretary. They started in 1941 and ran through, I should think, to August or September of 1942 on this type of arrangement.

DR. WHITE: The contracts ended in the fall of 1942.

MR. COX: You have a nice legal problem here that no one has raised yet.

DR. WHITE: Before you do that, during 1940 the take-outs were not for financial reasons; they were for other reasons. The financial reasons the Secretary didn't bring to the fore until a little later than that.

MR. COX: I'll bet you a nickel on that!

H.M.JR: He has a letter there from me. I don't know what I said. Did I say, "financial"?

MR. LOVELL: Yes, sir, but that was in 1941, sir.

MR. COX: I'll give you an example that will bring it back to you. That was when Mr. Stimson went to Cabinet meeting and read a memorandum prepared by McCloy and Palmer which he hadn't had a chance to read before, and the President teased him about it. It was the same kind of take-out.

DR. WHITE: That constitutes proof in the court, but what was it about?

MR. COX: But the legal question involved here is, even if you wanted to take out you would have to have an obligation within the year of the appropriation committed, and, as I remember this thing, most of it took place in 1941 or 1942 on these items.

MR. LOVETT: We brought that out, Oscar, in one of the letters. I have the file here, but your point is a good one. That is one of the matters that was discussed, recently, in November of 1944.

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DR. WHITE: This is the third time this question has come up. It came up once at the period you were speaking about; it came up later when there was an attempt to further increase the balances and we were looking for various ways of doing it; this is the third time.

MR. LOVETT: That is right, sir, and it has been a matter of current discussion in connection with certain specific facilities.

MR. COX: There was one intermediate stage where it was exactly the opposite, where the American Government was trying to get Reverse Lend-Lease. This is the fourth time.

MR. ACHESON: Is it a fact there isn't any money that can be used for this purpose? If that is so--

MR. COX: I don't see how you can use your present appropriation unless your Fiscal Officers have some suspense accounts. Even if you had some transaction, unless you had a commitment in the year in which the appropriation was available, you could carry beyond the year if you have had an obligation in the year; but you can't undertake an obligation for this which happened two years ago.

MR. LOVETT: Our Fiscal Officers take precisely the view that Oscar mentions, but they go somewhat further in the sense that we have had to report back to the Appropriation Committees the surplus funds which were not expended and get a re-designation of them.

MR. ACHESON: There isn't any money.

MR. COE: Then we can drop it.

H.M.JR: Is it agreeable to you, then, that we drop it?

MR. ACHESON: If that is correct, there is no use talking about it, Mr. Secretary, because there isn't any money. If there is no money, I don't see that these considerations would be controlling.

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H.M.JR: Let's drop it, then.

MR. LOVETT: I was trying to be discreet in saying earlier that I thought it would be most unfortunate to attempt to re-open it. What I mean to say directly is I think it would require our going to Congress and making the case; and in doing so, I think it will re-open the past ones.

DR. WHITE: At this stage it would look just like an outright gift, after having turned it down three times in succession. To pick it up looks like dressing up a gift to fool somebody or other, because if it was a legitimate gift it should have been settled when it was carefully considered on the previous two occasions. That is my objection.

H.M.JR: When, after this term is up, if I have to come back and explain some of those 1941-1942 transactions, I hope we are all friends!

MR. LOVETT: I do, too.

DR. WHITE: The record is pretty clear up to now.

H.M.JR: I think in those days, as long as it is settled, I didn't want to say it - but I think it is proper that Mr. Acheson raised it this morning and I am glad he did, because I certainly sweat blood and tears in those days to get them those things.

MR. ACHESON: Let's go on to General Somervell.

H.M.JR: Don't you want me to talk about my sweat, blood, and tears!

DR. WHITE: This is the ninth time this cat has been killed. It's dead.

H.M.JR: As long as Dean Acheson, himself, says let's drop it, I kept quiet. I'm glad he brought it up.

MR. ACHESON: Unless you tell me legally there isn't any money - I am not sure I believe you, but I can't --

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MR. LOVETT: I'll defer to better legal advice, but at the present time I don't see how 1944-1945 funds can be used to go back to take up a 1941-1942 payment.

H.M.JR: I say it is a dead horse; I hope it stays buried.

GENERAL SOMERVELL: Our point, sir, is a very simple one and can be stated in a few words. We made the proposition originally that these commitments that were offered by the United States should be made contingent on one by Great Britain to regard the Empire as a whole and not as individual pieces, and that we should be given a guarantee that reciprocal aid would be furnished by the Commonwealths or Dominions on the basis of a guarantee of the U.K. They came back with certain language, and I believe you suggested certain language (to Mr. Acheson). We then submitted another paper in which we said that it could be accepted on the basis of the Dominions - Australia, New Zealand, and the Government of India - furnishing us reciprocal aid on the same scale as they had heretofore furnished it; and that any additional aid would be supplied if called on, but with the guarantee of the U.K. to foot the bill over and above what they had been furnishing in the past.

We regard this matter as a purely financial one and one for the decision of the main committee. We don't care how it is decided, provided we have the guarantee that these supplies will be furnished us on reciprocal aid and at once, without having to haggle.

DR. WHITE: I am afraid after the discussion which we had in which I thought that your colleagues made some sort of a compromise, you not only went back to the original position but even to a much stronger position. I think we would like to clarify that, because this letter and the record of this letter I don't think is something that we could proceed successfully on with the British and I am not sure it adequately describes what I thought we had agreed to.

GENERAL SOMERVELL: What is the difference?

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MR. WHITE: Do you want to pick it up from there, Dean?

MR. ACHESON: What you say in this letter is that Australia, with the guarantee of the British, will guarantee at least as much aid as they had last year, and only additional aid as is necessary for the Japanese war. Now, they can't possibly do that. That is an impossible thing to ask. I think all we can ask of them is what they are asking of us in this document, which is that we put forward certain proposals for the amount of stuff that we want, and that you say here that financial considerations won't stand in the way of that, and leaving the allocations machinery to take care of it. This is an absolutely open-ended guarantee which might go to any heights. Well, you can't ask them to do that. They don't ask us to do it.

GENERAL SOMERVELL: We only ask them to furnish us what they can furnish us.

MR. ACHESON: I think in the first place that has to be made clear, which isn't clear at all in this language, and secondly, since they put forward statements of how much this and that and the other thing--they want us to make financial provisions for--I think we ought to do that with them and say, "Here is the schedule; now, supply considerations permitting, the two of you, British and Australians together, will set up the finances and take care of so much of this and so much of that."

MR. WHITE: I thought the Army replied to that that they were unable to do so, so we suggested a compromise. They said the condition was too uncertain; you couldn't give that kind of a program at this time.

GENERAL SOMERVELL: That is right; the first thing that occurred to us was for us to make up a list like theirs of the things we would want to get from them, but in view of the great disparity in the balance between the United States and Great Britain, we thought it was only fair for us to ask them to give whatever they could. I don't think that is an unfair demand.

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MR. WHITE: I thought the reason for the reluctance of the Army to submit a program was the difficulty of knowing what they would want in view of the changing circumstances. I thought that we had compromised this way, by saying that they would be called upon to give in total, irrespective of the destination, no more than they had given previously; if they were called upon to give more, then they would have an opportunity--the discussion was for thirty or sixty days delay--to raise the issue and say, "We are unable to take care of this additional amount, and we want to re-open the question." That would have given them assurance that your future demands would not exceed the past demands, but that you would have the right to determine the destination. It might well be India or anywhere else. And it gave them the further possibility of opening the question in the event that your demands in excess of that were such that they felt they couldn't meet it. And we thought that in addition to that, you could get assurance from them that irrespective of whether or not the stuff was to go on reciprocal aid or to be paid cash for, you were to get whatever you wanted that they were able to supply, the financial question being discussed at a different time while the supplies were going forward so there would be no stop in the supply, though there might be discussions going on as to whether those additional supplies would be paid for in cash or whether they would constitute reciprocal aid. That was my understanding of the discussions we had in a subsequent meeting at which our colleagues were present.

GENERAL STYER: My understanding was--I never had any idea that the United States would pay for this reciprocal aid. In other words, we assumed that if the Commonwealth didn't pay for it that Great Britain would pay for the excess.

MR. WHITE: Well, that was true.

GENERAL STYER: I think there was a proposition by Mr. Acheson along that line.

MR. WHITE: The further addition being that in the event U.K. felt it was being called upon to pay more than

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it wished to, it could re-open the question as to the matter of financing, whether they would pay for it or take dollars for it. I think that was the addition.

GENERAL SOMERVELL: Well, the financial end of it is up to you. What we can't see, however, is this: Quite obviously the demands that are going to be made out in the South Pacific are going to be greater than they have ever been. We don't want to start off by limiting ourselves to a figure which is based on less intensive effort out there, and, secondly, in our examination of the question, with a balance of something like five to one against us, why, we couldn't imagine our being called on to pay for something.

MR. WHITE: Unfortunately, the basis of comparison is not what they give and we give, but how much their balances can afford to let them give.

GENERAL SOMERVELL: That is what I say, that is up to you, but we would like to make two points, one, the demands we are going to make out there are probably going to be greater than they have ever been before. We are going to make an intensive effort. We want an engagement on their part to furnish us what they can. Certainly we want to get it right now, when we ask for it, and not have to begin a series of negotiations to do so. Beyond that, you get into the financial picture, and that is not our business.

MR. WHITE: Well, it seems to me that that is a basis for easy reconciliation, merely a drafting problem.

MR. ACHESON: We continually get mixed up as we are now between supply questions and financial questions, and what the General is now saying is that he wants Australia to say that they will give everything that they have, but I don't think they can be asked to do that. You have to have some idea of what they are being asked to do from a supply point of view. Let's leave finance out of it.

GENERAL SOMERVELL: I don't see why that is unreasonable. In other words, if we find that Australia can give us, say, more beef than they have been giving without its hurting their economy, I don't see why we shouldn't be allowed to ask them to do so.

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MR. ACHESON: Sure, you can ask them to do it. This is a guarantee that they will do it.

GENERAL SOMERVELL: I don't see why they shouldn't. The only excuse they could offer for not furnishing--well, they have two excuses, one is that it would make it impossible for them to supply their legitimate needs, and the other one is the financial. Now, as far as the first is concerned, it seems to me they shouldn't be allowed to give that excuse.

MR. ACHESON: Well, they have to give it just as we give it.

GENERAL SOMERVELL: If we say it interferes with our legitimate needs, then that is a good excuse, and that is the only excuse they should be allowed to give.

MR. ACHESON: Yes, but that is not in this draft. There is nothing about supply considerations.

MR. COX: I am not so sure that as a practical matter this thing can't be solved. The U.K. and the Dominions set up a document. They say so much for food--for example, you have an almost parallel case. They ask for seven hundred and some odd thousand tons of meat. It looks questionable whether it can be supplied, but we say if the supply is available with all the machinery you have, we will finance up to that. Now, the Australians have financed up to something like eighteen percent of their budget. I would think the most practical approach would be to parallel the pieces of paper we give them. For example, in the U.K. food and war materials stuff, we say, "Here is so much food, so much this, so much contingency, because we just don't know that we are ready to finance. That depends on availability of funds from Congress." It depends on the allocation and the availability of supply in terms of competing demands, that the thing will be reviewed in the light of changing conditions of the war from time to time, but you at least give them an outer limit which, if they want to go to their party for financial purposes, they can meet.

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When you get into the meat thing, they say the American soldier gets eight pounds per head, and the British only four, and so forth. You just thresh that out. But I would think you would have to give them your best guess, which might not be perfect, of so much for meat, butter, this, and that, and a contingency account which is your finance thing, which means they have at least a moral commitment to exercise every effort they can to make that commitment good in terms of available supply.

Now, if they have a bad crop failure, you wouldn't get any wheat from them, just because they haven't got it. Or if something else happens to their cattle or dairy production, you wouldn't get it. But if you parcel it, it seems to me you wouldn't run into much difficulty. Then you can get an answer out of them. If the amount involved is fifty percent of their budget, then they have to face up to the financial question and say, "We just can't commit ourselves because we haven't that money and can't get it out of our Parliament."

GENERAL SOMERVELL: Personally, I see no reason why we shouldn't have the original language. That states the case very cleanly, and that would be what I would recommend, in other words, that we put this thing in on the basis of the language which we used in our original report. Now, as I get it, your proposition is for us to make a list for the things that we may want to ask Australia for. I don't know that we can do that, but we will go into that and see what we can do.

We can do this: We can do it the way they do by putting in fifty million dollars worth of spot items. There are a hundred million dollars' worth of spot items. Then we can ask for anything we want.

MR. WHITE: Aren't you unnecessary complicating the task and postponing the time of consummation by that approach? Australia will be willing to go along on the general statement provided you give her some assurance of the upper limit in finances. She is willing to depend upon safety devices which already exist in the allocation of her supplies. She is not raising that question.

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GENERAL SOMERVELL: You mean, we just give you an over-all dollar figure?

MR. WHITE: If we could assure them and say that the amount which they will be called upon to supply as reciprocal aid will not be in excess of the previous amount, not the amount she will be called upon to supply, but as reciprocal aid--that figure in excess U.K. will pay. If U.K. feels that she cannot pay, she can re-open that case with us, but one of financing and not supply; the question of supply to be determined through whatever agencies have always determined it.

GENERAL SOMERVELL: We say, as I understand it now, to Australia, "You will furnish us these items up to X dollars. Anything that we call on you to furnish over and above that, U.K. guarantees."

MR. WHITE: And that U.K. is accorded the privilege of re-opening the question as to whether she can afford to pay or whether they will have to be paid for in dollars. But as I see it, that remains separate from the supply question.

GENERAL SOMERVELL: If you in the Treasury are willing to re-open the financial question, of course we are.

MR. WHITE: We haven't presented that to the British, but I thought that was our conclusion, that the question of supply will be left to the regular agencies.

GENERAL STYER: This paragraph will state what you stated, except we did not put in the revision paragraph. There was some argument as to whether it was a month, two months, or three months in which it could be brought up.

(General Somervell leaves the conference.)

MR. LOVETT: Bill, sitting on the sidelines and knowing nothing about this, I believe there is one point in which perhaps there has not been a meeting of the minds. Mr. Acheson and Doctor White have related their plan to the inclusion in there of some yardstick by which Australia might measure her obligations.

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GENERAL STYER: So have we.

MR. LOVETT: Whereas, the language in here as I understand it--I haven't read it--does not contain such a limit.

GENERAL STYER: Let me go back to the discussions we had the other day, Mr. White, and Mr. Acheson.

H.M.JR: May I interrupt you a minute? I have an Italian delegation coming at four o'clock, the Minister of Finance of Italy.

MR. WHITE: I think this is an item, Mr. Secretary, that we can agree on among ourselves. I don't think we are far apart. From what has been said, don't you think it is possible to work this out?

MR. ACHESON: I think so, if they have this re-opening business.

GENERAL STYER: We intend to carry out your suggestion, except we left out this revision part.

MR. ACHESON: You also don't have a ceiling. You don't have anything about "subject to supply considerations."

GENERAL STYER: In the first place, we assume that you can only take what the country can produce and all that is subject to allocation.

MR. DAVIDSON: Would you have any objection to simply writing in there that in providing supplies they will be provided in accordance with the usual allocations procedure?

MR. WHITE: I don't think this needs any more attention from Mr. Lovett or yourself. I think we can probably work something out.

H.M.JR: Before you break up, let's get the schedule.

Lord Keynes asked me if he could see me at four-thirty. Did you get a message, Mr. Coe? I wanted you here, and Mr. White. I don't know what he wants.

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MR. WHITE: I would like to correct something I said this morning that is important. I think I said the FEA considered the tobacco case as a possibility, and Lauch informs me that their view is to disapprove of the tobacco even though the people on the Hill might say that it is a possible thing. They don't think that is one of the alternatives. Am I correct, Lauch?

MR. CURRIE: Yes.

H.M.JR: Are you scared of the new Congressmen?

MR. CURRIE: Yes. I think what Lord Keynes maybe wanted to take up with you, Mr. Secretary, is the snarl we got into on the coastal ships. They have objected violently to transferring those to the Army. And I have suggested--I don't know whether Frank got word back or not--that we might get ahead with the program by taking out the shipping program and agreeing on that, because it looks like a series of conferences on the shipping. We can approve all the rest.

H.M.JR: Will somebody be here besides Mr. Coe from FEA? I don't know what he is going to discuss.

MR. CURRIE: We will be up the hall, probably.

H.M.JR: How about State?

MR. ACHESON: I think I will probably be up the hall, too!

MR. COE: Before you see him, Mr. Secretary, do you want to canvass the group as to whether we are ready to meet with the British tomorrow morning, or when? I am sure that is one thing he will want.

MR. WHITE: There is no way of dodging that Friday morning meeting.

H.M.JR: It sounds plain silly, but if you are going to meet with me tomorrow morning, is eight-thirty--

- 24 -

MR. WHITE: That is not silly; that is cruel.

H.M.JR: That is, if they have Cabinet tomorrow--I am free if they have no Cabinet, but otherwise--

MR. WHITE: Evening is better than the middle of the night.

H.M.JR: Or I can meet after Cabinet, but I have an impossible schedule.

MR. ACHESON: You might do it late in the afternoon.

H.M.JR: I could do it at four o'clock.

MR. ACHESON: That is better.

MR. LOVETT: I can't tell you what a comfort it is, Mr. Secretary, to come over and bring my little headache and put it on the floor and let the others swell all over it.

H.M.JR: Did you know Oscar was going to say it was illegal?

MR. COX: I didn't know, myself.

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 16, 1944, at 3:10 P.M.

Present

Secretary Morgenthau, Chairman
Mr. White
Mr. Casaday
Mrs. Klotz

General Somervell
Mr. Lovett
General Styer
Colonel Stewart

Mr. Acheson
Mr. Collado
Mr. Fetter

Mr. Currie
Mr. Cox
Mr. Angell
Mr. Davidson
Mr. Havlik
Mr. Coe, Secretary

British Chapter 3 Claims on Airplanes and Motors

MR. LOVETT stated that the feeling of the Air Forces, which was in consonance with that of the War Department, was against reopening the claims, which had been considered in the past, because the British claim had no merit, and a reopening might cause embarrassment in other respects. The United States had replaced the planes taken over from the British in December, 1941 and under the so-called "Arnold-Portal" agreement and at a later time had filled the British military requirements through the Munitions Assignments Board. Further, as a measure of financial assistance, the War Department had assumed the \$40 million of British contracts for engines, although it continued to furnish the British with the equipment produced under the contracts. With respect to "take-outs" of capital facilities contracts, he pointed out, as an example, that the British had invested \$20 million in the Packard plant, which was augmented by \$33 million of United States Army funds; in comparison, deliveries of Packard engines by May 1944 to Britain had amounted to \$985 million. He thought that it would be appropriate to record the \$20 million of British investment as reciprocal aid, although the British had declined to do so, preferring to leave it for future settlement.

MR. WHITE stated that it had been understood that the transaction in which the United States paid the British \$79 million for airplanes taken over in December 1941 was not a precedent for payment of the present claims. MR. LOVETT pointed out that we had paid the British cash in that case and that in addition we had provided them a larger value of like equipment under lend-lease.

MR. ACHESON stated that the problem presented was a financial one; if the British faced no difficulty now there would be no need for considering the question. However, since there was a financial problem, the possible payment for the British claims ought to be considered as a means of solving the present British financial problem. MR. LOVETT indicated that it would be difficult for the Army to find the funds for such payments. MR. COX pointed out that there was a legal question, in view of the fact that the obligation of funds for the proposed payments would have to take place within the year of the appropriation committed. MR. LOVETT further pointed out that the Army had earmarked no funds for such payments, and, since surpluses had been reappropriated by Congress, the Army could not find the requisite funds without an appropriation from Congress, which would be difficult to explain.

It was agreed that the British request should be disapproved, in view of the past history of the transactions and the unavailability of funds.

Reciprocal Aid and Army Requirements

SECRETARY MORGENTHAU stated that he hoped it would be possible to come to an agreement with respect to the conditions under which the British Dominions furnish reciprocal aid to the United States Forces. GENERAL SOMERVELL stated that the Army desired to obtain reciprocal aid supplies without reference to the distribution of the financial burden within the Empire, and that it was willing to accept an agreement that the Dominions would continue to supply reciprocal aid on the same scale as in the past, with a guarantee from the U.K. that it would underwrite that part of reciprocal aid in excess of the amounts being financed by the Dominions.

MR. ACHESON stated that the letter of November 14, 1944, from Under Secretary of War Patterson to the Secretary of the Treasury (CCLL:U.S. No. 44), could be interpreted as a request for an open-ended guarantee for reciprocal aid from the Dominions which they could not be expected to accept. He thought that it would be desirable to furnish the Dominions with a statement of the supplies required by the United States Forces on reciprocal aid, to ascertain whether the requirements could be met in fact. GENERAL SOMERVELL stated that it would be difficult to formulate any substantially accurate statement of requirements at this time, but he indicated that he would investigate the possibility of making a schedule of requirements from the Dominions for reciprocal aid.

In fact, however, the Dominions would not be called upon to provide more than was available, although the demands of the United States Forces in the Southwest Pacific and adjacent areas would increase. He desired an assurance of prompt delivery upon request of the United States Forces, and, beyond that, he was willing to leave the financial question to be settled by the Treasury, FEA, and the State Department. MR. ACHESON pointed out that the Army letter offered no protection to Australia with respect to the amounts they might be called upon to supply.

MR. WHITE summarized a possible arrangement which had previously been discussed with General Styer. There would be a joint agreement by which the Dominions would undertake to provide reciprocal aid in the same quantities as heretofore; if these quantities were exceeded, the question of financial underwriting could be opened for discussion on due notice, ranging, say, from thirty to ninety days. There would be no restrictions on destination; the flow of supplies would be regulated by allocations. Further, in response to an inquiry by General Somervell, MR. WHITE stated that the proposal was that the U.K. should pay for the amounts required by the United States Forces in excess of the Dominion quotas, with the right to reopen the question if it felt the burden too great. After further discussion, it was agreed that the U.S. Sub-Committee would meet immediately with the Army representatives to work out an agreed U.S. position.

Further Business

MR. MORGENTHAU stated that he would receive Lord Keynes at 4:30 that afternoon, and requested Messrs. Coe and White to join him at that time. It was agreed to meet with British representatives at 4 O'clock on November 17, 1944.

TOP SECRET

COPY NO. 52

C.S.L.L.(44)3

16th November, 1944

COMBINED SUB-COMMITTEE ON MUTUAL
LEND-LEASE AID BETWEEN THE U.S. AND U.K.

Dollar expenditure by the United Kingdom
on oil

Note by U.K. Members

1. The whole position of oil as a suitable commodity for reverse Lend-Lease perhaps deserves to be considered. The British obtain their oil from Bahrein, Persia, Curacao, Iraq, Egypt and Trinidad. All these sources of supply, apart from Trinidad, lie outside the British Commonwealth. It has been a general principle that we do not give reverse Lend-Lease where it involves the U.K. in cash expenditure outside the British Commonwealth. The only, but not perhaps sufficient, justification for the present arrangements into which we have gradually slipped, is the fact that the oil from all these sources goes into a single pool, so that it is difficult or impossible to say in advance from which source over a period of the year the oil provided to the American forces is drawn, although this could be approximately established after the event; and secondly, that certain of the companies concerned are British or largely British concerns, though operating outside British territory. When it was provisionally decided to provide oil from Bahrein and Curacao on reverse Lend-Lease, it was agreed that this decision might be re-considered after six months' time in the light of the dollar expenditure being incurred. In this case, therefore, it would be fully in accordance with previous arrangements that the position should be looked into again. We think, however, that the position as a whole requires re-consideration owing to the immensely greater quantities of oil now being furnished and to be furnished on reverse Lend-Lease on account of the movement of American shipping and forces into Eastern waters.

Taking everything into account, we should feel that the position was sufficiently met if by some formula or other we could be reimbursed \$60 to \$100 millions of the expenditure in external currencies with which the supply of reverse Lend-Lease oil involves us. The possible formulas under which this result could be secured are indicated below.

2. During the discussion at the Combined Sub-Committee Meeting on the 15th November, we mentioned a figure of about \$100 million as the total annual dollar outlay involved in producing sterling oil, and undertook to provide further details.

3. In the revised estimate of the balance of payments between the U.K. and U.S. in 1945, circulated on the 8th November, 1944, a total of \$108 million was shown as cash dollar expenditure in connection with oil. That figure was made up as follows:-

	<u>\$ Million</u>
Dollar purchases of crude oil for British refineries	22
Dollar royalties on Reciprocal Aid oil from Curacao	8
Maintenance Equipment -	14
Capital Equipment -	40

	<u>\$ Million</u>
Dollar outlay on net balance of U.S. oil supplied to non-British Areas	15
Other oil field expenses including royalties payable in dollars -	9
	—
Total	108

4. We suggested that one way in which the U.K. dollar reserve could be increased was if the U.S. would agree to purchase for dollars certain oil now being supplied on Reciprocal Aid - namely, that drawn from Curacao & Bahrein. The payment by the U.K. for oil drawn from these sources involves a higher dollar outlay than oil from other British sources. It is estimated if the U.S. agreed to pay for their requirements from Curacao and Bahrein the total involved in 1945 would be \$69 million in respect of Curacao and \$31 million in respect of Bahrein. This would give a total of \$100. million which was the highest figure mentioned at the discussion on the 15th November. While it is, of course, for the U.S. to decide what would be, from their standpoint, the most defensible form of presentation of expenditure in connection with oil, it is suggested that from an administrative standpoint a purchase of Curacao and Bahrein oil on the lines proposed would be the simplest course to pursue.

5. If this clear cut course cannot be taken, an alternative would be to arrange for the reimbursement to the U.K. of the dollar outgoings necessary to maintain the output of sterling oil for war purposes. On further consideration we agree that the figure of \$40. million shown in paragraph 2 above as expenditure on capital equipment ought not to be regarded as wholly attributable to the cost of securing high sterling oil output for war purposes. If this figure were excluded the dollar outgoings would amount to \$65 million.

6. A third course - but one yielding considerably less dollars - would be to reimburse the U.K. the cost of the crude oil purchased for dollars for the Curacao and Bahrein refineries. This would give \$22. million in 1945 - the lowest figure mentioned. If this payment were made retrospective with effect from the date in 1944 from which oil from the Curacao and Bahrein refineries was made available on Reciprocal Aid the figure would become \$38. million. If reimbursement for the dollar royalties in Venezuela on Reciprocal Aid were added the figures would become \$36. million and \$46. million respectively.

7. An additional (and administratively easy) way of providing dollars would be for the U.S. to pay for the benzol which is at present being made available from the U.K. on Reciprocal Aid for refining in U.S. refineries. On the basis of current programming, this would provide about \$16-20 millions a year. If this course were adopted in addition to that suggested in the preceding paragraph, the figures would become, say, \$52-55 millions and \$62-65 millions respectively--i.e. roughly a figure of the same order as that mentioned at the end of paragraph 4.

Washington, D.C.

TOP SECRET

11/16/44

COPY NO. 29 273 ✓

/s/ H.V. Goschen
U.K. TREASURY
DELEGATION
WASHINGTON, D.C.

-- N.A.A.F.I. REQUIREMENTS --

The purchases now being made by N.A.A.F.I. in the United States are approximately:-

Biscuits	1
Beer	2
Sugar Candy	1 1/2
Chewing Gum	1
Fruit Squashes	1
Lemon Juice Powder	1 1/2
Meat Extract	1 1/2
Pickles	1 1/2
Vegetable Extract	1 1/2
Sundry Food Items	3/4

\$ 9 million

Hops and Malt	1
Razor Blades	1 1/4
Matches	1
Toothpaste	1 1/2
Beer Bottles (sent to Canada to be filled)	1 1/2
Handkerchiefs	1 1/4
Tennis Balls	1 1/2
Oddments	5 1/2
Freight (ocean and inland)	2 1/2

\$ 15 million

TOTAL:- \$ 24 millions

Two particular points arise in connection with these requirements:-

1. As the U.S. War Department can no doubt confirm, troops are unwilling to purchase goods unless they are of the type and quality to which they are accustomed to buy. For example, they would not take chocolate if it is the same chocolate as that which they normally get as part of their rations.

2. There are a large and varied number of items. Many of these require special packing; for many it is necessary (with the backing of the U.S. Service Departments) to obtain priorities from the W.P.B.

To bring the procurement of all these items under the normal Lend-Lease procedure would throw a large amount of administrative work on the Lend-Lease machinery, administrative work which requires considerable technical knowledge to deal with the points set out above.

If, therefore, it is agreed in principle that these items can be provided on Lend-Lease, it is suggested that discussions should take place with, say, the U. S. War Department, with a view to finding out the best method for dealing with the situation. It might be found convenient to retain the present organization which N.A.A.F.I. have built up, thus N.A.A.F.I. would pay for the goods in the first instance obtaining reimbursement afterwards under the same kind of procedure as is adopted in the case of certain shipping services and supplies. The U. S. War Department would no doubt require certain safeguards but we are confident that with the experience which they have with their own Post Exchanges, agreement could speedily be secured.

UNITED KINGDOM TREASURY DELEGATION,
WASHINGTON, D.C.

16th November 1944.

Dear Mr. Secretary,

I am sorry that I have been so slow in letting you have the further break-up of British war expenses abroad, which I promised you some little time ago. The reason is, of course, as you are only too well aware, that your people and ours have been kept busy up to almost the limit of possibility. I have thought that the most convenient way might be to arrange my reply in a series of short annexes, each dealing with a particular matter.

You will see that I have partly devoted myself to giving you some further figures for your own information, not suitable for general use, and that here and there I have suggested very briefly one or two lines of argument which might be useful, if later on you have to go up to The Hill on our behalf.

Perhaps I might sum up here a few of the salient points:-

1. As you will see below, our indebtedness is largely due to our military expenditure in the Middle East and India. For five years we, and we alone, have been responsible for practically the whole cash outgoings for the war over the vast territories from North Africa to Burma. Without these expenditures we should never have held Rommel at the critical moment of the war.
2. Quite early in the war, the Treasury control over war expenditure overseas was virtually abandoned. If Treasury control over expenditure had continued, unquestionably many economies could have been made. But these economies would not have been possible without setting up a machinery of control which would have impeded the prosecution of the war. One has to choose. The principles of good housekeeping do not apply when you are fighting for your lives over ~~the~~ three continents far from home. We threw good housekeeping to the winds. But we saved ourselves, and helped to save the world. Too much financial precaution might easily have made just the difference when, as at one time, the forces were so evenly balanced. It is easy to argue that a method set up in an emergency

has been continued too long. Very probably that is the case. But the obstacles in the way of re-imposing detailed control when it has been long absent are very great.

3. We ourselves receive no reverse Lend-Lease whatever from the British Commonwealth, apart from Canada. As is shown below, we have made far less favourable financial arrangements with our own Dominions than has the United States. We pay Australia, for example, for the same goods and services which the United States receive without payment. Even when Lend-Lease is brought into the account, the United States has with these countries more favourable arrangements than we have.
4. We have not thought it right to ask for any contribution to the war from the Crown Colonies, where we are in a position of Trustee. We have paid them for everything we have obtained, and consequently owe them vast sums. We even pay them for the goods which they send as reverse Lend-Lease to the United States, so that this contribution also falls on our shoulders.
5. We abandoned our export business in order to devote to the war the whole of the manpower which could by any means be made available.
6. We paid over nearly the whole of the gold reserves with which we started the war to the United States, and spent the money to build up the American munitions industries from small beginnings, with the result that when America came into the war, the time-lag in the expansion of production was very greatly reduced.

No doubt the above makes up collectively a story of financial imprudence which has no parallel in history. Nevertheless, that financial imprudence may have been a facet of that single-minded devotion without which the war would have been lost. So we beg leave to think that it was worth while - for us, and also for you.

If there is anything further I can do whilst I am here, I am, of course, always at your service.

Sincerely yours,

Keynes

The Hon. Henry Morgenthau, Jr.

I. BRITISH WAR EXPENSES OVERSEAS

The incurring of overseas debt and loss of overseas assets has been going on at the rate of \$2-1/2 to \$3 billions a year, since the beginning of the war, amounting to something over \$12 billions over the period as a whole up to the end of 1944.

By far the greater part of this is due to military expenditure which we have had to meet in cash overseas, mainly in India and the Middle East. This has been running at an aggregate of about \$2 billions a year. The nature of this expenditure is set forth in some detail below, on the basis of 1944.

For 1945 present estimates are nearly as high as for 1944. In Annex A of the Statement of Requirements, these were given (Page 12) as follows:-

India	\$1,360 millions
Egypt	240
Australia	160
Palestine	100
South Africa	80
Persia	60
Iraq	40
Others	40
	<hr/>
	\$2,080 millions

The break-up of this expenditure on the 1944 basis is given below. Since the above preliminary estimates for 1945 have been built up mainly on the 1944 basis, ^{the 1944} ~~the 1944~~ break-up would be broadly similar. I understand, however, that the Chancellor of the Exchequer considers that these estimates may be unnecessarily high, and he is at present engaged in having enquiries made as to how best economies can be made. The final expenditure will partly depend on economy in detail, partly on broad decisions to be made by the War Cabinet. The above estimates are based on certain provisional decisions, but these decisions are not to be regarded as final. The Chancellor of the Exchequer hopes, therefore, that in fact our overseas expenditure in 1945 will be reduced below the figure given. If it should prove possible to reduce the expenditure by (say) half a billion dollars, then the expected disinvestment in the current year, which otherwise would approach \$3 billions, will be that much less. It will be appreciated that it is very difficult to estimate long in advance the rate of expenditure over many far distant countries in war conditions subject to continuous change.

the United Kingdom

1. In 1943-44 the expenditure of ~~His Majesty's Government~~ in India amounted to \$1,132 millions, made up as follows:-

A. Personnel Charges (excluding rations, clothing, equipment etc.)	
1. Combatant units and ancillaries	\$90.4 millions
2. Supply and stores depots, war hospitals etc. in India	18.4
3. Share of establishment costs of training and other formations treated as joint liabilities	34.0
4. Transportation charges of personnel	24.0
5. Provision of cash for payment of forces overseas (including S.K.A.C. payments in India)	90.0
<u>Total A.</u>	<u>\$294.8 millions</u>
B. Acquisition of stores	610.8
C. Transportation charges on stores	59.6
D. Works expenditure in India on buildings, roads, airfields etc.	135.2
E. Prisoners of War	16.8
F. Share of capital outlay on projects for expanding India's industrial capacity for production of stores for war purposes	16.4
<u>TOTAL</u>	<u>\$1,133.6 millions</u>

The expenditure in 1944-45 is expected to be at the somewhat higher aggregate rate of \$1,312 millions. The distribution of this expenditure between the different items will be broadly the same as in the previous year. It is often inferred from the magnitude of ~~the~~ ^{the U.K.} expenditure that the Government of India is not itself bearing a very heavy burden of charges. This is not in fact the case. The Government of India bears the whole of the local charges of the Indian Army when it is in India. As a result of this and of other expenditure arising out of the war the Government of India's expenditure in 1944-45 is estimated at \$1,250 millions, which is about four times the peace-time budget. Thus in addition to what the British Government bear, the Government of India is spending not far short of a billion dollars a year on war expenditure. Moreover, they are covering nearly the whole of this by taxation, which has been raised to nearly three times the pre-war level. Their loan programme is mainly to finance the loans which they have been making to the U.K.

the United Kingdom

The contribution of ~~His Majesty's~~ Government consists of supplying the Indian Army with munitions made in the U.K. without payment with the cost of Indian forces then operating outside India, and with the cost of British forces in India. It will be observed that more than

half of the expenditure relates to the acquisition of stores. These stores are for use not only in India, but in various theatres where geographical considerations make India the best source of supply.

2. Expenditure in the Middle East

On the basis of our latest available figures of current expenditure, the aggregate rate during 1944 will work out at about \$576 millions, covering Egypt, Palestine, Persia, Iraq and Syria. For 1945 this is estimated at the reduced figure of \$400 millions. The main items were as follows:-

Pay of troops	\$96 millions
Work services	144
Provisions	48
Conveyance of troops and stores	48
Petrol, fuel and light	36
Wages of civilians, R.A.S.C. and Ordnance Departments	36

3. Australia

The total war expenditure by U.K. and Australia in 1944 is estimated at \$267.2 millions (the estimate for 1945 is at the reduced figure of \$160 millions).

Based on the expenditure of the first half of 1944, the major items making up the total were as follows:-

War Office expenditure	\$24.0 millions
Admiralty	32.0
Air Ministry	22.4
Ministry of War Transport	32.8
Ministry of Supply	146.4

The Ministry of War Transport payments are refunds to the Australian Government of freight received on sterling oil carried in Lend-Lease tankers. This is, therefore, not a genuine net expenditure, and might more properly be excluded from the total. Payments by the Ministry of Supply are principally for munitions supplied by Australia under the munitions assignment procedure, and supplies for the Eastern Group Supply Council. It will be seen that our payments in respect of munitions produced in Australia is, as in the case of India, rather more than a half of our total expenditure.

II. FINANCIAL POSITION BETWEEN U.K., U.S., AND THE DOMINIONS

It is not commonly understood that the United States has made much more favourable financial arrangements with the British Dominions, apart from Canada, than the British Government has. In the case of Canada, as is well known, Canadian contributions in the shape of Mutual Aid and in other ways have produced broadly the same effect as the Lend-Lease arrangements with the United States. With the other Dominions, however, the United Kingdom has no Reciprocal Aid arrangements; and the net result of the arrangements is that much more is paid to them than is received from them. India and Australia can be taken as leading examples.

In the case of Australia, as has been seen above, the United Kingdom pays for all her expenditure from Australia, both for supplies for the troops and for all raw materials. As against this, Australia makes certain capitation payments to the United Kingdom in respect of munitions and other services provided by the U.K. to the Australian forces. In the year 1944 military expenditure paid by the U.K. to Australia amounted to \$184.4 millions, whilst similar war expenditure paid by Australia to the U.K. came to \$138.8 millions, leaving a balance adverse to the U.K. of \$45.6 millions. In addition to the above, the U.K. paid Australia for all meat, other food, and raw materials obtained from them, leading to a very large adverse balance in the aggregate, whereas the U.S. receives meat on Reciprocal Aid terms.

This may be compared with the financial arrangements made with Australia by the United States. Reciprocal Aid supplied to the United States forces by Australia in 1944 is estimated at \$360 millions. As against this, Australia is expecting to receive under Lend-Lease non-munitions to the value of \$103.4 millions. This is exclusive of oil, shipping freights, aircraft supplied under direct Lend-Lease, and munition included in the U.K. programme. When allowance is made for these, there remains a balance of about \$100 millions in favour of Australia.

As regards India, the comparison is still more striking, since the U.K. supplies the Indian Army with munitions without charge, which is not the case with Australia. The result is, as we have seen above, that in 1944-45 British payments to India on account of the war will amount to no less than \$1,312 millions, with no significant counter balancing payments the other way.

Turning to the American comparison, the Reciprocal Aid afforded by India to the United States exceeds by a significant amount what they themselves obtain on Lend-Lease. Broadly speaking, the volume of Reciprocal Aid afforded by India is at the rate of \$260 millions. Whilst Lend-Lease assistance, including both non-munitions and munitions furnished to the Indian Army, has fallen slightly short of the above.

III. UNFAVOURABLE TRADE BALANCES WITH OTHER COUNTRIES

1. The remaining part of the British overseas indebtedness is the result of her abandoning her export trade, which has meant that imports necessary for carrying on the war can only be obtained by incurring debts. For example, imports from South American countries in 1944 will so much exceed exports to them, that a large adverse balance of payment, which can only be covered by an increase of debt, necessarily results. The following are some illustrations covering the year 1944:-

	\$ millions	
	<u>British exports to</u>	<u>British imports from</u>
Argentine	11.2	163.2
Brazil	15.6	92.0
Rest of South America (Bolivia, Peru, Chile, Uruguay, Paraguay)	15.8	92.0

The above is an absolutely inevitable consequence of the abandonment of British export trade and the diversion of manpower to direct war service. Much the same sort of figures could be supplied relating to the Crown Colonies. The Crown Colonies are mainly inhabited by native populations at a low standard of life, for which the British Government is in a position of Trustee. It has not been thought right to ask them to make any direct contribution to the costs of the war. Since imports from these Colonies have greatly exceeded exports, the present position is that the United Kingdom owes the Crown Colonies (doubtless to their great advantage in future years) the sum of about \$2 billions. The British Government meet out of their own pocket the cost of the raw materials furnished to the U.S. from the Colonies, for example, rubber from Ceylon, thus increasing our debt to them.

2. The Dollar Expenditure of the United Kingdom

It is commonly believed that, as a result of Lend-Lease, practically the whole of the British Government's dollar expenditure is covered. In fact this is far from the case, as has been shown in detail in the British Statement of Requirements. British cash expenditure in the United States, on the basis of the existing scope of Lend-Lease, will exceed \$800 millions in 1945. In addition there are certain expenditures which are unavoidably incurred in terms of dollars in other countries, bringing the total dollar expenditure of the U.K. outside Lend-Lease to about \$1 billion a year.

3. British Gold Reserves

The United Kingdom started the war with net gold reserves of about \$2-1/2 billions. In the period before Lend-Lease, the whole of this was expended, the net gold reserves of the U.K. at the end of April 1941 having fallen to \$3 millions. By far the greater part of the \$2-1/2 billions of gold thus lost was paid to the United States. This money was spent in building up the munitions industry of the United States, so that there was a very much shorter time-lag in the expansion of munitions output after Pearl Harbor which would otherwise have been inevitable. More recently, the British gold and dollar reserves have been somewhat increased, largely as a result of earnings from the pay of American forces in the Sterling Area, a source of income which is rapidly falling off. At the end of this year the reserves may amount to \$1-1/2 billions, that is, a billion less than at the beginning of the war. During this same period, however, the overseas liabilities of the U.K., which were more than covered by their reserves at the beginning of the war, will have risen to \$12 billions, which is eight times the figure of the reserves.

As a result of the war, the U.K. will have parted with much of its gold to the United States, as mentioned already, and will, for reasons also summarised above, have incurred indebtedness to almost every other Allied and Associated Nation and to every neutral.

This great burden of indebtedness has not been due to wastefulness or failure to economise. It has been due to our extreme single-mindedness in devoting all we have to the war. We have never allowed financial prudence to impede the prosecution of the war. This policy will have shortened the duration of the war for us and for everyone. But the burden will remain.

NOV 16 1944

Dear Judge Patterson:

Thank you for your letter of November 14, 1944 stating that the War Department, the Navy Department and the British representatives have agreed that the item of \$32 million for Landing Vehicles Tracked will remain on the Navy Department schedule of British requirements while the War Department will reduce the item of \$52,601,110 on its schedule to \$3,063,270 to cover the armaments for these vehicles only, thus eliminating duplication in the two programs.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Robert P. Patterson,
Under Secretary of War,
Munitions Building,
20th & Constitution,
Washington, D.C.

HPN
ENC: 11/16/44

FILE COPY

WAR DEPARTMENT
 WASHINGTON
TOP SECRET

NOV 14 1944

The Honorable

The Secretary of the Treasury

Dear Mr. Secretary:

As indicated by Sir Robert Sinclair at the meeting held in your office on Friday, 10 November, there is a duplication as between the War Department schedule of Ground equipment and the Navy Department schedule with respect to Landing Vehicles Tracked. On page 5 of the War Department schedule of Ground equipment, there appears an accepted requirement for Landing Vehicles Tracked totaling \$52,601,110. This figure included the vehicles themselves, spare parts, armament and all other ancillary charges. In the Navy's schedule of accepted requirements, there appears a figure of \$32,000,000 for the same vehicles.

By agreement between the War Department, the Navy Department and British Representatives, it is suggested that the War Department's acceptance with regard to this item be limited to the armament for the vehicles and that the Navy's acceptance of the requirement for the vehicle remain as presently stated.

It is, therefore, requested that the item referred to above in the War Department schedule should read as follows:

Armament and Fire Control Instruments for Landing Vehicles Tracked	\$3,063,270
---	-------------

in lieu of the present reference to Landing Vehicles Tracked and at a total value of \$52,601,110.

This alteration of the schedule results in a reduction in the total dollar value of the War Department's acceptance to the extent of \$49,537,840. As amended, the summary would be as follows:

Estimated Undelivered Balance of 1944 ASP	Phase II (U.S. Period I) Requirement	Total
\$179,631,728	\$599,086,498	\$778,718,226

Sincerely yours,



Robert P. Patterson
 Under Secretary of War

TOP SECRET

FEDERAL RESERVE BANK
OF NEW YORK

November 16, 1944

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. W. White

I am enclosing our compilation for the week ended November 8, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

/s/ L. W. Knoke

L. W. Knoke,
Vice President.

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

Enclosure

C O P Y

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

November 18, 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 8, 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

Week Ended November 8, 1944

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE		
	DEBITS				CREDITS				Total Debits (e)	Total Credits (f)	Net Inar. (+) or Debr. (-) in Funds (d)		
	Total Debits (a)	Gov't Expense (b)	Official Canadian Account	Other Debits	Total Credits (c)	Official Canadian Account	Other Credits	Net Inar. (+) or Debr. (-) in Funds (d)					
War Years (a)													
First	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	476.2	866.3	1,095.2	6	+ 292.0	
Second	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	705.4	38.9	8.8		- 30.1	
Third	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	1,276.8	18.5	4.4		- 14.1	
Fourth	764.0	312.7	170.4	280.9	1,072.3	-	0.5	916.7	10.3	1.0		- 9.3	
Fifth	1,197.7	300.4	61.4	835.9	1,369.6	-	-	1,116.6	-	-		-	
1944													
September	151.0	19.9	50.4	80.7	56.6	-	-	55.5	-	-		-	
October	127.9	21.0	7.4	99.5	54.7	-	-	53.7	-	-		-	
November													
December													
1945													
January													
February													
March													
April													
May													
June													
July													
August													
Week Ended													
October 18, 1944	7.8	6.3	-	1.5	2.6	-	-	2.6	-	-		- 5.2	
October 25, 1944	19.3	4.1	7.4	7.8	29.3	-	-	29.3	-	-		+ 10.0	
November 1, 1944	29.4	3.5	-	25.9	12.1	-	-	11.1	-	-		- 17.3	
November 8, 1944	9.3	3.9	-	5.4	9.6	-	-	9.6	-	-		+ 0.3	

See attached sheet for footnotes.

Average Weekly Expense Bureau (through June 12, 1944) 21.9 million
 Franco (through June 19, 1940) 19.6 million
 England (through June 19, 1940) 27.6 million
 England (through June 20, 1940 to March 12, 1941) 54.9 million
 England (since March 12, 1941) 21.9 million

- (k) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply, War Control, and Ministry of Shipping.
- (l) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (m) 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 presumably represent current acquisitions of proceeds of exports from the sterling area and other sterling dollar receipts. See (k) below.
- (n) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (o) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (p) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (q) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1941; September 29, 1941; September 6, 1941.
- (r) Includes \$ 6.6 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$ 1.0 million transferred from account in this market of Norwegian Shipping and Trade Mission.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Billions of Dollars)

Week Ended November 8, 1944 Confidential
Strictly Confidential

PERIOD War Years (a)	BANK OF CANADA (and Canadian Government)										COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)									
	DEBITS					CREDITS					DEBITS					CREDITS				
	Total Debits	Official British A/C	Others	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	For Own A/C	For French A/C	Other Credits	Net Incr. (+) or Decr. (-) in Funds (b)	Total Debits	Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Transfers to Official British A/C	Other Credits	Net Incr. (+) or Decr. (-) in Funds (b)		
First	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	-	6.1	+ 4.9			
Second	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	-	18.3	+ 9.0			
Third	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	37.4	49.8	112.2	17.2	-	95.0	+ 5.0			
Fourth	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	41.9	-	200.4	-	-	200.4	+ 3.4			
Fifth	849.3	1.0	848.3	958.5	38.1	61.4	-	859.0	+ 283.3	298.6	253.0	45.6	287.7	-	-	287.7	+ 10.9			
1944	74.5	0.1	74.4	91.8	-	50.4	-	41.4	+ 17.3(c)	5.8	1.0	4.8	7.3	-	-	7.3	+ 1.5			
September	26.1	-	26.1	86.2	-	1.4	-	76.8	+ 60.1	20.5	1.0	19.5	21.0	-	-	21.0	+ 0.5			
October	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
November	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
December	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
1945	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
January	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
February	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
March	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
April	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
May	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
June	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
July	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
August	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
Week Ended	3.1	-	3.1	5.2	-	-	-	5.2	+ 2.1	0.2	-	0.2	0.4	-	-	0.4	+ 0.2			
October 18, 1944	7.9	-	7.9	29.4	-	7.4	-	22.0	+ 21.5	0.1	-	0.1	0.8	-	-	0.8	+ 0.7			
October 25, 1944	7.1	-	7.1	15.3	-	-	-	15.3	+ 8.2	20.5	1.0	19.5	19.5	-	-	19.5	+ 1.0			
November 1, 1944	6.0(c)	-	6.0	13.2(c)	-	-	-	13.2(d)	+ 7.2	-	-	-	0.4	-	-	0.4	+ 0.4			
November 8, 1944	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Annual 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 7.0 million.

- (a) For monthly breakdowns see tabulations prior to April 23, 1941; October 8, 1941; October 16, 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 \$ 1.7 million deposited by War Supplies, Ltd. and \$ 11.5 million received from New York accounts of Canadian chartered banks.

November 16, 1944
5:27 p.m.

Grace
Tully: Mr. Secretary, how are you, sir?

HMJr: Very well.

T: That's good.

HMJr: How are you?

T: Fine, thank you.

HMJr: I thought you were a little on the serious side yesterday.

T: No, I wasn't. It was just that I had a few little things to check and

HMJr: Yes.

T: I'm always out of breath running, trying to catch up with him so I can get the answers.

HMJr: When is that nice man that you work for going to tell us where he's going to be Sunday night?

T: I don't know that he's made up mind; I haven't heard yet.

HMJr: Ah

T: Sunday night is your broadcast if he's here, huh?

HMJr: Yeah. Are you going to see him?

T: Yeah, I expect to; I haven't gotten in there yet and it's now half-past five. I haven't seen him all day except a glimpse of him when I had to go in to get something signed, but actually I haven't done any work with him today.

HMJr: Well, tell him to quit kidding.

T: (Laughs)

HMJr: Because -- will you?

T: Yeah.

HMJr: And see if you can find out because -- the point is we had this thing and he said it was too long so we're rewriting it for six hundred words. That's what he wanted. Well, that's easy enough.

T: Uh huh.

HMJr: But if he isn't going to do it, then he's got to make a record.

T: Uh huh.

HMJr: We've got to set the thing up, you know....

T: Yeah.

HMJr: and find the time and all that rigmarole.

T: Uh huh. Well, let me find out if he's made up his mind about the week-end and if he has, I'll let you know, and if he's not to be here, then we'll -- I'll let you know that so you can -- and see if we can find the time -- let Steve work out a time when he can make the record.

HMJr: Well, we've been after Steve and Steve knows nothing.

T: Well

HMJr: I mean he doesn't know any more than I do.

T: No, and I don't know either, you see. He's the only one that knows or maybe he -- even he doesn't know.

HMJr: Well, give him the "woiks".

T: All right, fine. (Laughs) I'll go to work on him.

HMJr: Say, wasn't that funny yesterday. I finally got

T: (Coughs) You finally what?

HMJr: God, you sound as though you really....

T: Oh, sure, on my way to Denver.

HMJr: I finally got him to put it on a piece of paper.

T: Uh huh.

HMJr: And then he put it in his pocket.

T: Yeah. (Laughs)

HMJr: What a man.

T: (Laughs)

HMJr: But I suppose someday those papers will be coming over.

T: Yeah.

HMJr: You give him the works and I'll be home tonight.

T: Fine, Mr. Secretary, I'll let you know just as soon as I can check with him.

HMJr: I thank you.

T: Fine. Bye.

November 16, 1944
5:35 p.m.

TAX CASE - J. DAVID STERN

Present: Mr. O'Connell
Mrs. Klotz

H.M.JR: I want to compliment you on your approach on that Nation thing yesterday. In other words, your mind was open. Just because they have always ruled that way, still you were willing to approach it from the angle - what can you do to be helpful. I liked that approach.

MR. O'CONNELL: Thank you for saying that.

H.M.JR: But this idea, why they have to come in here and see me, and that they don't know about the Free World, or this Survey Graphic, doesn't speak very well for--

MR. O'CONNELL: Well, there is always a difficulty in a big organization like the Bureau that they tend to become bureaucratic in the sense that they follow a straight line, or tend to follow too much the precedent that has been established some time before, and you pointed out to them, one of the difficulties that we have, even in doing what they would like us to do, is that as a result of probably stupid decisions that we made in years gone by, we have been reversing a whole lot of decisions, as granting tax exemptions to--

H.M.JR: Well, your mind is open. This fellow Cann, he won't do a damned thing because they might some way upset their procedure.

- 2 -

MR. O'CONNELL: Yes, it is easier, you see. Once you take a little different tack, then they have to make some additional decisions, and it is just a condition that will always exist; it is just a case of fighting it as much as you can. The bigger the organization the more difficult it is to combat it, because you can't handle volume on case-by-case methods, with the type of person in you have to have.

H.M.JR: Where do we stand?

MR. O'CONNELL: I have a memorandum, or a letter, for you to send to Mr. Stern, but whether I could tell you more quickly than by having you read the letter, I don't know. The fact is, the letter is a page plus two lines. The fact is that the application of his has been down here for several months and it is being sent back now to the regional office because, although approved in the regional office, it has been disapproved here by the Review Board of Economists and others whose job it is to review these 722 cases.

Now, as I said in this memorandum at the end of it, he indicated that he had been informed or advised by Sullivan that it would be approved, or handled like that. This is entirely inaccurate. I do not see how anyone familiar with the problems inherent in this situation could have told Mr. Stern that the Review in Washington was either in proper form, or that it could have been completed within a matter of a few days. As a matter of fact, the function of Review here is a very important and time-consuming one, especially at this stage in the game.

Now, what I wanted to get at was that we have thirty-four thousand applications for relief under 722 in the Bureau of Internal Revenue right now. They involve some three billion dollars of relief. That is for one war year. That is 1941, and the possibilities are, if you were to assume that you would grant all the applications for relief that it would run up in

- 3 -

terms of ten to twelve billion dollars of refund.

Now, with that as a background, and also indicating that we have actually only approved some three hundred cases - we have only finally handled three hundred cases involving refund, of seven hundred and twenty-two. Now, with that as a background, at least Mr. Stern is in the same boat with thirty-three thousand seven hundred other people. Now, there is a very good reason for that, and this is, in general, the reason: This provision of seven hundred and twenty-two provides without adequate standards that under circumstances not well set forth in the statute, the Bureau of Internal Revenue, or the Commissioner, is to give individual companies relief from excess profits taxes, and the theory is that if a company which operates on a base period of earnings, excess profits tax basis, can show the Bureau that for some peculiar reason his income during the base period was abnormally low during one or more of the years, then - I am trying not to make this too complicated--

H.M.JR: I am too tired, is the trouble. Let me read this letter. I am so terrifically tired I can't see. I should have gotten to it earlier but it was physically impossible.

MR. O'CONNELL: It isn't being finally rejected. It is being sent back for an additional showing. It is an awful case.

H.M.JR: That is a very nice letter. (The Secretary signs letter to Mr. Stern)

MR. O'CONNELL: The memorandum in a little more detail says something of the same thing. This is a memorandum which I wrote, and then when I didn't get to the Secretary later in the day, I then decided to write the letter. That is about the situation.

H.M.JR: Let a special delivery stamp go on it.

- 4 -

MR. O'CONNELL: The probabilities are that you are going to get an increasing number of complaints. I don't believe justifiable complaints under seven hundred and twenty-two, because there is more dynamite in seven hundred and twenty-two, if we don't do a defensible job, because you can give away the county courthouse, and in Mr. Stern's case, for example, he says it involved thirty thousand dollars; it involves that in reconstruction of his base period earnings, but if his earnings are high enough in the four years of '41 to '45 it may mean half a million dollars because it has an effect each year.

The Bureau in this case has a very good justification for going slow. They couldn't approve cases until they could see the panorama of the types of situations they are going to be confronted with, until the cases came in.

Now the cases are in. They have spent six months trying to prepare a document which would instruct the people in the field. The document is one hundred and seventy-five pages long; it has to be interpreted by poor people in the field who wouldn't know how to do it. They will all have to be reviewed here, at least until you have a pattern and a case method which will permit us to go a little faster, anyway.

H.M.JR: When will you have a report on The Nation?

MR. O'CONNELL: I am afraid not until Saturday.

H.M.JR: They didn't seem to mind if I took a few days, and Norman Cann left town last night until Saturday. He was collecting some information for me and I will have something for you when you come back Tuesday.

NOV 16 1944

Dear Mr. Stern:

I have had Mr. O'Connell check into the situation you described to me yesterday with respect to the claim filed by the Courier-Post for relief under Section 722 of the Internal Revenue Code.

From the information given me I am satisfied that your disquietude about the fact that the claim for relief has not been finally acted on is without substance. So that you may understand a little better the difficulties with which we are confronted in this field, you should know that some 34,000 claims for relief have been filed involving, for only one year, upwards of \$3 billion. Furthermore, the necessity for "feeling our way" in an uncharted field, and also the obvious desirability of obtaining the greatest possible amount of uniformity in results, has made it necessary to set up a system which involves a substantial amount of examination of individual cases here. The situation has in general been such that we have as of this time finally passed on a very small number of the pending cases.

In your particular case, I am informed that for reasons that will be made known to you through the field office, it has been found necessary to return the case to the field for further examination in the light of considerations felt to be important by our review division here.

I can give you every assurance that your case will be given every possible consideration. In fact I have given instructions that it be expedited. I do hope what I have said will give you a little better understanding of the difficulties we face, and in any event please

- 2 -

believe that we will do everything reasonably possible to get a quick and fair decision, and at the same time please accept my assurances of personal esteem.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. J. David Stern,
President, Philadelphia Record Co.,
Philadelphia Record Building,
Philadelphia, Pennsylvania.

JJO'C:mv

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

November 15, 1944

TO Secretary Morgenthau
FROM Joseph J. O'Connell, Jr.

I checked on the claim for relief under Section 722 of the Internal Revenue Code, filed by the Courier-Post, about which Mr. Stern spoke to you this morning.

The case has been in Washington for several months, it having been sent in from the field for post review in accordance with the usual procedure. The economists and others responsible for this operation are not in agreement with the recommendation made in the field (the field recommended substantial relief), and the case is being returned to the field office for further consideration there. What this really means is that the Bureau people here do not believe that the taxpayer has made a showing which justifies a granting of the relief sought.

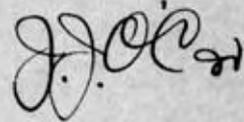
In explanation of what might seem to be an unjustifiable delay in this case, I think it should be pointed out that there have been some 34,000 claims for relief already filed. Section 722 is probably the most difficult provision in the Internal Revenue Code, from the standpoint of administration, and is also the section probably most fraught with danger if extreme care is not taken not only to produce uniform results but also results which can be defended from the standpoint of the Government interest in protecting the revenue. An idea of the magnitude of the job (and the guides set out by Congress for deciding the extent to which relief should be granted in individual cases are far from satisfactory) can be gained by a realization that the total amount of money involved is, roughly, \$3 billion a year for each of the war years, starting with 1941.

The Bureau has been working for months attempting to formulate satisfactory rules to guide those responsible for the examination of claims. It was, as a practical matter, impossible to formulate rules except in the light of an examination of the various types of claims actually filed. Because of the factors I have mentioned, as well as others, the Bureau has

- 2 -

actually passed on a very small portion of the claims filed -- my information is that it is at most a few hundred. What I am really trying to say is that Mr. Stern is in the same position as almost all claimants for relief, as of today, and that there are very good reasons for it.

I do not see how anyone familiar with the problems inherent in this situation could have told Mr. Stern that the review in Washington was either pro forma or that it would be completed in a matter of a few days. As a matter of fact, the function of review here is a very important and time-consuming one, at least at this stage of the game.

A handwritten signature in dark ink, appearing to be "J. J. O'Connell" or similar, with a flourish at the end.

TREASURY DEPARTMENT 11-16-44

Commissioner of Accounts

To Secretary Morgenthau

Thank you
very much
for your
fine speech
at O.P.A.

It was a
splendid talk
and a good
boost for
P/R Savings

Respectfully,
E. S. Bartelt

Mr. Bartelt

EXTEMPORANEOUS SPEECH BY SECRETARY



OFFICE OF STATE CHAIRMAN

TREASURY DEPARTMENT
WAR FINANCE COMMITTEE



1270 Sixth Avenue
New York 20, New York
November 16, 1944

Dear Mr. Morgenthau:

We are looking forward with a great deal of anticipation to having you with us on Monday next, both at lunch and dinner.

To meet you informally, I am asking the members of the Executive Committee of the New York State War Finance Committee to lunch at the Metropolitan Club. We are looking forward to a pleasant time, without imposing on you the need for a speech.

I understand from Ted Gamble that your speech on Monday evening is to be on the air, and we are arranging the schedule of our program accordingly.

We feel greatly honored that you have agreed to come to New York to inaugurate the national campaign for the Sixth War Loan, and trust that we will give you no cause to regret your decision.

With respectful good wishes,

Sincerely yours,

Frederick W. Gehle
State Chairman

Honorable Henry Morgenthau, Jr.
Treasurer of the United States
Washington, D. C.

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TREASURY DEPARTMENT

WASHINGTON

25

XXXXXXXXXXXXXXXXXXXX
War Finance Division

November 16, 1944

Dear Mr. Secretary:

Thank you so much for your kind and generous note of November 11th.

I am glad you liked our report to General Cobbs and I certainly hope the War Bond Drive in the E.T.O. is a success.

As I have said to you before, I shall always regard the opportunity to go to Europe on this mission as a great privilege. To you who made it possible, I shall be everlastingly grateful.

Sincerely,

Peter H. Odegard

The Honorable

The Secretary of the Treasury

Washington, D. C.

RCA 15- W-3



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United States Senate

COMMITTEE ON MILITARY AFFAIRS

MARGUERITE E. WATTS, CLERK

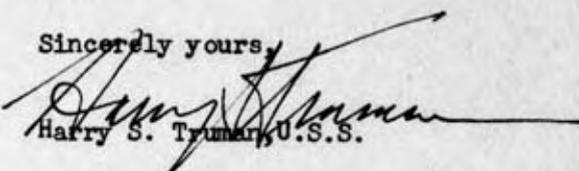
Washington, D.C.
 November 16, 1944

Dear Mr. Secretary:

Appreciated very much your letter of congratulations,
 which I found on my desk when I returned to Washington.

I was certainly glad to hear from you.

Sincerely yours,


 Harry S. Truman, U.S.S.

HST:MLD

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

OFFICE
 SECRETARY OF TREASURY

NOV 20 1944

NOV 16 1944

Dear Mr. Olrich:

I accept with the very greatest reluctance your resignation as Assistant to the Secretary in charge of the Procurement Division to take effect November 27.

If I did not recognize the urgency of the conditions which seem to compel you to return to your own business I should insist much more strongly on your remaining with us.

In the few months you have been with the Treasury Department you have done a magnificent job in putting together the organization necessary for handling the extremely difficult part of the surplus disposal problem which has been assigned to the Treasury.

I know that you have done this at a serious sacrifice only because you desired to render all possible service to your country in time of war.

Recognizing this patriotic service I desire at the same time to thank you personally for the help you have given to me.

Sincerely,
(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Ernest L. Olrich
Assistant to the Secretary
Treasury Department

HEG/mah



TREASURY DEPARTMENT

WASHINGTON 25

November 14, 1944



MEMORANDUM TO THE SECRETARY

I herewith tender my resignation as Assistant to the Secretary in charge of the Procurement Division, effective Monday, November 27, 1944.

You and I have discussed on numerous occasions the reasons why Munsingwear's affairs require that I return to Minneapolis.

May I take this opportunity of telling you how much I appreciate the confidence that you have evidenced in me. The free hand that I have had in the conduct of Procurement affairs has contributed in no small way to the progress we have made in Procurement and Surplus Property reorganization.

It is with regret that I am leaving your services.

A handwritten signature in cursive script, reading "E. L. Olrich".

E. L. Olrich
Assistant to the Secretary

NOV 16 1944

Through the Bureau of the Budget
Attorney General
Division of the
Federal Register.

My dear Mr. President:

I have the honor to transmit herewith for your consideration and approval, if you concur in my recommendation, a draft of an Executive order revoking the designation of Dunkirk, New York, as a customs port of entry in Customs Collection District No. 9 (Buffalo), to become effective at the close of business on November 30, 1944.

The customs port of entry of Dunkirk, located on Lake Erie, was established by President Taft in his Message to Congress submitting a plan of organization of the Customs Service, dated March 3, 1913. Its designation became effective July 1, 1913, and has been continued in effect since that date. A part-time deputy collector of customs, receiving a salary of \$480 per annum, is now assigned to duty at this port.

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Since 1938, very few vessels engaged in trade have entered at the port of Dunkirk from points in the Dominion of Canada. All the merchandise carried by these vessels was free of duty, and no merchandise was exported on such vessels through this port.

As an indication of the decrease in the volume of business handled at this port, it is desired to state that during the fiscal year of 1938 a total of 48 entries covering dutiable imported goods was filed there, on which the duties collected amounted to \$4,295.90; in 1939, there were 29 dutiable entries, and the duties aggregated \$2,204.27; in 1940, 21 entries, and the total collections were \$833.72; in 1941, 5 entries, yielding \$201.70 in revenue; in 1942, 2 entries, total collections \$4,355.05; in 1943, 3 entries, the collections amounting to \$7,067.44; and in 1944, 3 entries, on which the total duties amounted to only \$169.70.

The number of transactions described in the preceding paragraph represents a very small volume of customs business, simply consisting of an

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average of from two to four dutiable consumption entries per month in the fiscal years of 1938, 1939, and 1940, and from two to five entries in the entire fiscal years of 1941, 1942, 1943, and 1944. As a large amount of duties is frequently collected on a single importation, the work required to be performed by the customs officer at this port during the past several years has been negligible.

The entire amount of revenue collected at Dunkirk since 1938 consisted of duties assessed on merchandise shipped thereto via bonded carriers from other ports of entry, and such merchandise could have been examined and appraised, and the duties collected thereon, at the ports of arrival.

In view of the decrease in the volume of the customs and marine business at this port during the past seven years, and the fact that the small quantity of imported goods consigned to importers there may be cleared through customs at the ports where such goods arrive in the United States, thereby resulting in no loss of customs

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revenue, it is recommended that its designation as a port of entry be revoked.

Upon the revocation of the designation of Dunkirk as a port of entry, if an owner or operator of a vessel desires to make entry at that port for the purpose of lading or unlading cargo, the Commissioner of Customs of this Department may grant permission to such owner or operator to enter his vessel under the provisions of section 447 of the Tariff Act of 1930 (U. S. C. title 19, sec. 1447), and Executive Order No. 9083, dated February 28, 1942 (7 F. R. 1609), and a customs officer will be detailed from the port of Buffalo to handle the business.

The abolition of this port of entry will accomplish a saving of \$480 per annum, comprising the salary now paid to the part-time deputy collector, plus certain contingent expenses.

The action recommended is within the authority conferred upon you by section 1 of the Act of August 1, 1914, 38 Stat. 609, 623 (U. S. C. title 19, sec. 2).

Faithfully yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The President,
The White House.

EXECUTIVE ORDER

- - - - -

REVOKING THE DESIGNATION OF DUNKIRK, NEW YORK,
AS A CUSTOMS PORT OF ENTRY.

By virtue of the authority vested in me by section 1 of the Act of August 1, 1914, 38 Stat. 609, 623 (U. S. C. title 19, sec. 2), it is ordered that the designation of Dunkirk, New York, as a customs port of entry in Customs Collection District Number 9 (Buffalo), be, and it is hereby, revoked, effective at the close of business November 30, 1944.

THE WHITE HOUSE,

November , 1944.

Treasury Department
Division of Monetary Research

313

Date.....November 16, 1944.....19

To: Mr. White
From: E. M. Bernstein *EMB*

Mrs. Adams of the League of Women Voters told me today that their present business meetings are not of a kind in which it would be suitable to have a discussion of the Bretton Woods Agreements. She said, however, that the League endorses the Bretton Woods program. I thanked her for that and told her that we would appreciate it if she would have an officer of the League write to Secretary Morgenthau to this effect.

314 ✓

The New York Times
Times Square

November 16, 1944.

Dear Mr. Secretary:

Thank you for your letter. I am returning herewith Mr. Shirer's article, since you may want it for your files. I agree with you that it supports the contention in our editorial of November 6th.

I shall look forward to a chance to see you when I am in Washington again.

Sincerely yours,

Charles Mery

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

NEW YORK
Herald Tribune

NOV 1 2 1944

PROPAGANDA FRONT

N. Y. Herald Tribune

NOV 12 1944
By WILLIAM L. SHIRER

By Wireless to the Herald Tribune
Copyright, 1944, New York Tribune Inc.

AACHEN, Germany, Nov. 11.—Here in the city of Charlemagne, where your correspondent once heard Adolf Hitler boast that his Third Reich would last a thousand years, if not longer, one can see Nazism dead amongst the ruins.

Bent and broken Germans of all ages, but mostly old, dig in the debris which is all there is left of this once proud city of 180,000 inhabitants. American artillery thunders from behind the town and shells explode in the German lines not far away. Occasionally a German shell comes over adding its might to the utter destruction of this German town. Civilians, a little shell-shocked still from the bombardment and bombings and shocked, too, that the war which Hitler waged so long in distant lands should return to lay waste to their German homes, pause in their digging to curse "the brown pest," meaning the Nazis. They dig and curse and as night falls they crawl down to their cellar holes, dark and cold and damp, to prepare a sparse evening meal.

They Used to Cheer

Pitiful specimens of humanity you think. And yet I saw them in this same historic town exactly four years ago. They were not bent or broken or shell-shocked then. They did not curse the

"brown pest" then. They cheered it. For it had, they thought—and some of them admitted it to me today—won them a great war. Swastika flags flew from their windows then and the citizens greeted each other with a resounding "Hell Hitler."

Today when Hitler is mentioned it is with a curse. And for a very simple reason. He has brought ruin to Germany—ruin they never dreamed was possible four years ago.

When did they have a change of heart about Hitler and Nazism and the war? I returned to Germany today after an absence of four years to try to find out. We have occupied but a tiny fraction of the Reich. The rest of Germany still is fighting desperately against the Allies, who are closing in from three sides. The picture you get here is still incomplete. And the few thousands who remained in the shambles of Aachen were those who defied the Nazi evacuation order, the Gestapo who tried to drive them from their cellars into interior Germany, and the terrible bombing and shelling in order to remain.

Such folk obviously are not fanatical Nazis, except the spies who remained behind for an obvious purpose. But they insisted to me today that there are millions more like them between here and

the Rhine, and millions more behind the Rhine, all the way to East Prussia. These Germans they stoutly maintain, want to halt the war, preferring anything that the Allies may have in store for them rather than to go down in Goetterdaemmerung ruin with the Nazi leaders.

In Himmler's Grip

Why don't they quit then, you ask. The answer invariably is the same. They can't. Himmler's grip on the population and on the army is too iron. To falter now means instant execution whether you are a worker, housewife, farmer, business man or general. Eleven years of Nazism and five years of war—all Germans I talked to agreed—have knocked out of the German people all the principles and morals and, above all, any urge to revolt. All they think of now is how to survive. But they all know that the war is lost and secretly hope that the Allies finish the war before winter, which promises to be the grimest in modern German history.

I was curious to know—since Germany has been pretty much of a closed book to us for four years—when the German people themselves realized the jig was up and the Nazis had merely led them to another lost war as had the Kai-

NOV 12 1944

ser's regime a quarter-century before. I questioned several Germans of all types and classes among the ruins today. A few, chiefly intellectuals, said that they felt the war was lost on July 22, 1941, when Germany attacked Russia. Why? Because, they said, every German knew Germany could never win a two-front war.

Others said they realized that the war was lost when the Wehrmacht failed to take Moscow in December, 1941, and the United States entered the war. The rest agreed the people knew that the war was lost after Stalingrad.

Many hoped then that the Army would take over and get a negotiated peace. But all I talked with today were unanimous that there is little hope of a revolt in the Army command today. Hitler and Himmler have seen to that. The moment a general does not toe the line he is a candidate for a firing squad.

I found little evidence that, as Governor Thomas Dewey and many others in America and Britain, believe that our insistence on unconditional surrender or even the publicity given the so-called Morgenthau and Vansittart plans for harsh peace are spurring the Germans on to fight to the death. The general attitude seems to be that any kind of peace is preferable to a continuance of the war. All acknowledge that Goebbels's

propaganda was highly effective in spurring the masses in the first three years of the war, but has lost its effect now.

When I brought up the subject of Goebbels today most of the Germans either cursed or laughed. But they have an unholy fear of Himmler and his S. S. gunmen. And in Aachen they hope the German Army won't retake the city, since they feel it would mean their doom for having stayed behind. The American military government, so far as I can see, is taking a firm but fair attitude. Most of the German civilians I talked to were shocked that we were treating them so decently. Most of them said they expected the worst.

I watched the American military police bringing in men and women apprehended for the lack of identity papers or military permits. The police were highly polite and usually drive the civilians, especially the elderly ones, to the Civil Affairs Headquarters, where matters are straightened out for the German population. They also were impressed by the recent acquittal by an American military court of two German civilians who had shed their uniforms for civilian clothing. As the Oberbuergermeister, whose name cannot be mentioned for fear of Nazi reprisals against his family, remarked to me: "We hardly expected you to be so fair."

Treasury Department
Division of Monetary Research

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Date Nov. 20, 1944 19

To: Mrs. McHugh

This isn't important, but I think
the Secretary will be interested in
reading this gist of a report from
Mr. Saxon in Paris.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

4A 318

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE November 16, 1944.

TO Mr. White
FROM Mr. Glasser *HGJ*

You will be interested in the following points from Saxon's letter No. 2, October 25, 1944.

1. A State Department Financial Expert, Ivan White, will soon arrive in Paris to assume the rank of Second Secretary of the Embassy. He is a career foreign service officer. Saxon anticipates his presence will present problems with regard to communications since he will have access to all Treasury cables. Saxon says he may wish to communicate with Treasury by military courier. There are now six State economic analysts in Paris and it is reported that more are to arrive. In addition there is a State Department Labor Attache whose job is "to report to the State Department on communistic and socialistic trend among French laborers" and who is also interested in the financial program, in particular, the exchange rate.
2. Saxon reports that the "same old crowd" is in Paris in the Ministry of Finance. Among these is the present Director of the Budget, Francois Didier Gregh, who was particularly difficult for us to deal with in Algiers.
3. It is believed that the best opportunity for initiating a financial program in France has passed. The enthusiasm of the people immediately after the liberation of Paris would have overcome the opposition which acceptance of tough policies will now encounter. DeGaulle is definitely to the right of center, and Palewski, Mendes-France, Pleven, Monnet, Giacobbi, and others of his cabinet are not the group who are going to swing him away from his present policy.
4. Investigation of French banks is being handled slowly. Elocus is now a part of the Ministry of Finance of France and on this basis alone it is doubted that the French will make a forceful effort to clean up French banks.
5. On the recommendation of Mendes-France, the French Council of Ministers decided on September 29, 1944 to abrogate all existing trade agreements. When advised of this the State Department replied in very strong terms that this action would immediately restore on French imports to the United States the high tariff rates which existed before conclusion of the trade agreement between the United States and France. The reply also questioned the propriety of the French decision in view of the Lend Lease Act, United Nations Declaration and the Atlantic Charter. The French were informed that this was a matter in which Secretary Hull had a strong personal interest.

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Division of
Monetary Research

On the basis of the Washington reply M. Alphand, somewhat abashed, reported that the French would reconsider their decision. Mendes-France, however, remained adamant in his decision to "start fresh on the tariff question". The matter is being discussed further and is being handled very secretly.

6. M. Alphand requested from Saxon an official note on the statement released at the Quebec Conference with regard to the Morgenthau plan for de-industrializing the Rhineland. Saxon informed Alphand that he knew of no official statement made on this matter either at Quebec or elsewhere.

Treasury Department
Division of Monetary Research

320

Date.....Nov..14.....19

To: Miss Chauncey

From: Mr. White

I should like to talk to
the Secretary about this letter
before he signs it.

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

NOV 16 1944

My dear Mr. Secretary:

Reference is made to my letter of November 11, 1944 concerning the investigations undertaken by the Treasury Department of the activities of the French branches of the American banks during the period of German occupation.

During the course of these investigations the Treasury representative in Paris requested the French branches of the American banks to submit certain information on their activities during the German occupation. All of the banks complied with this request except Morgan and Company. Colonel Bernard Carter of the U. S. Army, a Morgan partner, intervened on behalf of the bank with respect to this matter and expressed the refusal of the bank to cooperate with the U. S. Treasury.

It is our understanding that it is contrary to SHAEF policy for United States Army officers to intervene on behalf of private institutions unless authorized to do so by the appropriate military authorities.

It would be appreciated if you would advise me of any action which the War Department may take on this matter.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of War.

NOV 16 1944

Excellency:

This will acknowledge your letter of November 1, 1944 concerning the economic and financial mission which you are sending to the United States, in response to the invitation extended to the Italian Government by Secretary of State, Cordell Hull.

I shall be very pleased to receive Baron Quintieri and Dr. Mattioli and discuss Italian financial and fiscal problems with them.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

His Excellency, Ivanoe Bonomi,
The President of the Council
of Ministers,
Rome., Italy

W.S. J.P.W.
HG:Dr1 -11/16/44

FILE COPY

Rough Translation

323

Rome, November 1, 1944.

No. 44/03453/28

Honorable Sir:

The economic-financial mission which I am sending to the United States, in accordance with the invitation extended to the Italian Government by the Secretary of State, the Honorable Cordell Hull, is composed of H. E. Baron Quinto Quintieri and Dr. Raffaele Mattioli.

This mission has the purpose to contact the United States authorities in order to discuss the situation which has arisen in Italy because of the war, the destruction caused by it, the disorganization it has produced, as well as the basis of a loyal and constructive collaboration between Italy and the United States of America in the economic-financial field.

Both H. E. Quintieri and Dr. Mattioli, who have been accredited by the Italian Government, are by reason of their ability and past experience peculiarly qualified to discuss the present day conditions of their country, and they are ready with full consciousness for the conversations in which there will be discussed problems of vital importance for both the immediate and remote future of Italy.

The mission is charged particularly to examine with you, Honorable Sir, the Italian financial and fiscal problems

The Honorable
Henry Morgenthau,
Secretary of the Treasury
of the United States of America,
Washington.

- 2 -

which comprise a great part of the problems relating to the reconstruction of Italy, and which have already been the subject of the first measures in Italy's favor on the part of the Treasury of the United States.

These measures have been greeted by the Italian Government with deep gratitude and have strengthened still further the feelings of grateful friendliness that the Italian people hold for the United States of America.

I feel certain that the mission, in the work it shall initiate with the American authorities for the purpose of increasing the scope of collaboration between the two countries in the economic-financial field, will offer a favorable occasion for a first approach, aiming to nourish and confirm the friendship and admiration that Italy holds for the United States of America.

Please accept, Honorable Sir, the expressions of my highest consideration.

Signed: Ivanoe Bonomi



*Il Presidente
del Consiglio dei Ministri*

Roma, li 1 1944

hh
03453
28

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Eccellenza,

La missione economico-finanziaria che giunge ora negli Stati Uniti, a seguito dell'invito trasmesso al Governo italiano dal Segretario di Stato Cordell Hull, è composta da S.E. il barone Quinto Quintieri e dal Dott. Raffaele Mattioli.

Tale missione si prefigge lo scopo di prendere contatto con le autorità degli Stati Uniti d'America, al fine di illustrare la situazione che si è venuta determinando in Italia per effetto della guerra, delle distruzioni che questa ha causate, della risorganizzazione che ha prodotta, nonché di stabilire le basi di una leale e costruttiva collaborazione tra l'Italia e gli Stati Uniti d'America nel campo economico-finanziario.

Sia S.E. quindi che il Dott. Mattioli, i quali hanno avuto pieno mandato dal Governo italiano, sono, per qualità e per esperienza passata, particolarmente in grado di rappresentare le condizioni presenti nel loro Paese, e si accingono con piena consapevolezza ai colloqui nei quali saranno discusse questioni di vitale importanza per l'avvenire immediato e lontano dell'Italia.

La missione si ripromette in particolar modo di esaminare con V.E. le questioni finanziarie e valutarie italiane, le

Sua Eccellenza HENRY MONROE
Segretario del Tesoro degli
Stati Uniti d'America

WASHINGTON



*Al Presidente
del Consiglio dei Ministri*

2)

quali assommano gran parte dei problemi inerenti alla ricostruzione dell'Italia, e che già hanno fatto oggetto dei primi provvedimenti a favore di questo Paese da parte del Tesoro degli Stati Uniti d'America.

Tali provvedimenti sono stati accolti dal Governo italiano con viva riconoscenza e hanno rafforzato ancora i sentimenti di grata simpatia che il popolo italiano nutre nei riguardi degli Stati Uniti d'America.

Sono certo che, nel lavoro che essa inizierà con le autorità americane, inteso ad allargare il quadro della collaborazione tra i due Paesi nel campo economico-finanziario, la missione costituirà una utile occasione per una prima presa di contatto, atta ad alimentare e potenziare l'amicizia e l'ammirazione che l'Italia nutre per gli Stati Uniti d'America.

Voglia gradire, Eccellenza, i sensi della mia più alta considerazione.

Frank B. Rowley

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Quito
TO: Secretary of State, Washington
DATED: November 16, 1944
NUMBER: 1098

CONFIDENTIAL

Reference is made herewith to Department's airgram A-500 of November 1 and Embassy's A-493 of October 30.

The Embassy has been informed by the Ecuadoran Foreign Office that it cabled request to Switzerland on October 31 but that the Ecuadoran representative there reported by telegram dated November 10 that Swiss authorities had regretted that they would not be able to assume representation in Hungary of Ecuadoran interests.

SCOTTEN

DCH:VAG 11/18/44

CABLE TO AMERICAN LEGATION, CAIRO, FROM WAR REFUGEE BOARD.

Please deliver following message to Harry Greenstein, UNRRA Representative, Cairo, from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE PLEASE ADVISE BELLE MAZUR REGARDING APPEAL WE RECEIVED FROM JACQUES BENZONANA AND ELIE COHEN NOW CARE OF GREEK LEGATION CAIRO BEHALF JEWISH COMMUNITIES ATHENS SALONICA. WE SUGGESTED THEY COMMUNICATE WITH YOU AND HOPEFUL YOU WILL DISCUSS WITH MAZUR SHOULD SHE BE ASSIGNED GREECE POSSIBILITY HER REPORTING TO US AND MAGNES SITUATION OF JEWS AND SPECIAL SUPPLEMENTAL REQUIREMENTS THAT JDC SHOULD MEET WHICH NOT MET BY MILITARY OR GOVERNMENTAL OR UNRRA ACTION. UNQUOTE

4:30 p.m.
November 16, 1944

ED:ary 11/16/44

CABLE TO ASSISTANT DIRECTOR, LONDON, FOR WANN, FROM WAR REFUGEE BOARD.

Please deliver following message to Joseph Schwartz, London, from
M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE SUBJECT YOUR AGREEMENT ADMINISTRATION COMMITTEE APPROPRIATED FOLLOWING ONETIME GRANTS FOR EMERGENCY AID. RUMANIA \$250,000 HUNGARIAN REFUGEES IN RUMANIA \$100,000 FRANCE PARIS DISTRICT \$100,000 LIBERATED POLAND \$500,000 BULGARIA \$50,000 GREECE \$100,000. REGARDING LIBERATED POLAND WE AUTHORIZING PASSEMAN NEGOTIATE PURCHASE 250 TONS SUPPLIES TEHEPAN FOR WHICH ABOVE APPROPRIATION MADE. REGARDING HUNGARIAN REFUGEES IN RUMANIA UNDERSTAND ABOUT 5,000 IN DIRE NEED AND MORE COMING DAILY INTO RUMANIA REGARDING GREECE AND BULGARIA WE WILL AWAIT FURTHER ADVICES FROM YOU BEFORE ARRANGING FOR REMITTANCES. ABOVE APPROPRIATIONS MORE THAN COMPLETELY EXHAUST \$900,000 RESERVE WHICH WAS AT YOUR DISPOSAL. ADMINISTRATION COMMITTEE APPROPRIATED ADDITIONAL \$300,000 TO BE PLACED AT YOUR DISPOSAL REALIZING THAT EMERGENCY NEEDS IN BELGIUM SOUTHERN FRANCE AND HUNGARY UNTIL END THIS YEAR HAVE NOT BEEN MET. IF YOU AGREE ABOVE WE ASSUME YOU WILL DIRECTLY NOTIFY VARIOUS COUNTRIES ALSO ADVISING US WHEN REMITTANCES SHOULD BE MADE. UNDERSTAND THAT OF 3,000 JEWS ANTWERP 30% DUTCH NATIONALS. WE ASSUME BRUSSEL COMMITTEE ALSO MAKING PROVISION HELP ALL JEWS ANTWERP ALSO ASSUME YOU DISCUSSING WITH DUTCH GOVERNMENT ASSUMPTION RELIEF NEEDS FOR THEIR DUTCH NATIONALS BELGIUM. GLAD INFORM YOU DONALD HURWITZ JOINING OUR STAFF HERE. UNQUOTE

THIS IS WRB CABLE TO LONDON NO. 26.

4:30 p.m.
November 16, 1944

Binary 11/16/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, LONDON
TO: SECRETARY OF STATE, WASHINGTON
DATED: November 16, 1944
NUMBER: 10022

SECRET

This message is for WRB, the Department and FEA.

As set forth in Department's 9419 of the tenth of November and WRB 21, the Relief Sub-Committee approves shipment of further 300,000 three kilo parcels. In approving consignment, MEW representative, drew attention to the present shortage of transportation to Geneva from Marseilles and stated he presumed that these parcels would be scheduled so that they did not conflict with essential Prisoner of War supplies' onshipment.

GALLMAN

DCR:MLG

11-17-44

FBM-759

London

Dated November 16, 1944

Rec'd 4:50 p.m.

Secretary of State,

Washington.

10027, November 16, 6 p.m.

FOR PEHLE FROM MANN.

For your information the following is a message which has just been received by the Jewish agency here from its representative in Bern.

"According reliable report dated first November about 50,000 male Jews from Budapest deported for labor service. They left on foot for Austria where they are apparently employed for actual work. Others remained Budapest. Bearers certificates issued by protecting power including holders South American passports, Palestine certificates, also Swedish passports, were exempted from deportation labor service other vexations. This due to repeated interventions British American Legations Bern and helpful attitude protecting power. Inter Red Cross also assisted arranged soup kitchen Budapest. Two weeks ago there seemed to be good prospects that above mentioned bearers certificates and passports numbering up to 12000 would be permitted to leave protecting power having declared readiness to admit them but so far expected groups not arrived. Remnants Jews Slovakia deported September, October excepting few hundred hiding and several hundred camps Sered Marianka".

GALLMAN

MJF

ALH-305
Distribution of
true reading only by
special arrangement.
(SECRET W)

Paris

Dated November 16, 1944

Rec'd 6:19 a.m., 18th

Secretary of State,

Washington

545, November 16, 6 p.m.

FOR PEHLE WAR REFUGEE BOARD FROM SAXON

Brenner promised delivery soon of report re-
quested by you.

CAFFERY

RR

CABLE TO AMERICAN CONSULATE, JERUSALEM, FROM WAR REFUGEE BOARD.

Please deliver following message to Judah Magnes from M. A. Leavitt
of American Jewish Joint Distribution Committee:

QUOTE YOUR 256 NATURALLY APPROVE YOUR ACTION AUTHORIZING
INTERCROSS DISTRIBUTE FOOD MACEDONIA. WE RECEIVED APPEAL ON
BEHALF GREEK JEWS FROM JACQUES BENZONANA AND ELIE COHEN BOTH
NOW CARE OF GREEK LEGATION CAIRO REQUESTING EMERGENCY AID.
WE REPLIED SUGGESTING THEY COMMUNICATE WITH HARRY GREENSTEIN
UNRRA REPRESENTATIVE CAIRO WHOM WE CABLING TO INFORM MEMBER
OUR UNRRA BALKAN UNIT BELLE MAZUR WHO WE BELIEVE WILL BE
ASSIGNED GREECE BY UNRRA TO REPORT TO US AND YOU REGARDING
NEEDS AND BEST PROCEDURE BRING RELIEF WHICH NOT MET BY MILITARY
OR GOVERNMENTAL OR UNRRA OPERATIONS. UNQUOTE

4:30 p.m.
November 16, 1944

RDrury 11/16/44

CABLE TO AMERICAN CONSULATE, JERUSALEM, FROM WAR REFUGEE BOARD.

Please deliver following message to Charles Passman from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE GREATLY ENCOURAGED PROGRESS YOUR NEGOTIATIONS TEHRAN REGARDING SUPPLIES FOR \$579,000 WHICH PURCHASE WE AUTHORIZE. WE IN COMMUNICATION WITH SOMMERSTEIN REGARDING SHIPMENT FIRST FIFTY TONS FOR WHICH HOPE YOU COMPLETED ARRANGEMENTS BEFORE YOUR DEPARTURE FOR JERUSALEM. SOMMERSTEIN ADVISES ARRANGEMENTS COMPLETED FOR SCHWARTZ ENTER LIBERATED POLAND AND ON CONCLUSION SCHWARTZ'S TRIP TO SWITZERLAND ASSUME HE MAKING PLANS PROCEED THERE WHICH SHOULD BE WITHIN PERIOD TWO MONTHS. MEANWHILE WE VERY ANXIOUS YOU UNDERTAKE BALKAN ASSIGNMENT AND SCHWARTZ DISCUSSING WITH YOUR BOARD LONDON YOUR AVAILABILITY WHICH WE HOPE FROM YOUR OWN PERSONAL VIEWPOINT WILL ALSO BE FAVORABLE. ASSUMING SCHWARTZ PROCEEDS POLAND BELIEVE THERE WILL BE NO OBJECTION FROM ANY SOURCE TO SUPPLIES BEING USED FOR JEWISH AND NON-JEWISH PERSONS IN NEED IN WHICH EVENT UNDERSTAND POLISH GOVERNMENT WILL PARTICIPATE IN COST SUPPLIES. MEANWHILE WE PURCHASING HERE \$250,000 SUPPLIES FOR SHIPMENT LIBERATED POLAND AND FOR USE POLISH REFUGEES IN SOVIET UNION. HOPEFUL PERMISSION WILL BE GRANTED SHORTLY YOUR ENTRANCE RUMANIA AND SUGGEST ON YOUR ARRIVAL BUCHAREST YOU DIRECTLY COMMUNICATE WITH SALY MAYER AND SCHWARTZ CONCERNING PROBLEM RUMANIA AND RECEIVING FULL INFORMATION FUNDS AVAILABLE FOR RELIEF RUMANIA. WE ENGAGED AMERICAN REPRESENTATIVE ARTHUR FISHZOHN TO BE ASSIGNED ISTANBUL REPLACING KESSLER AND WORK WITH YOU THAT AREA. HOWEVER FISHZOHN NOT ARRIVING MIDDLE EAST UNTIL EARLY JANUARY. UNQUOTE

4:30 p.m.
November 16, 1944

RDrury 11/16/44

CABLE TO AMBASSADOR NORWEB, LISBON, FROM WAR REFUGEE BOARD.

Please deliver the following message to Robert Pilpel from M.A.

Leavitt of American Jewish Joint Distribution Committee:

QUOTE YOUR 118 REGARDING GRIFFEL REQUEST £30,000 FOR EVACUATION
300 PEOPLE FROM CONSTANZA WE AUTHORIZE SUCH PAYMENT SUBJECT SCHWARTZ'S
APPROVAL. ADVISE SCHWARTZ OUR POSITION THAT IF OTHER TWO BOATS AND
SMYRNA SEAWORTHY AND PASSMAN KESSLER CONVINCED MINIMUM RISK INVOLVED
WE PREPARED MEET SHARE TRANSPORTATION ACCORDING ESTABLISHED FORMULA.
THEREFORE OUR REPRESENTATIVE ISTANBUL SHOULD BE AUTHORIZED IF SCHWARTZ
AGREES TO APPROVE OR DISAPPROVE BOAT SAILINGS ON SPOT WITHOUT FURTHER
REFERENCE NEWYORK OR LISBON. REGARDING YOUR REQUEST ABOUT SALLY
REMITTING FUNDS TO JEFROYKIN SUGGEST THAT SALLY DO NOTHING PENDING
SCHWARTZ'S ARRIVAL SWITZERLAND. UNQUOTE.

THIS IS WRB LISBON CABLE NO. 115

4:30 p.m.
November 16, 1944

RDrury 11/16/44

CABLE TO AMBASSADOR NORWEB, LISBON, FROM WAR REFUGEE BOARD

Please deliver the following message to Robert pilpel from
M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE NADINE FELDSEER AND HELENE GOLDENWEISER 63 YEAR OLD
TWIN SISTERS OF L. A. GOLDENWEISER OF FEDERAL RESERVE BOARD,
WASHINGTON, WERE DEPORTED FROM LA COLLINE ST. ANTOINE NEAR
NICE DECEMBER 1943. PLEASE ASK TOHLENOFF SALLY MAYER DO UTMOST
TRACE ALSO IF POSSIBLE HAVE PARIS OFFICE CONTACT ALICE CHAPTAL
134 RUE DELA POMPE DAUGHTER NADINE FELDSEER FOR FURTHER INFORMATION
AND POSSIBLE TRACING FROM FRANCE UNQUOTE

THIS IS WRB LISBON CABLE NO. 116.

4:30 p.m.
November 16, 1944

RDrury 11/16/44

CABLE TO JOHNSON, STOCKHOLM, FOR OLSEN FROM WAR REFUGEE BOARD

American Relief for Norway is remitting an additional \$4,375 to Olsen this week for special program on which Olsen reported in Stockholm's No. 4548 of November 7.

THIS IS WRB STOCKHOLM CABLE NO. 248.

9:00 a.m.
November 16, 1944

November 16, 1944

9 p.m.

AMLEGATION

BERN

3904

The following for McClelland is WRB 273 and refers to penultimate and final paragraphs Legation's 5689 of August 31 and to paragraphs four and five of item one of Department's 3180 dated September 14.

Ecuadoran Foreign Office informed Amembassy Quito by note of October 17 that instructions had been issued to Ecuadoran representative in Switzerland to confirm or suggest changes in the list of holders of documents purporting to indicate Ecuadoran nationality being compiled by Amlegation Bern.

Venezuelan Foreign Office informed Amembassy Caracas by memorandum of October 13 that Swiss Government had been notified by cable through Venezuelan Charge d'Affaires at Bern that the Venezuelan Government ratifies the lists insofar as concerns persons named in Venezuelan documents, that it agrees that the lists mentioned be delivered to the Swiss authorities and that the offer of this Government with regard to protecting said persons is appreciated.

STETTINIUS
(Acting)
GLW

WRB:MMV:KG

11/15/44

WE

NWC

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

RNG-787

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

Bern

Dated November 16, 1944

Rec'd 6:20 p.m.

Secretary of State,
Washington.

7572, November 16, 7 p.m.

FOR WRB FROM MCCLELLAND FOR LEON KUBOWITZKI,
WORLD JEWISH CONGRESS FROM GERHARD RIEGNER: "Referring to your cable 155, Swiss Political Department informed us that Swiss Minister at Budapest doing all humanly possible protect as many Hungarian Jews as he can justify by any means. Swiss protection documents are recognized by Hungarian authorities. Swiss government agreed entry for transit 12,000 Jews from Hungary."

HARRISON

MJF

FEM-788

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

Bern

Dated November 16, 1944

Rec'd 6:19 p.m.

Secretary of State,

Washington.

7574, November 16, 9 p.m.

FOR WEB FROM MCCLELLAND.

FOR NAHUM GOLDMANN OF WORLD JEWISH CONGRESS
FROM GERHARD REIGNER.

Had long conversation with Dr. Schirmer International Red Cross representative temporarily attached to their Budapest delegation who left Hungary on October 29 and just returned to Switzerland. He gave detailed report on situation of Jews in Budapest and action taken by International Red Cross which am dispatching to you through the War Refugee Board. Schirmer reports that about 160,000 still in Budapest, 50,000 male Jews having been marched direction Austria for labor service. Further 50,000 are still in Hungary in Honved labor service camps. Protection documents of International Red Cross (for Jewish personnel working with them in Budapest), Sweden, Switzerland and Spain are recognized. All institutions under International Red Cross protection including Jewish institutions, soup-kitchens, hospitals, children's homes, food warehouses, et cetera, are respected.

HARRISON

WMB

RNO-832
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern

Dated November 16, 1944

Rec'd 7:56 p.m.

Secretary of State,
Washington.

7575, November 16, 10 p.m.

Schirmer (continuing my 7574) reports that some 18,000 Jews are working in vicinity of Vienna split up among 4 to 5 hundred small camps or work detachments each one having from 3 to 5 hundred persons. They are mostly Hungarians but include number Poles and Czechoslovaks. German authorities at Vienna surprisingly enough seem willing permit ICR assist these Jews in collaboration and through Dr. Lowenhers who still holds his position with Vienna community and directs their office. Dr. Schirmer who soon returning Vienna urged funds be made available for this purpose. If money can be placed his disposal Lowenhers informed him that clothing and food stuffs could be obtained in Vienna. Urging therefore your soonest remittance. End Riegner message.

HARRISON

JMS

BERN

Dated November 16, 1944

Rec'd 8:36 a.m., 17th

JP-951

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

Secretary of State

Washington

7579, November 16, 10 p.m.

CONFIDENTIAL FOR WFB FROM MCCLELLAND

(Continuing w/ 7575)

Kindly request WJC New York consider this information concerning possible "modus operandi" between German authorities Jewish community and ICRG in Vienna as strictly confidential. Schirmer informed me that Berlin knows nothing about it. Any talk consequently would be most harmful. Saly Mayer and I are examining with Schirmer question of immediately making funds available to Lowenhers in Vienna to support whatever relief work he can carry out. Schirmer leaves for Berlin November 20 expects to be in Vienna by end month to set up ICRG office there if it still appears funds can be usefully spent.

HARRISON

RR

RNG-807

Ankara

Dated November 16, 1944

Rec'd 6:44 p.m.

Secretary of State,
Washington.

2195, November 16, noon.

FROM KATZKI TO PEHLE WAR REFUGEE BOARD ANKARA'S
NO. 186.

Many efforts have been made to secure lists (refer Department's 1015 WRB 126) of the names of people lost on the Mafkura. Up to the present it has not been possible to obtain them from Rumania. As soon as they are received copies will be forwarded to you.

STEINHART

JM

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

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

Please deliver following message to Dr. Emil Sommerstein, Polpress,
Moscow, from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE WE ACKNOWLEDGE RECEIPT YOUR THREE CABLES. UNDERSTAND
ARRANGEMENTS NOW BEING MADE TEHERAN FOR SHIPMENT FIFTY TONS SUPPLIES
TO YOU. GRATEFUL YOUR EFFORTS BEHALF SCHWARTZ WHO NOW LONDON AND
WHO INFORMED YOUR CABLES SO THAT HE APPLYING FOR VISA SOVIET EMBASSY
LONDON. UNQUOTE

4:30 p.m.
November 16, 1944

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 372

Information received up to 10 a.m., 16th November, 1944.

1. NAVAL

2 ships from North Russia arrived safely in Home Waters. Escorting aircraft from one of H.M. Escort Carriers shot down 2 flying boats 350 miles N.E.N. of Faeroes.

2. MILITARY

WESTERN FRONT. 7th U.S. Army made gains of 1 or 2 miles at several points in St. Die and Luneville sectors. In Metz sector U.S. forces repulsed counter attacks and increased pressure on city from north and south.

In Meuse pocket, operations developing well. Bridgeheads gained over Wessem Canal and Canal du Nord have all been expanded. By dark on 15th British troops in outskirts Baexem and Heythukjzen. Further north they occupied Meijel on 15th. Enemy opposition has not been strong although mining extensive and some evidence that enemy has been thinning out and withdrawing artillery in this area.

ITALY. British troops have advanced up to river Montone north of Highway 9. Slight advances also made south of road. Polish troops occupied hill feature and small village on their front.

BALKANS. Bulgarian and Yugoslav troops have captured Skoplje in Southern Yugoslavia.

3. AIR OPERATIONS

WESTERN FRONT. 15th. 174 Lancasters (2 missing) bombed synthetic oil plant Dortmund - 901 tons. Attack made through 10/10ths (?cloud) but marking very concentrated. Bad weather restricted operations by Allied Expeditionary Air Forces

15th/16th. Bomber Command despatched 113 aircraft, including 36 (1 missing) to Berlin.

MEDITERRANEAN. 14th. Bad weather severely restricted operations.

BURMA. 13th. 38 Liberators successfully attacked bridges on Martaban/Pegu railway and 34 Mitchells started large fire in railway yards at Ywataung.

4. HOME SECURITY

4 incidents, believed, rockets, during period.