

DIARY

Book 798

November 22-25, 1944

- A -

	Book	Page
Appointments and Resignations		
Graves, Harold N.: Letter of resignation - 11/23/44.....	798	91
Australia		
See Lend-Lease: United Kingdom - Phase 2 (British Dominions)		
Aviation		
See Civil Aviation Conference - Chicago, Illinois		

- B -

British Dominions		
See Lend-Lease: United Kingdom - Phase 2		

- C -

Canada		
See Taxation (Double)		
China		
Kung-HMJr exchange of correspondence upon Kung's resignation as Minister of Finance - 11/24/44.....		181
Civil Aviation Conference - Chicago, Illinois		
LaGuardia-HMJr conversation concerning possibility of failure - 11/24/44.....		140
a) Acheson-HMJr conversation - 11/25/44.....		195
b) LaGuardia informed of Acheson's explanation - 11/25/44.....		262
Correspondence		
Mrs. Forbush's mail report - 11/24/44.....		164

- F -

France		
See also Taxation (Double)		
U.S. Government civilian representatives: High living costs discussed in Treasury letter to State Department - 11/22/44.....		104

- G -

Germany		
See Post-War Planning		
Graves, Harold N.		
See Appointments and Resignations		

- H -

Heller, Edward F.		
See Post-War Planning: Surplus War Property Board		
Hoffman, Michael L.		
See Switzerland		

India

See Lend-Lease: United Kingdom - Phase 2 (British Dominions)

Kung, H. H.

Resigns as Minister of Finance: See China

Lend-Lease

U.S.S.R.: Exports to Russia - White report for June 1944 - 11/24/44..... 798 163

United Kingdom

Phase 2: British Dominions

See also Book 796

Conference in Acheson's office, State Department -

- 11/22/44..... 71
- a) Note on Australian reciprocal aid..... 74
- b) " " New Zealand " " 76
- c) " " Indian " " 77

Acheson's letter reviewing conference - 11/25/44..... 273

- a) British Supply Council confirms undertaking to continue throughout first year of Stage II supply **** of non-munition items now provided under reciprocal aid..... 280

- b) Keynes confirmation of statement on principles controlling Sterling Area dollar pool - 11/20/44..... 281

(See also Book 800, page 34 - 11/29/44)

War Production Board-Treasury correspondence

concerning availability of certain war materials and end products during first 12 months after V-E Day - 11/29/44: See Book 800, page 46

Non-munitions requirements program: Foreign Economic Administration reports on needs for first year of Stage II - 12/5/44: Book 801, page 80

Gold and dollar balances, comparative, 1939-June 30, 1944 - 11/23/44..... 122

Federal Reserve Bank of New York statement showing dollar disbursements, week ending November 15, 1944 - 11/23/44..... 125

Lewisohn, Sam A.

See Post-War Planning: Germany

London Economist

See Post-War Planning: Germany

Marshall, General George G.

Thanked for photograph - 11/26/44..... 287

- M - (Continued)

	Book	Page
Morgenthau, Mrs. Henry, Jr.		
Second phlebitis attack in 1½ years		
Hopkins-HMJr conversation - 11/24/44.....	798	142
Halifax-HMJr " - 11/24/44.....		154

- N -

New Zealand

 See Lend-Lease: United Kingdom - Phase 2 (British Dominions)

- O -

Ostrow, Walter

 See Switzerland

- P -

Post-War Planning

Germany: Lewisohn (Sam) sends HMJr <u>London Economist</u>		
October 7, 1944 article - 11/22/44.....		98
Surplus Property, Disposal of		
See also Book 790: Treasury Department (Reorganization)		
Memorandum for FDR stating why "disposal of war surplus		
goods is not a function of the Treasury"		
Drafts - 11/25/44.....		290
As sent - 11/27/44: See Book 799, page 100		
Surplus War Property Board		
Heller, Edward F.: HMJr suggests that Heller consult		
Joseph Davies or Max Gardner before testifying on the		
Hill - 11/25/44.....		198
a) Davies-HMJr conversation - 11/27/44:		
See Book 799, page 25		

- R -

Revenue Revision

Report to Post-War Joint Committee on Internal Revenue		
Taxation: Discussion by Blough with 9:30 group -		
11/22/44.....		4
a) Date of repeal of excess profits tax discussed		
b) "Carry-backs" considered		
c) Social Security rate increase discussed.....		12

- S -

Social Security

See also Revenue Revision		
British White Paper: Blough resume' - 11/25/44.....		296

Surplus Property, Disposal of
 See Post-War Planning
Surplus War Property Board
 See Post-War Planning
Switzerland
 Treasury representatives Hoffman and Ostrow to be
 assigned: Treasury letter to State Department - 11/23/44..798 105

- T -

Taxation
 See Revenue Revision
Taxation (Double)
 Negotiations reviewed by Blough: Great Britain, France,
 and Canada - 11/23/44..... 124
 a) Progress report on Great Britain from Blough -
 12/18/44: See Book 803, page 281

- U -

U. S. S. R.
 See Lend-Lease
United Kingdom
 See Lend-Lease
 " Taxation (Double)

- V -

War Production Board
 See Lend-Lease: United Kingdom - Phase 2 (British Dominions)

November 22, 1944
9:12 a.m.

HMJr: Good morning. I just want to thank you and ask you to please thank General Marshall for all the help you gave me on that speech in New York

Colonel McCarthy: Yes.

HMJr:which was very well received.

M: Well, thanks, Mr. Secretary. I know it was. I got the Times the next morning

HMJr: Yes.

M: and saw that they published practically the whole thing.

HMJr: Yes, they did.

M: And it's very much in line, of course, with what we're trying to do over here....

HMJr: Yes.

M: about the shortages and things of that sort.

HMJr: Yes.

M: And we owe you the debt, I think.

HMJr: Well, anyway, it was very well received and when I mentioned General Marshall's name, it got great applause.

M: Oh, grand, sir. I'm awfully glad it came out well and it's a pleasure anytime.

HMJr: And those more recent -- those fresh figures you gave me, I thought were good and there have been really an awful lot of comments -- they thought it was interesting and they never knew that sort of thing before.

M: Yes, sir.

HMJr: And I think it has the dual purpose of helping the Army and sell bonds, and that's what we want.

M: Right, sir. Well, any time we can get together on those two things, we're all right.

HMJr: Right.

M: Thank you, Mr. Secretary, I'll tell General Marshall right away.

HMJr: Thank you.

M: Good bye, sir.

November 22, 1944
9:15 a.m.

GROUP

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

H.M.JR: Dan put this thing through deducting ten days' pay from now on. What was back of that?

MR. D.W. BELL: That is a policy to stagger pay - I mean to have a delayed pay day throughout the Government service. There isn't now enough time to make up a pay day, say, today - if today were pay day - and get it through and certify it as correct. But Mr. Allen on pay day sometimes has as many as six thousand changes.

H.M.JR: But you hold ten days' pay.

MR. D.W. BELL: Yes. Some departments are holding two weeks' pay.

H.M.JR: Until they retire? Do you have to do it that way?

MR. D.W. BELL: Sure, in order to make up the rolls and certify them. You approved it. I thought you understood it.

H.M.JR: No, I knew about the staggered pay.

- 2 -

MR. D.W. BELL: Oh, no, we have had the staggered pay day, but this is a delayed pay day throughout the Government service. The Army and Navy have had it better than a year, now, and each department has come along. It has worked very well; we have had very little criticism of it.

MRS. KLOTZ: The objection, I guess, is that it is just before Christmas.

MR. D.W. BELL: We haven't had a lot of criticism, have we?

MR. C.S. BELL: Quite a few calls have come into our office.

MRS. KLOTZ: People really need it.

H.M.JR: Well, it is water over the dam.

I can work with you people from now until five after ten. I will do the best I can. We have the American group coming in on Lend-Lease at ten, and the others at eleven. I am just desperate for time. We have been working this morning since eight-thirty.

I will start with you, Roy, on this question of a policy matter.

MR. BLOUGH: Yes, we have to decide a few things in order to be able to make a report with Stam to Doughton's Post-War Joint Committee on Internal Revenue Taxation. He wants the first report on the 28th. We probably won't report any policy matters until a little later.

H.M.JR: Cut out the preamble.

MR. BLOUGH: All right. I will take the biggest question which concerns the date on which the excess profits tax should be repealed at the end of the war. Stam wants to promise repeal immediately after the end of the war; that is, the final end of the war with Japan. Say that ends last - suppose that ended during 1945; the excess profits tax would go off, under that arrangement, December 31, 1945.

- 3 -

We feel that that is a little bit too positive a promise, that if we need controls, wages, prices, and so forth, following that date, that it would not be desirable to have the excess profits tax come off on that date.

And the question is, would the advantages - and there would be very real advantages of getting rid of that tax as of that time - offset the loss of revenue which we would suffer, plus the psychological problem and the equity problem of maintaining controls on other people while the excess profits tax went off.

H.M.JR: Well, I haven't had a chance to study this thing, but my horseback opinion would be this, I would say to keep the excess profits tax on for the calendar year, '45.

MR. BLOUGH: That would be done in any event.

H.M.JR: Would it?

MR. BLOUGH: Suppose the war ended during '45, it would go off for '46 at the end of '45. That is what Stam wants to agree to.

H.M.JR: What is the argument against that?

MR. BLOUGH: There would be no argument against it if the situation is fairly quiet and came at that time, but if we should be under a good deal of pressure from demand, and the reconversion problem should be physically difficult so that we had price controls retained, and wage controls retained, and that sort of thing, to throw the excess profits tax off, then that might endanger the other controls. That is one thing we are afraid of.

MR. D.W. BELL: What I would like to say is, if the economic situation justifies it, you would be willing to go along with that; otherwise, you would like to keep it open so that you can--

H.M.JR: How can you prove it?

- 4 -

MR. O'CONNELL: The point is, you don't want to be in the position of making an irrevocable commitment to repeal it as of a certain date. You say we would love to repeal it on that date if the situation warrants it, but maybe it wouldn't. That is the difference. Stam wants to promise them now, irrevocably.

MR. D.W. BELL: And that is a big advantage to industry to know it is going to be repealed.

MR. O'CONNELL: If the situation is such that we would wish we hadn't made the promise--

MR. D.W. BELL: It would be a big advantage if the war ended, say, right up along the end of the year - November or December. There would be large profits hanging over and coming in in the accounting year, 1946.

MR. BLOUGH: It really should be kept on in that case.

H.M.JR: I have a suggestion to make. This is all very new. Why not say this to industry, that we can't tell, and doing these things in advance is very dangerous - that the day the fighting ceases with Germany or Japan - you don't know which comes first - that we will recommend, if necessary, calling a special session of Congress to consider this matter.

MR. BLOUGH: I think they want, and will really force out of the Congress, some earlier promise - some statement as to general policy - not as to the day, but what the policy is.

H.M.JR: You get a formula. Supposing you say twelve months after they cease firing in Japan or Germany - the last shot fired. You don't know - I mean, what is the condition of the country?

MR. BLOUGH: That is just what we are saying.

H.M.JR: I think it is a mistake to tie my hands in advance.

MR. LUXFORD: The problem they are worried about is whether you have wage controls, then why can't you correlate it with wage controls?

H.M.JR: Well, there are a half dozen other things.

MR. D.W. BELL: If the war ended on June 30, 1945, there wouldn't be much doubt in anybody's mind that the taxes ought to come out in December 31, '45. We certainly ought to be well along the road to reconversion and lifting the controls.

H.M.JR: Don't you get all kinds of pay-backs? What is this thing?

MR. BLOUGH: There are carry-backs, which is the second issue, but if the excess profits tax is repealed, should the carry-back continue - and it certainly would have to continue for a year after the war in order to carry out the purposes which Congress had in mind when it passed the carry-backs. Then there are those who say, "Well, repeal the excess profits tax and let the carry-backs hang over for a year," which seems reasonable enough if the situation justifies it.

Now, the fact that here it is 1944, and we are asked to take a position on this is, I think, an indication clearly that both Congress and business want to try to lay their plans as far ahead as they can. You recall that as early as last spring Baruch and Byrnes were saying, "Get a plan and adopt it." And what we would like to do is have it a definite commitment, but one which will still leave the situation open if the situation is such that you couldn't at that time follow along.

It would be much easier to reach an agreement with Stam if we could just say, "O.K., we will go along with you." But all of Stam's people and our people would rather have it along the lines I have mentioned.

H.M.JR: How do they want it?

- 6 -

MR. BLOUGH: They would like--

H.M.JR: What would you like, first?

MR. BLOUGH: This is really what I would like to say, that we pledge repeal of the excess profits tax not later than the end of the year following the year in which the war ends. If the war ends in '45, the excess profits tax will end not later than December 31, '46, and earlier if the economic situation permits.

H.M.JR: That is what we are getting at. That is really about the best you could get out of it.

MR. O'CONNELL: You may not get that.

MR. D.W. BELL: You may not get that out of Stam.

(Mr. White enters the conference)

MR. BLOUGH: I don't know whether Stam would go along with that or not, but I don't think it is safe to go along with anything more definite.

H.M.JR: State that last sentence again, so Harry can pick it up.

MR. BLOUGH: The question is as to the date on which the excess profits tax would be repealed. I suggest this, that the excess profits tax would be repealed not later than the close of the year following the year in which the war ended. If the war ended in '45, the excess profits tax would be repealed as of not later than December 31, '46, and earlier if economic conditions indicated its desirability. Stam wants a definite pledge to bring the excess profits tax to an end at the end of the year in which the war ends, so that if the war ended in '45, it would come to an end December 31, '45.

He has a good deal on his side, but it looks a little dangerous at this time, looking ahead, to pledge the end of the excess profits tax at that time.

- 7 -

MR. GASTON: You could easily make a compromise on that, Roy; you could agree on taking the tax off at the end of the calendar year which comes not less than six months after the close of the war. That is, if the war came to an end before June 30, it would be at the end of that calendar year.

MR. BLOUGH: That would be a possible compromise.

MR. WHITE: Couldn't you avoid that by saying you would withdraw the tax at the end of the war-time emergency, and whether it would be that year, or after, would depend entirely--

MR. GASTON: They want something much more definite than that.

H.M.JR: Harry, it gets down to the best we can get out of a bad bargain, and I don't want to always be in a position of being left out.

MR. WHITE: It is not even certain - I mean, you are not even sure it is desirable to maintain that excess profits tax that long. It is not a question of making a bargain with them, but of knowing what is the best thing to do, and I don't see how they can take the position, themselves, that they know it is better at one time than another.

MR. D.W. BELL: They are not taking a definite stand other than the maximum.

H.M.JR: The suggestion I made was that at the end of the war a special session of Congress be called.

MR. WHITE: That is what I think is the appropriate thing.

MR. BLOUGH: I agree that would be the thing that ought to be done, but when you have a very strong demand, and the business community saying, "We want to know with some definiteness what we can count on in this matter"--

- 8 -

H.M. JR: Well, I would like to know with some definiteness what the cost of living is going to be, too, during the twelve months.

MR. BLOUGH: That is the reason I don't want to tell them with specific definiteness.

H.M. JR: What do you think you can get away with?

MR. BLOUGH: Do you mean and come to an agreement with Stam? I just don't know. We can try this I mentioned.

MR. WHITE: It seems to me you are on strong grounds if you insist on bringing it to the speediest end after the emergency.

MR. BLOUGH: The emergency may go on for years.

MR. WHITE: That is all right. I don't mean the emergency in the sense we use it in other Executive Orders, but the emergency as applied to the tax situation. An attempt to shape policy of that character on a definite date without knowing what you are running into is certainly unstatesmanlike, and it seems to me you can stick to that ground.

H.M. JR: White feels about this emergency in this week's New Yorker like the woman who said, "Dear, what shall I do with your Roosevelt button?"

MR. O'CONNELL: What Harry says really means nothing; it says that we pledge ourselves to favor the repeal of excess profits taxes as soon as conditions warrant. Everybody agrees to that, but Roy has a problem and we have a problem meeting a very extreme position the other way.

MR. WHITE: I don't believe you have to meet an extreme position.

H.M. JR: Harry, I am going to cut this time short. I don't know whether you have been in on these discussions before, or not.

- 9 -

MR. WHITE: No.

H.M.JR: Well, I have a million things, if you will excuse me.

What do you think?

MR. O'CONNELL: I think that Roy's suggestion is a good one, and that is that we pledge ourselves to recommend the repeal of the excess profits tax at the end of the year following the year in which the war terminates, or earlier if conditions will warrant.

In other words, we would say we are in favor of it as soon as it makes sense, and in no event before the end of the year following the year in which the war terminates. That gives you twelve months plus, as a maximum.

MR. WHITE: He says earlier if it makes sense--

MR. BLOUGH: We have to give ourselves a little way out even on that, because there are certain assumptions on the whole thing, and those assumptions call for the end of the war within certain dates, and certain other assumptions.

MR. O'CONNELL: If you are going to take a stand on that, I would say we would be in favor of repealing it at the end of the year in which the war terminates if circumstances warrant.

H.M.JR: You don't think the first suggestion I made, that we call a special session of Congress, is necessary?

MR. BLOUGH: I don't think you would know much more then than you know now.

H.M.JR: Oh, yes you would.

- 10 -

MR. D.W. BELL: Congress is pretty much in continuous session during the war, and that isn't a very definite commitment.

MR. WHITE: I am of the opinion, Mr. Secretary, that it will be repealed within the first calendar year afterwards.

MR. BLOUGH: I do, too.

MR. WHITE: I don't know that will be the most desirable, but that is what will happen. Instead of bucking it--

H.M.JR: The Assistant President has said it would be.

MR. BLOUGH: Couldn't we say it the other way, that in general we think that the thing ought to be repealed at the end of the war, but there are circumstances which may make it necessary to go somewhat longer, and we don't want to make it definite - that we don't think there should be a definite commitment to bring it to an end?

H.M.JR: I am going to tell you and Joe this, get me as much leeway as you can; do the best you can. I would like to have it - I would like to do it intelligently. Sit down and study the thing after the war is over. That would be the intelligent thing to do - along with all these other price control measures. But get me the best you can. How is that? All right with you, Dan?

MR. BELL: Yes.

MR. BLOUGH: Another matter which isn't connected with that, but is of immediate importance concerns the increase in the social security rate as of January first.

Mr. Vandenberg is trying to freeze it again. Three things may happen: It may be frozen, it may go up, or it may go up half way. And Doughton is sort of thinking of trying to compromise by putting it up from one to one and a half percent.

- 11 -

H.M.JR: I am going up to the full.

MR. D. W. BELL: Altmeyer thought when he talked to Vandenberg last week that he might get an agreement out of him to let it go up the full one percent with the understanding the rate would be frozen at two percent until such time as the annual outlay exceeded or equaled the income, and that would be a pretty good agreement.

H.M.JR: What I am saying to you is, I would like to get the full increase. Do the best you can. See?

I don't know who said it, but this is for the benefit of Joe and you--you are working together, I take it--do the best you can, and don't fight these fellows on every single thing up to the point where I say, "Now, damn it, this I am going to fight for." But this thing of being in there with little short punches and never giving them a knockout blow--

MR. O'CONNELL: Save your fire.

MR. BLOUGH: Now, there are a lot of little things we have agreed on around the executive branch--around the Treasury--with Stam. I won't mention them to you unless you want to take them up.

H.M.JR: I can't.

MR. BLOUGH: There are a lot of other things, but that is that.

MR. D. W. BELL: Carry-back and carry-forward--that is one of them. We have all agreed on them.

H.M.JR: This excess profits tax was the most important one, and since your time is limited I am not going to try to put any more on you.

Now, can we take a minute with this group? You are all familiar with it--this reshuffling within the Treasury. I telephoned you.

- 12 -

MR. BLOUGH: Yes.

H.M.JR: Now, everybody has really had a day in court, except you.

MR. BLOUGH: That is right. I don't know about the others.

H.M.JR: Well, they all did. I tried to get you, but Bell yanked you away from me.

MR. BLOUGH: Well, I naturally would go along to the best of my ability with anything that is set up. The job of handling the Bureau of Internal Revenue is a very big job, and with all due deference to persons not present, it has not been carried on properly for a number of years, in my opinion.

H.M.JR: Amen.

MR. BLOUGH: One difficulty with the suggested arrangement is you take a man who already has pretty much of a full-time job and put another full-time job on him.

H.M.JR: Amen.

MR. BLOUGH: Well, you agree with me, but that doesn't seem to do very much about it!

MR. WHITE: Like the judge says, "You are not guilty--six months."

MR. BLOUGH: Now the second point concerns the handling of legislative matters.

H.M.JR: May I give you what is--I don't say an intelligent explanation, but at least an explanation--and that is this: What I am doing here is reshuffling the people and their responsibilities. I realize it is unscientific; it is throwing an additional burden on people, but quite frankly, I don't want at this stage of my career in the Treasury to take chances on bringing in some Johnnie Hanes. And I have been all through that thing, and I just don't want to go through it again. I have

- 13 -

complete confidence in the people in the room here, and if they are willing to take on additional burdens--I know it is bad management, bad chartwise, and it is bad everything else--but for the man shortage and the woman shortage, I think it is the best that I can do under war-times. And there is nothing else behind it. With every one of these people here it is the same thing. I am not going to take another chance on bringing a Johnnie Hanes in. I have a Nunan that is bad enough.

MR. BLOUGH: Well, I don't know about that.

H.M.JR: That is the only explanation for whatever it is worth. I will have to talk to Nunan before we put this into effect.

MR. BLOUGH: The second point concerns the relationships on the Hill, and those are at the present time--they are not what you might call high policy level of fighting them; we are not doing that; we have been cooperating with them very well, and when it is necessary, Dan has been going down and talking to them. I don't like to get those relationships too fuzzy by having too many people in the--

H.M.JR: Dan won't go down any more. Right, Dan?

MR. D. W. BELL: Yes.

H.M.JR: He is just pinch-hitting.

I am right, am I not, Dan?

MR. D. W. BELL: Sure. If you can get somebody to take the place, that is all right. I have only been going down when Roy felt he needed somebody at the top. I have talked to Doughton a couple of times and George a couple of times to get started and get cooperation. I haven't been going down to meetings at all.

H.M.JR: I appreciate that. You have been most helpful, too.

MR. BLOUGH: I think the principal question that is in my mind is, when we have meetings, well, like we have

- 14 -

here this morning, and when we have relations with the Hill, I don't know just where I am supposed to fit into the picture.

H.M.JR: Well, I will do the best I can. What I want to do is this: I will try to describe it. I want Joe O'Connell to represent the Treasury on all legislative matters on the Hill.

MR. BLOUGH: Either personally or through representatives, I suppose.

H.M.JR: Yes, but I will hold him responsible. Then if it is a matter affecting Customs, for example, Mr. Gaston or whomever he designates will carry the ball. If it is a matter affecting war bonds, then Mr. Gamble will carry it.

In the case of taxes, I would expect you to cooperate on the same basis with Mr. O'Connell and at the same time still keep the same relationship to the Office of the Secretary which you have now.

MR. BLOUGH: In a way, then, the policy matters, and so forth, which I have been heading up and directing are to be continued.

H.M.JR: Just the same.

MR. BLOUGH: And the General Counsel's Office acts as sort of a lawyer, you might say, in presenting the matters on the Hill.

H.M.JR: It isn't a lawyer; it is what the English--

MR. GASTON: Barrister is the man who appears in court. I suppose spokesman would be it.

H.M.JR: The briefs and all that would be prepared by you. I am talking very fast.

MR. O'CONNELL: Well, Roy wrote a short paragraph indicating a situation which is substantially the one which you have described.

- 15 -

H.M.JR: Which I haven't seen!

MR. O'CONNELL: I know you haven't, but the point was, there is no quarrel between us as far as I am concerned with the way he described the situation.

H.M.JR: How about the way I have described it?

MR. O'CONNELL: It is about the same thing. I had understood--and I think Roy had--that occasionally during the presentation of the tax program I would play a part in it, although Roy is the man to whom you would look for the general preparation of your tax policy and program, and he would be the man, with someone like Wales from my office, who would handle the day to day relationships on the Hill during a period of months when they would be working with the Committee, but I would go on occasionally, not nearly as much as Mr. Paul and some of the others, because I always thought that was a mistake, regardless of how much the man knew about taxes, but I thought that I would go down with you and Roy and Wales at the time the situation called for the presentation of the tax program, and Roy and Wales under my general supervision would carry the ball generally and would be constantly in touch with what went on.

There are questions of tactics and questions of politics. There are all sorts of questions in connection with any program.

H.M.JR: Which Roy has never tried to do.

MR. BLOUGH: And which I don't want to do.

H.M.JR: He should be relieved of that.

MR. BLOUGH: In other words, if you have to sell a bill of goods to somebody down there and make a political dicker in order to get their support, I don't want to have anything to do with that.

MR. GASTON: You want to remain incorruptible.

- 16 -

MR. BLOUGH: I want to appear to be!

H.M.JR: It is a pleasant appearance if you can keep it up.

MR. BLOUGH: I don't know. I will do my best.

H.M.JR: On all of these things I could dictate a thousand memoranda; I could ask Charlie Bell to put this thing down in writing. It is like all scraps of paper. There are two human beings. Now, if you two fellows have talked this thing over and feel you can live together on this thing and give the Treasury a good job, that is all that matters.

MR. BLOUGH: I think we can with the arrangement which you have mentioned, and which Joe mentioned, and with which I agree.

MR. WHITE: With the line of responsibility clearly indicated, with the presentation of material on the Hill as Joe's, and for technical work or shaping policy, and so forth, as Roy's.

MR. BLOUGH: And in the day to day work in which Wales and I would work up there and Joe, probably, wouldn't go near the place very often, somebody has to speak for the Treasury. We are agreed that I would be the one to speak in that situation.

MR. O'CONNELL: Yes. If something has to be said, Roy is the fellow to say it. If I were there, the chances are ten to one Roy would be the one who would have to tell me.

H.M.JR: Again it gets back to the two and the way these things will be settled as to policy, and you (Blough) will have direct access to me.

MR. BLOUGH: I see. May I have that framed?

H.M.JR: I will be the bad boy around here.

- 17 -

Now, is that all right? I am not rushing you too much?

MR. BLOUGH: Oh, no.

MR. O'CONNELL: Not a bit.

MR. D. W. BELL: You are not rushing me at all.

H.M.JR: Is that agreeable to you, entirely?

MR. D. W. BELL: Yes, it is agreeable to me. I have nothing to do with it. I still think, leaving out the personalities, that it stinks, as you said the other day, from an organizational standpoint.

H.M.JR: I agree. You boys are all right.

MR. BLOUGH: Mr. Dan Bell, I assume, by virtue of his office as Under Secretary, will be both entitled to be and will be consulted to the extent that he is willing to take the time.

H.M.JR: Definitely.

Mr. Charles Bell?

MR. C. S. BELL: Yes, sir, it sounds fine.

H.M.JR: You agree with Mr. Dan Bell that it stinks?

MR. C. S. BELL: No, sir, with Joe O'Connell and Roy Blough; I think the arrangement can be worked all right, and I think we all understand it.

MR. GASTON: I think it is probably going to work all right. It is a heavy burden on Joe, that is the only part of it.

H.M.JR: Now, Mrs. Klotz, if you will see--not today, but the first thing when I have a breathing spell--that I send for Mr. Nunan and tell him what is going to happen to him.

- 18 -

MRS. KLOTZ: He will come down like a ton of bricks.

(The Secretary holds a telephone conversation with Doctor Henry Cave.)

MR. WHITE: Nunan's day in court is going to be February 29.

H.M.JR: We will let that pass.

Now, Mr. Gaston, can you make a report on Procurement, please?

MR. GASTON: Yes, I have been talking to a number of people, including Mr. Olrich. And I also talked to Cliff Mack. I am convinced there is no necessity for local connections between the two ends of the business, that is, surplus sales and Procurement. They don't belong together, and they are not well tied together now. And I think it is logical they should not be tied together. They are pretty well separated. The best thing that could happen is to let this new Surplus Disposal Board take the surplus problem off our hands immediately. They should not take Procurement with it, in my opinion, because, as I say, the two things do not belong together. I am willing to take hold of it on a temporary basis. I shouldn't want to take it if I thought that we were going to hang onto the surplus disposal end. That does not belong in the Treasury, and I think we have very good reasons now for, in the Surplus Disposal Act, the creation of this Board, very good, and different, and new reasons which we didn't emphasize enough in that memorandum. I have learned some more about that law since then for unloading it.

If we are going to be stuck with this thing, I think it is very important that you should make some other disposition of it, and I would agree--well, I was going to ask you frankly about Bob McConnell, why he wouldn't be able to take hold of this thing if we are stuck with it.

H.M.JR: Those boys there know him better than I do.

- 19 -

MR. O'CONNELL: I don't think that Bob McConnell would be the kind of fellow to take hold, as you put it, of Procurement. I think that other than to have someone who would act as Herbert can, sitting a little bit away from it and sort of giving general supervision to people who are doing the job, what you need is a fellow who will get right in and operate it. And I think Bob's forte is not really running an organization, but rather in sitting back a little way, too, and picking men and that sort of thing.

MR. GASTON: That is all right. That would be the main thing to do if we had to have the Surplus Disposal thing; that is, to observe how well it is running.

I hadn't realized the scope of these combined operations. They have something like four thousand men in Procurement now and more than three thousand in Surplus Disposal alone. In manpower it is a larger organization than Customs at the present time, and the problems are far more complicated and it has to be a substantially greater organization than it is now.

H.M. JR: Could I ask you something on a short-range thing? Next Monday Olrich is leaving. Who is going to be Acting?

MR. GASTON: Two people. There is only one way to handle it, and I think it is satisfactory to handle it in that way for a time because we will get to know more about it, and that is that this man Duncan will handle Surplus Disposal and Mack will handle Procurement. In fact, that is the way it is operating now.

I think Mr. Olrich, while he is a very busy, active, able man, is giving very little attention to the Procurement end. Mack is running it pretty well, himself.

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

MR. GASTON: And Duncan will take Olrich's place in running the Disposal end. Duncan is a very high type man. I am perfectly satisfied with that. And he is not, probably, as aggressive as a sales manager and organizer -

- 20 -

probably not as good as Olrich, but I think he would be a reliable fellow. I think he will be careful, and I think he might be a better man to be under the domination-- you see, he is going to have a plurality of bosses. He is going to be under this board as well as under the Treasury, which makes the position very difficult, so I think it is going to be all right. I think Duncan can go ahead with it. At least he can go ahead until we find out whether he can do a good job, and then Mack will have to go ahead running his Procurement end as he is now.

MR. C. S. BELL: Mr. Secretary, I can agree with Mr. Gaston. For the time being, I think we ought to hold it where it is with Duncan and Cliff Mack until we have more time and know better which way the wind is blowing on the whole picture. There are so many complications, and I don't think your time will permit our going into it.

H.M.JR: Mr. Dan Bell?

MR. D. W. BELL: I know very little about it, but I agree generally with Herbert. From what I do know, I think it is the only way to handle it. I don't quite agree that there is no relation between the sale of supplies and the procuring of sales. I think there is a definite relationship, and maybe now the jobs are so big you will have to separate them. Eventually they will be thrown together. What you have now is people selling the same kind of property that is being requisitioned in some of the departments. I don't see how you can bring those two together unless you either have good liaison or have the two organizations under one.

MR. GASTON: They are selling the same property as the requisitioning departments. If that consideration should tie the two together, then we ought to tie the Department of Agriculture and some other departments all in together again.

MR. D. W. BELL: I don't think so, because Agriculture is handling purchasing. The only ones not handling it are the Army and Navy.

- 21 -

MR. O'CONNELL: I think you are both wrong. In the first place the Department of Agriculture is in the disposal field, and in the second place, they also purchase agricultural commodities. It is so big you will probably have to split it. But eventually they ought to be together.

MR. GASTON: There are just two things that are common problems to these two organizations. One is that they have the same traffic manager, and the other is that their budgets are combined, and the fact that they are occupying the same offices in various parts of the country. Otherwise, they don't have any conflicts.

MR. D. W. BELL: But I don't think you can do much else.

H.M.JR: Does anybody want to raise any objection?

MR. WHITE: I have no objection. I have a comment to make. I wholly agree with Charlie Bell that this thing should be permitted to simmer a while until you can see more clearly what is ahead of you and until Herbert has had a chance to get more familiar with it and you have a chance to take command.

I am not very familiar with the law, but I seem to recollect, Mr. Secretary, that the matter of surplus disposal is pretty intimately tied up in the legislation with the Treasury, and it would require a modification.

H.M.JR: I have to stop now.

24 ✓
Copy to Coe 11/25/44

November 22, 1944
10:00 a.m.

AMERICAN DELEGATION - BRITISH LEND-LEASE

- Present: Mr. Stettinius
Mr. Acheson
Mr. Patterson
Admiral McCormick
Mr. Gates
Mr. Crowley
Mr. Collado
Mr. Cox
Mr. Coe
Mr. Davidson
Mr. Angell
Colonel Burgoyne
Mr. Taft
Mr. Currie
Mr. Casaday
Mr. White
Mr. Eaton
Mrs. Klotz

H.M.JR: Gentlemen, I don't know whether the Army and Navy are up to date. Has Mr. Coe brought them up to date?

MR. COE: No, sir.

H.M.JR: Would you like to bring them up to date now?

MR. COE: Yes, sir, I think so.

What has happened is that as a result of conferences at the White House, it has been agreed, I take it, that we do not make anything in the nature of an over-all signed agreement with the British. We are to make it very clear to them that all of this work that we are doing is by way of conference on requirements--on their Lend-Lease requirements, and that there are not commitments, for instance,

- 2 -

supply, or otherwise, involved in this; that, therefore, we will make an American group report to the President, and the British will make a British group report to the Prime Minister, and there will be later considerations as to what will be done.

One reason for the meeting this morning is, particularly, to determine the nature of the programs with respect to January 1 and VE-Day, and one of the key issues there is the British desire to get an early announcement out on the question of exports. I mean, we will still have to have some discussions with them if all of this is to be shifted forward to a VE-Day program, which is discussed but not yet agreed on at the highest level. And no Governmental commitment is involved.

MR. GATES: How does that affect aircraft, for example? Have we a commitment to go ahead and start delivering aircraft in 1945?

MR. COE: No, sir, you haven't a commitment as a result of these negotiations. As I understood it, the President said in respect to all of these matters that we should proceed on Lend-Lease just as we were used to, that is, the British have been coming in presumably to you as to the other agencies and saying, "This is what we need." We have been sitting down with them and working it out. Now, if this '45 program helps you in any way in passing upon these individual requests, that is all to the good, but it is to be clearly understood that it isn't a definite and binding program.

MR. GATES: We go ahead as usual?

MR. COE: Yes.

MR. WHITE: It is a commitment in the sense that it has always been a commitment subject to all the considerations which have always prevailed, and which the Army indicated in their subcommittee agreement would still prevail. That hasn't been changed. Their subcommittee report is still effective and still stands, because it is clearly

- 3 -

set forth in both the Army and Navy subcommittee reports that those conditions of supply and allocation and strategic necessity are to be taken into consideration ad hoc. Isn't that correct, Bob?

MR. PATTERSON: Yes, sir. Our agreement with them both as to ground Army equipment and air equipment was to take in their requests as agreed upon, item by item, as a procurement objective and to have the final deliveries subject to conditions at the time as determined at the time by the Munitions Assignment Board.

I will add only one thing that isn't explicit, and that is we regard it as a program to go into effect after VE-Day, strictly for stage two, and the date of January 1, 1945 being only a convenient measure. In other words, we did not understand that it was a set program for the calendar year '45, but for the first year of Stage Two. And we did that because the British book plainly said so.

MR. WHITE: That was the assignment.

MR. PATTERSON: We could have picked that up again from the British book and made that plain, but we didn't think it necessary. Now, so understood, is there anything in the developments that Mr. Coe gives now that affect our agreement with the British?

MR. WHITE: Not one iota, as I see it.

MR. COE: The President didn't want an agreement.

MR. PATTERSON: There never was an agreement; it was always subject to provisos at the time of delivery. The only difference between this and the programs that we have been working on in the past is this, that heretofore they have come in with requisitions from time to time, maybe today, maybe next week. This was a program that in the main was settled for a year, the year following VE-Day. It also had some spot items on it of a general character, agreed in a dollar amount, but that is the only difference.

- 4 -

MR. WHITE: And it makes--one point--

H.M.JR: Excuse me, I have to correct what Frank said. He said the President didn't want any agreements. That isn't exactly what he said. The President was perfectly agreeable that the Army meet with the British Army and come to an understanding of what you could do, and that recommendation would be made to the top committee and from us to him, always having it understood that the moment that material is to be available we are free. Is there anything in what you have done which would be contrary to that?

MR. PATTERSON: No, sir.

MR. WHITE: Just one point--I think Frank's point does make it desirable dropping from the Army's letter the statement that these are guaranteed on terms that the British give us Lend-Lease in Reverse. That begins to suggest an agreement, so I think that would be an additional reason for dropping that out of the Army letter.

(Mr. Stettinius enters the conference.)

MR. WHITE: It begins to partake of the nature of a quid pro quo, which, I think, should be avoided in writing, though you may have it definitely in mind in your decisions later on. Could that be easily accomplished, Bob?

MR. PATTERSON: Of course, the main committee can drop the last two paragraphs of our paper if they want to. I see no harm in their standing in, and I recommend they do stand--those last two paragraphs--but they may be dropped if you like by the main committee.

H.M.JR: Mr. Stettinius was there as well as Mr. White, which gives us three people that heard what the President said, and I would like to just restate it once more, what I said, to see if it checks with your memory. I said that the President was perfectly agreeable; for instance, the Army has gone ahead with committees from the British Army and they have come to an agreement as to what we can give them, always keeping in mind at the time that the material becomes available the Munitions Assignment Board will decide

- 5 -

at that moment as to who has the greatest need for it, and that these various subcommittees will, as they have in the past, make a report to this over-all committee who, in turn, will report to the President what we think we can do. It is wholly up to him to decide whether he wants to do it or not.

MR. STETTINIUS: That is entirely correct. The only thing that you said, Mr. Secretary, that I don't recall was that the subcommittee would report to their over-all committee as a continuing matter.

H.M.JR: You mean after this? No, because in this report we make I have suggested that a paragraph be put in, "Mr. President, unless we hear to the contrary, this report winds up the work of this committee."

MR. STETTINIUS: What you have said is entirely clear according to my recollection of the conversation.

H.M.JR: Now if you don't mind, because I think it is very important, if Mr. Patterson would say just once more that little summary about what you have done and when you expect to make it available, and the time. Do you mind?

MR. PATTERSON: The Army as to both ground equipment and air equipment came to an agreement with the British on items to cover their requirements on use for the first year of Stage Two, whatever period of time that year might cover. January 1 was not a date; the British book plainly said it was not a date, but only an assumed time. But the fundamental thing was the first year of Stage Two following VE-Day. We then agreed with them that their requirements for that period would be taken into our procurement objectives and we would make every effort to produce these items and make them available.

The final decision on delivery was to be determined by the circumstances at the time as set by the Munitions Assignment Board. That is an agreement, all right. It is the same kind of agreement we used to come to with them on their requisitions, item by item, under the old days of Lend-Lease, and it was always subject to that same

- 6 -

condition. In that sense it was not a firm agreement that they should have the stuff. Nine times out of ten they get it by decision of the Munitions Assignment Board.

H.M.JR: Is that in the spirit?

MR. STETTINIUS: That fits entirely into the sentiments expressed by the President.

H.M.JR: The only thing new which is entirely important is, when discussing this business yesterday without his presence we were under the impression he had made an agreement with respect to the 1st of January. That is not so.

MR. GATES: It is perfectly conceivable that although yours doesn't start until VE-Day, that they may come through the Munitions Assignment Board and state the same thing you have agreed to, that it will be the 1st of January.

MR. PATTERSON: They are still putting in routine requisitions for their requirements in '45 on the assumption of a two-front war. It is so plain when you figure what they did in arriving at that agreement, as I have explained. We took the agreed basis of redeployment, fighting against the Japanese as approved by the Combined Chiefs of Staff, so far as possible, and with that as a guide, we figured out the equipment the British forces so redeployed, some of them from Europe brought over there, would need. That doesn't fit in at all with the period beginning January 1, 1945. There is no redeployment set for that time at all. The British book made that plain, and we just assumed that that was being carried forward. The British book said that we have only taken January 1 as a convenient yardstick.

H.M.JR: Now, you have to clear up one other thing for us here.

MR. PATTERSON: It would be better if I hadn't said it, I guess.

- 7 -

H.M.JR: What happens in the interim period from January 1 to VE-Day?

MR. PATTERSON: The same thing that happened in 1943 and '44. They have a lot of requirements in there for 1945 that they have been putting in in the regular way through our Army Service Forces and Army Air Forces. They are all subject to the Munitions Assignment Board.

H.M.JR: Now, you people at one stage--somebody-- I think it was General Somervell who was worried that we might not have firm orders for production domestically, that we were running out of orders. If we leave this as VE-Day, you are not worried about your own production orders for your own factories?

MR. PATTERSON: No, sir.

H.M.JR: I don't see there is anything to worry a bout.

MR. WHITE: It is quite clear now.

MR. GATES: I would like to make a point. Our situation as far as aviation is concerned is a little bit different from the Army position. The same material we agreed to, aviation for Stage Two, is probably the same thing that the fleet air army would come in anyway for the year of 1945, so that irrespective of when Stage Two starts, I think we will get the same requests in 1945, and we will try to meet them along the lines that we discussed with the British and agreed to with the British.

MR. PATTERSON: The whole British book was based upon a condition of things after the defeat of Germany. The whole book was. That was the predominant note of the book and of their request to us.

H.M.JR: Gentlemen, I don't know that this was circulated, but at Quebec the British gave the President of the United States a document which I believe was furnished by Sir John Anderson to Mr. Churchill. It is called, "Lend-Lease Supplies for British in Stage Two, Note for the President of the United States;" this was given to me.

- 8 -

There is nothing in here other than Stage Two, the whole thing.

MR. WHITE: Including export policy, Mr. Secretary, was the point you made.

H.M.JR: Is it?

MR. WHITE: Even when they discussed--

H.M.JR: When we come to that, let's point that out. But this thing is dated for the 4th of December, and I have gone through the thing. Do you have this?

MR. COLLADO: Yes.

H.M.JR: There is nothing in here, except Stage Two. You see, the big argument last night was, when shall we start this thing? I want to refresh my memory, going back to the inception of the thing.

MR. STETTINIUS: How did January 1 come into the discussion?

MR. PATTERSON: Their book said, for example, January 1 or something like that; then they say, I think, in their book that if that isn't the right date, make it three months later or something like that. Isn't that true? It is very plain.

ADMIRAL McCORMICK: It isn't January 1--

MR. GATES: It also said in the first three months. I would like to have Admiral McCormick explain the Navy's position other than air on this, Mr. Secretary, along the lines of Mr. Patterson's discussion.

ADMIRAL McCORMICK: The Navy agreement is for Stage Two, but it really doesn't make any difference; if they should decide to make it January 1 it would be the same thing and would be simpler for accounting purposes. We can go either way.

- 9 -

MR. GATES: Stage Two doesn't start until April 1; we would probably start delivering January 1.

ADMIRAL McCORMICK: We would be delivering the same amount.

MR. GATES: Under the procedure they have been using up to now.

H.M.JR: I don't quite understand.

ADMIRAL McCORMICK: Their requirements that the British put in for Stage Two was what they had already made up for 1945. In other words, the British Navy picture is different from the British Army picture in that they plan to use their Navy as extensively before the war with Germany ends as they would after.

H.M.JR: You mean the fact that whatever happened at Quebec didn't change the picture as far as the British Navy is concerned, as far as the Pacific is concerned?

ADMIRAL McCORMICK: Only in that we all thought they could meet their own needs better after the war in Germany ended.

H.M.JR: What you are telling me is this--the reason I keep asking is because last night we all seemed--at least I will talk for myself--I seemed to be in the dark. What you are saying is a little bit different from what Mr. Patterson is saying. You say what you signed up with them is really for the calendar year '45.

ADMIRAL McCORMICK: I am saying that the agreement reads for Stage Two, sir, but it could be for January '45 without any--

H.M.JR: To pin you down, supposing we decided after this talk this morning that this thing would be confined to Stage Two. Where would that leave you?

ADMIRAL McCORMICK: That is perfectly satisfactory, sir. It is a little bit hard to administrate.

- 10 -

H.M.JR: Well, you could fudge it a little bit and nobody is going to question it. I mean, if it is under military necessity and they need something, I don't think anybody is going to question it.

ADMIRAL McCORMICK: It would be the way the agreement is written out, as though it were Stage Two only.

MR. WHITE: The question of January 1 did come in more definitely when the export policy was discussed-- when that was before us. But the date of December 1 is mentioned there, and then January 1 grew out of that, September 1 as distinct from the hypothetical convenient dateline of January 1 that Judge Patterson mentioned.

H.M.JR: Could I ask this, now? We have a very clean-cut answer from the Army and Navy, Mr. Crowley, as to non-munitions goods.

MR. CROWLEY: The FEA contemplates recommending the following: First, programs and financial terms will be the same as discussed with the British; perhaps some slight change in food will go into effect on VE-Day. Second, raw materials can come off of the program any time before VE-Day that the British want. Third, no change in British export policy will be made until VE-Day. Fourth, on food we expect gradual easement after VE-Day, and stocks will be reduced on that basis of the principles discussed with the British. In the meantime we will continue to work with them on Lend-Lease, non-military, until VE-Day as we are now.

H.M.JR: Talking for myself, it is highly satisfactory, but I would like Mr. Stettinius' opinion, and Mr. Acheson's.

MR. STETTINIUS: Mr. Secretary, I would like Mr. Crowley to spell out a little bit--Mr. Acheson has been following this, as you know, for the State Department--the reasoning behind excluding the change in the export policy to VE-Day rather than granting the British requests of an early date, realizing that they have a very acute political problem as we had a little while ago.

- 11 -

MR. CROWLEY: I was trying to recognize our acute political problem, too. I sat in on a meeting yesterday noontime where they discussed shipping, and they indicated there that shipping was tighter than at any time during the war, and I think that the original talk about exporting as of January 1 started along in September when it was reasonable to assume that the German war was closer to an end.

Now, I don't think the German war would be over for some little time. There is going to be a great loss of lives; there is going to be a great demand for supplies. In the meantime, our people at home here are asked to restrict their own civilian use; our own business men are restricted to production for civilian goods, and it seems to me that when we have already given to Britain twenty-three billion dollars and that we are now working on a second phase of this thing here, that the only right you have for discussing this thing is the second phase of this war. And if you take and say to them that they may go out and publicly make some statements that they are going to start their export business as of January 1 and start to rebuild it, it will cause us no end of trouble, Ed, on the Hill and with our general public. Now, that is my viewpoint on the thing.

I want to say this, that in an administrative way I am willing and our fellows are willing to work with the British just as much as we possibly can in trying to meet their problems, but we don't think there should be any writing or anything in a press release that causes us embarrassment; and if they are in a position themselves, I think it is a great mistake for them to do it. I think it would seriously affect our situation on the Hill when it comes to getting our appropriation. I think it is penny-wise and pound foolish.

MR. STETTINIUS: Do you agree with that, Mr. Secretary?

H.M.JR: Well, I agree to this extent, that I think if this whole arrangement and undertaking between the British and ourselves can be made VE-Day that it would be advantageous. That is the way I feel.

- 12 -

Now the thing that you people are interested in is this export policy.

MR. WHITE: For what it is worth, I will throw this thing in. I talked to John Crider yesterday. He came to me trying to get some information on this, and he kept asking questions about the export policy, and I was just sparring with him, telling him that as far as I knew there was no change.

He said, "Well, let me tell you this, I have heard that there is going to be a change, and if there is going to be a change which is going to permit the British to export goods, you are heading for trouble." Now, I don't know whom he speaks for.

MR. STETTINIUS: Mr. Secretary, I would hope, sir, if we adopt this policy of VE-Day that it might be possible to agree to letting the British make something public themselves in their Parliamentary debate that is bound to develop on this subject that arrangements have been made for their exports to resume after VE-Day on a limited basis, something of the kind, because I must admit that I want to be just as tough and ruthless as anybody in the situation, but I recognize that the British have a very delicate problem.

MR. CROWLEY: Ed, we are willing to do this on that: We are willing in our report to the top committee to say that we recognize that after VE-Day that there must be a meeting of this problem of the export business and some easing up on materials and things like that for export purposes. I think that that is a reasonable request. We don't have any objection, do we, Oscar?

MR. COX: No.

MR. CROWLEY: We put that in our report, Ed, to the top committee.

H.M.JR: As of VE-Day?

- 13 -

MR. CROWLEY: Yes.

And then, Ed, the State Department can add anything they want in their report.

MR. STETTINIUS: I understood there would be only one report.

MR. CROWLEY: I meant, Ed, though, that FEA should make a report up to the top committee just the same as the Army and Navy.

H.M.JR: As of last night what I said was this: Those of us on this committee we were discussing should sign a report to the President, but that you had brought up the question of this export and you might want a separate memorandum to the President on that.

MR. STETTINIUS: Yes, I felt it was very important that the President personally understands this export formula which I don't think, from the discussion we had with him yesterday--I didn't quite gather that he had a clear understanding.

MR. WHITE: I shouldn't think he did.

MR. STETTINIUS: And it was something certainly he will hear about, probably from the Prime Minister, before we are through in this thing. He ought to understand exactly the formula.

MR. CROWLEY: What I meant was that FEA doesn't mean that as long as England is getting Lend-Lease goods in the second phase of this war they they can't carry on any export business after the shipping has eased and after materials in this country have eased very materially.

MR. WHITE: The President did say this, though, Ed-- may I see whether you check with this? He did say, "I don't want any change in the procedure as to what has been going on," and he did that after we had mentioned the desire to alter the export policy, though we didn't go into

- 14 -

any detail, and I agree with you very much that he didn't understand--didn't know of these things so far as I know. But he did say he didn't want any change; and if it had been presented to him as a change, I am inclined to think he would have decided against it from the tenor of his remarks.

MR. STETTINIUS: I am not sure that I exactly understand Leo's amendment on this business.

H.M.JR: Neither do I.

MR. STETTINIUS: For example, Leo, the British are going to have, maybe, a few little empty plants and they are going to start a little something in the way of consumers production, and they are going to get copper from Chile and southern Rhodesia, and they are going to buy a little copper here, not under Lend-Lease. Now, are we saying that the British cannot make a valve or a radio out of copper of their own production or that they buy from us and export that to Brazil?

MR. CROWLEY: No, we are not saying that.

MR. STETTINIUS: What are we saying?

MR. CROWLEY: What I understand that Keynes wanted to do was to take certain raw materials off of Lend-Lease and he was willing to pay for them.

MR. STETTINIUS: Steel--

MR. CROWLEY: More than steel. And he wanted to be able to go back and report to his Board of Trade and his Parliament that insofar as their export business was concerned that they were in a position now to start reopening and redeveloping their export business and that in such items as they can get from us for cash that they could re-export those in any form they wanted to. That is in substance what he wanted to do.

MR. STETTINIUS: And we can't agree to that?

- 15 -

MR. CROWLEY: I don't see how we can agree, Ed, that you are going to give them Lend-Lease and you are going to say that this is for the second phase of the war and that you are going to restrict our own people and you are going to let them buy materials from us and get in on those markets before we are ready to go in and have a free market with them. Now, I don't think that we have any right to say to them that they can't sell a bale of hay and a bag of oats and things like that.

H.M.JR: May I just read a paragraph here? Of course, I do hope that what goes on in this office will be kept secret. "The Prime Minister pointed out that if the United Kingdom was once more to pay its way, it was essential that the export trade which has shrunk to a very small fraction should be re-established. Naturally, no articles obtained on Lend-Lease or identical thereto would be exported or sold for profit. But it was"--I can't see the handwriting here--"stated that the U. S. should not attach any condition to supplies delivered to Britain or Lend-Lease which would jeopardize recovery of her export trade. The President thought this was proper."

MR. WHITE: You are reading that he thought it was proper, because he didn't think it was proper at the discussion.

H.M.JR: I can't help it. I am reading what he said.

MR. WHITE: But do you want to repeat that he said he thought he had gone much too far. He was troubled by it.

H.M.JR: But I am just going back to the written agreement.

MR. WHITE: Do you remember, Mr. Secretary--

H.M.JR: No, I am not arguing with you or the President or Mr. Stettinius. I am just trying to prepare myself for the meeting with the English in twenty-five minutes. They have this thing, too. After all, this is a conversation, and they have this thing also. I am just trying to think

- 16 -

if they throw this out, what do we say?

MR. WHITE: The answer to that, Mr. Secretary, is rather simple, isn't it? And that is this, that that related to Stage Two. There is nothing in there that indicated that that related to the January 1 date, and, therefore, is in full accord--

MR. STETTINIUS: I think that is a very sound position, and I think that is the only basis we have of salvaging ours here.

H.M.JR: That, Ed, plus this very important document of September 4 which lays down that position, whereas the export part of this--

MR. STETTINIUS: I think it is vital to drum that home, that when the President made this verbal commitment he was talking about Stage Two. He wasn't talking about any January 1 date.

MR. WHITE: It is this paragraph, but it must be taken in the context with the whole document what I was considering Phase Two. Nowhere does it mention January 1.

H.M.JR: This is the British document which was handed to the President; it was for him.

"At the end of five years of war, some relaxation in the pressure on British civilian standards of living is necessary. It is necessary also to begin to rebuild the damaged cities, to devote more work to the overdue repairs to industry and public utilities, and to make first steps towards restoring our export trade; without exports Britain can neither meet her immediate obligations nor assure her purchases of necessary imports. These needs cannot be further deferred."

- 17 -

Now, as White pointed out, all of this talk was Stage Two. I think we have to take that position. But I think, Ed, that we ought to make very clear--while none of us-- I hope nobody will take any exception--we were all kind of floundering around for a decision last night, and at that time Mr. Acheson said that if somebody wanted to take a whirl at this, all right. But I gather that we will not have the backing of the State Department in this position on the exports.

MR. ACHESON: I couldn't say whether you would have the backing of the State Department. I was speaking my own view.

H.M.JR: But I wondered if this morning in view of this additional information whether we could take a united front on this thing.

MR. STETTINIUS: If we could go into conference for thirty seconds--

(Discussion off the record.)

MR. STETTINIUS: Mr. Secretary, the State Department is prepared to support the proposition that the general freeing of exports shall commence after VE Day. We, however, are quite firm in our conviction that we should allow the British to discuss the matter rather promptly in their forthcoming debate which we understand will commence the 29th of this month, and to be able to make an announcement of some kind that we would agree to that after this VE Day, that these exports will be allowed to pick up. We aren't quite clear yet as to what FEA and Leo have in mind as to what controls will be placed in lieu of the scrapping of our present White Paper. I go back to the simple statement--

H.M.JR: Are we going to scrap it? I thought we would leave it alone.

MR. STETTINIUS: Is that the original Eden-Winant paper that would stay in effect until VE Day?

- 18 -

MR. COX: Stay in effect after VE Day on Lend-Lease articles.

MR. STETTINIUS: I see. That would stay in effect on stuff that they get from here.

H.M.JR: Could I have a little dress rehearsal now and see whether we are together?

MR. STETTINIUS: Good.

H.M.JR: What I propose to do--and I will do this sort of in stages, and I would like suggestions and criticisms. When these gentlemen come in to me, I would like to say, "Well, gentlemen, I feel that this has been a very successful meeting between the British and ourselves. I feel that we have accomplished a great deal. I want to congratulate you on the spirit in which the thing was approached, and this, I believe, will be the last meeting of this committee. Now, the various subcommittees have come to an agreement with the corresponding committees of the British, and have made their report to the top American committee, and we in turn carried out our instructions of the President and Mr. Churchill. The Committee has come to an agreement and will recommend to the heads of their respective governments the amount of mutual aid and munitions, non-munitions, and services which is provided for the most effective prosecution of the war, subject to the military necessity at the time at which the military munitions will be distributed.

"We will make this report to the President on an informal basis, and it will be up to him to decide after having received it what disposition he will make of it, and I am sure he will discuss it with Mr. Churchill."

Then I will call on Mr. Patterson to review briefly where the matter stands.

I thought I wouldn't say anything about this being January 1. Each person in turn will say that this is Phase Two, and it will leave them with the impression that it is Phase Two. Do it in that way rather than raising the

issue at the beginning and say, "Now look, after a month we have changed our minds."

If Mr. Patterson would simply say, "This is Phase Two," and Mr. Gates would explain, then I would call on Mr. Crowley, who had an excellent memorandum.

MR. STETTINIUS: Just one little point we need to clear up.

H.M.JR: Then I would ask the question. Or would you rather have me start with you?

MR. STETTINIUS: No, I think your procedure is just proper.

H.M.JR: Mr. Crowley?

MR. CROWLEY: That is all right.

MR. PATTERSON: That is fine.

H.M.JR: Then Mr. Crowley, if you wouldn't mind going through what you did earlier--what would you say when I call on you?

MR. CROWLEY: What I really should do if you called on me would be to simply read this memorandum that I read.

H.M.JR: But Mr. Stettinius didn't hear that?

MR. STETTINIUS: Yes, I heard it once. But I am still a little cloudy on this interim export policy. We said here--

MR. CROWLEY: We said here, Ed, no change on British export policy until VE Day. Now, we are willing to say that in an administrative way we will cooperate with them in between now and VE Day just as much as we possibly can in trying to meet their problem.

- 20 -

MR. STETTINIUS: Then would you add also, "But we agree that they will be allowed to make a public statement"?

MR. CROWLEY: I think that is something, Ed, that you could handle better, and have them draft something that would be acceptable.

MR. STETTINIUS: That is going to sweeten this bitter pill, though. When Keynes hears this, he is going to fall out of his chair.

MR. CROWLEY: Let me say this to you, now: Here is the way I feel about this export thing: See if this will be satisfactory, that I certainly feel after VE Day, even though they would be getting some Lend-Lease for the second phase of the war, that they should have the right to get back into their civilian production and get back into their export business. And I think, too, after VE Day that we have the same opportunity in our country here to get back into civilian production and get back into export business. So it puts us all on an even basis. Is that satisfactory? In other words, I don't care what they say as long as they submit it to us after VE Day; of course, they have the right to go out and develop their trade.

MR. STETTINIUS: And, of course, we have to help them. That is one thing, I think, we are going to have to explain on the Hill and explain to the American business system, Mr. Secretary, that a strong solvent British Empire is in the selfish interests of the American people.

MR. CROWLEY: But that is going to take some legislation.

MR. STETTINIUS: And there are certain things we will have to do in the way of a broad world vision to keep the British from going busted or from starving, and it is in our selfish interest to do so, and this matter of giving them some exports to carry their stuff on long-term credits is one of the surest and best ways of doing it.

H.M.JR: I had a bad night last night, so I was writing this speech in my mind. I was very gllid last night--about two o'clock in the morning.

- 21 -

And I will go a step further. On top of this, I think we should distinguish between people like this who held the last ditch as against the Italians and French and people who didn't. I think that is the point, and I think it is very much confused in people's minds as between the Italians and French and English and Russians. There is no comparison. And I think whoever makes this statement should draw a sharp distinction.

MR. STETTINIUS: But I hope the point I made would come out this morning.

MR. CROWLEY: But what I mean is, I don't think as FEA Administrator I would want to commit--personally I am sympathetic to wanting to help them, but you don't want anything in a document about the rehabilitation of Europe, that is, in a Lend-Lease program, because it can't go in there.

MR. STETTINIUS: No, sir. Well, Lord knows Oscar and Lauch and my former friends in Lend-Lease know that I am the first one to try to draw the line on Lend-Lease as a war instrument and pull the curtain on it, and not to use it for rehabilitation at any time under any conditions. I think it will be one of the greatest chapters in the history of this war if we can keep Lend-Lease as a war instrument to help win the war and get over that thin line where the green water reaches the blue water--

H.M.JR: Into muddy water.

MR. STETTINIUS: And yes, where the dickens will we be?

MR. WHITE: May I make some suggestion, Mr. Secretary?

H.M.JR: Just one minute, please. Right on this particular point I want to ask, supposing the British say to us, "Now, Mr. Stettinius or Mr. Crowley or Mr. Morgenthau, when our Parliament meets on the 29th and we are asked by our Board of Trade to say what we can do on exports, how are we going to answer that?" I am just being the Devil's Advocate. They may ask us that question.

- 22 -

MR. STETTINIUS: I would say that I think that representatives of the Treasury and FEA and the State Department can meet with their representatives and work out a statement that will be agreeable to all concerned, an official statement that they can make that we would approve. Oscar, wouldn't you think that would be it?

MR. COX: I would think so, and I think there are two points; unquestionably they are going to ask the question of the Secretary. It goes right to the guts of it. The only question I have is whether you can say any more than you will sit down and agree. They will want to know what the lines of approach are on the thing. You may have to suspend that until the people sit down, but they are certainly going to ask the question, and I think you are going to have to answer it.

H.M.JR: It is always good to do manana what you can't do today, but as far as I am concerned, I hope this is the last meeting.

MR. CURRIE: Mr. Secretary, in that statement you made, I think you were a little bit too definitive as far as the FEA program is concerned. We have not completed all the programs and have agreement with the British and submitted to you. There are still some revisions.

H.M.JR: I am going to call on Mr. Crowley to speak for FEA.

Mr. White?

MR. WHITE: It was that, that there are a number of items that are left over, and also that the FEA program is likewise subject to allocations and considerations of supply, the same as the military. You referred only to the military. I think you will find that the British would like to continue the discussions after this meeting to wind up some of the details, and they will also like to discuss this problem of what is the best kind of statement to be made on an export policy. So that would fit in with their plans if a number of those details could be

- 23 -

considered by the subcommittee and still make this the last meeting of the major committee, and they will sort of tidy up some of the matters.

Now, the point they will ask which you want to have in mind is, "How about Chapter Three items?" Are they going to get that?

H.M.JR: I can answer that, "Subject to what my fellow committeemen say"--and that is what we said the other day that on those items there are some two hundred million dollars which we think we can work out. Isn't that right?

MR. CROWLEY: That is what it is, two hundred million dollars.

H.M.JR: And that when it comes to tobacco and sugar, we will still study them, but we can't give them much encouragement. As to airplane contracts, out! So out of Chapter Three they can count on roughly two hundred million dollars.

MR. WHITE: They claim there is another forty or so million which they haven't had an opportunity to discuss, and they want to know about that. How would you want to answer that, Lauch? Are you satisfied that every article they have had an opportunity of discussing with you--every one of the items--

MR. CURRIE: In one or two cases, Mr. Secretary, when we went over the whole list we just put things aside until we could give them more consideration.

MR. WHITE: Those are the items they referred to, I think. We might simplify that by saying there may be some other items in Chapter Three which they can still continue to discuss with FEA. FEA can work out something, and they doubtless will. Put it on that basis so they won't feel the door is closed.

MR. CURRIE: I emphasized that our agreement was very tentative because they still need further examinations and study.

- 24 -

MR. ACHESON: Mr. Secretary, in order to get clear for the purpose of the subordinates who are going to have these talks after this thing is over, it seems to me that we have got to be quite clear that what we are talking-- in answer to a question some time ago as to what we said to the British, I think this meeting with you and Mr. Crowley and Mr. Stettinius has got to be quite clear as far as we are concerned as to what we talk to the British about. As I understand the decision, it isn't that we sit down and work something else out because we haven't any guide in that. As I understand the decision, it is that the date is VE Day, but all the principles that the British have asked for and we have discussed with them before are applicable to VE Day. If that is what the decision is, that is what we can talk about. If that isn't the decision, we don't know what to do.

MR. CROWLEY: That is right.

MR. ACHESON: In between now and VE Day you are going to handle that administratively on exports?

MR. CROWLEY: That is right, Dean. And everything-- our whole Lend-Lease--

MR. ACHESON: They remain from now until VE Day on all the limitations which they have been on before.

H.M.JR: And leave the White Paper in existence until further notice.

MR. COX: Except Dean has put his finger on the precise thing you are going to have to say; they are going to ask, can they take those principles and announce them in Parliament on November 29?

MR. ACHESON: The answer to that is yes.

MR. WHITE: As applying to VE Day.

MR. COX: Yes, but you realize that involves an agreement which changes the White Paper in respect to those articles which they have paid in cash.

- 25 -

H.M.JR: May I say this, because I hate to keep these people waiting? Let's ask them on what they are going to say in Parliament to sit down with what we call the technical committee and go over it together. Because, for the first time the whole thing is clear in my mind.

MR. STETTINIUS: I am clear on it, and I think we have to let them announce it.

H.M.JR: All right with you, Leo?

MR. CROWLEY: Yes, sure.

H.M.JR: May I just say this, please? We had some very frank talks last night after coming back to see the President, and I think that both among ourselves opposite the British, and certainly with the public newspapermen we should take the very definite position that there has been no interruption in the flow, that this is the way it has been planned, and this is the way it is going on, and this has been very successful, and this is the way the President wanted it, right from the beginning. I think that is terribly important.

MR. STETTINIUS: Right. And there is to be no publicity from the American end on these negotiations at any time.

H.M.JR: No, whatever is said, he will say it. But in view of the unfortunate leaks in the past, I hope I won't read in the paper that he changed his mind or he did this or that, after the one and only press conference I have had here in about two months. I wouldn't make any comments on this thing to Crider. He had a little sentence in which he said, "Well, some people in high places in the Administration think we are doing too much for the British."

Now, thinking like that, or that the President waved or the President changed or anything, I think would be most unfortunate. And the way it is now, we have a clean story.

- 26 -

It goes right back to Quebec, Phase Two; we have done this work, and it will become applicable after Phase Two. Nobody can object to my saying this, because there have been some unfortunate leaks. So I have said it, anyway.

Now, I think we are ready. Mr. Gates and Mr. Patterson, you can stay, can't you?

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November 22, 1944
11:00 a.m.

LEND-LEASE NEGOTIATIONS
FINAL BRITISH-AMERICAN CONFERENCE

Present: Mr. Stettinius
Mr. Acheson
Mr. Patterson
Admiral McCormick
Mr. Gates
Mr. Crowley
Mr. Collado
Mr. Cox
Mr. Coe
Mr. Davidson
Mr. Angell
Colonel Burgoyne
Mr. Taft
Mr. Currie
Mr. Casaday
Mr. White
Mr. Eaton
Mrs. Klotz

Lord Halifax
Lord Keynes
Sir Henry Self
Sir Charles Hambro
Mr. Brand
Mr. Ben Smith
Mr. Helmore
Mr. Opie
Mr. Lee

H.M.JR: Gentlemen, I think that this will be the last meeting of this committee. Speaking for the American side, we feel that it has been most successful. We appreciate the spirit in which this was approached by both Governments. We hope that you will be satisfied with our final conclusion.

Naturally, we can't do all the things that we would like to do for reasons which have been explained to you over the eight weeks period as we have gone along. I think that the simplest way to review what has been done is to call on the representatives of the Departments involved, who can very briefly summarize the picture as they see it today.

I will call on Mr. Patterson first to speak for the War Department, please.

- 2 -

MR. PATTERSON: We took the Army Ground and Army Air requirements as outlined in the first book, and the committees got together on the basis of the re-deployment of the forces after the defeat of Germany - what we call VE Day - testing them so far as possible by the approved operations by the Combined Chiefs of Staff in re-deployment against the Japanese and also the occupation forces in Axis Europe.

On that basis for the first year of Stage Two we arrived at British requirements for equipment - or, rather, that proportion of them which we thought it reasonable for them to look to the United States for as a source of supply. And we agreed that we would put those items, so screened, in our procurement objectives and include them in our supply programs and make every effort to make delivery - to be subject from time to time to the decisions of the Munitions Assignment Board, depending on the results of the production program and military operations and factors that might intervene. And on that understanding we arrived at an agreed list. It is a firm commitment subject, however, as in the past, to the decisions of the Munitions Assignment Board from month to month.

H.M.JR: Would it be agreeable to you, gentlemen, if we went around the room first and then you ask questions?

(General agreement)

MR. PATTERSON: I might just add that we took as the guide the re-deployment of the forces for continuation of the war against Japan. We came to quite a quick agreement on the items. There wasn't much difference of opinion.

H.M.JR: Thank you.

Mr. Gates?

MR. GATES: Mr. Secretary, on the Navy's position I haven't much to add to what Mr. Patterson has said. The Navy's position is very much the same as the position the Army took. These considerations were based on Stage Two, which starts on VE Day. On some of these items - Air items -

- 3 -

we signed along with the Army, and on the purely Navy items a separate agreement. The way of arriving at it was covered by Mr. Patterson. I would just repeat what he said.

H.M.JR: Mr. Crowley for non-munitions, please.

MR. CROWLEY: We have had very satisfactory conferences with the representatives of the British, and we are going to recommend to the committee as follows:

First, programs and financial terms will be the same as discussed with the British - perhaps slight changes in food - but will go into effect on VE Day.

Second, raw materials can come off the program any time before VE Day that the British desire.

Third, no change in British export policy until VE Day.

Fourth, on food we expect gradual easement after VE Day.

In the meantime, we will work with the British in an administrative way to try and be as helpful as we possibly can on the items that they want to buy for cash, and to help them on their problem of resale and things like that - their export business.

We feel that all of this is in keeping with the President's memorandum to you after the Quebec Conference.

H.M.JR: Now, what we propose to do, gentlemen, is this: These various reports which have come to us, which are in the form of conferences between British and American representatives, will come to Mr. Stettinius, Mr. Crowley, and myself. We shall make an informal report to the President, carrying out the statement which he and Mr. Churchill signed; namely, that the committee will agree and recommend to the heads of their respective Governments; and then having made that informal report to the President, carrying out the written instructions, then it will be up to him to make such disposition of the report

- 4 -

as he sees fit. I am sure that he will, at the appropriate time, discuss it with Mr. Churchill.

That, very, very briefly states the proposal. With that very brief report we shall be glad to have any questions.

(Mr. Ben Smith enters Conference)

Pardon me, just one second. Mr. Stettinius, do you want to add anything?

MR. STETTINIUS: Nothing.

H.M.JR: Mr. Acheson?

MR. ACHESON: Nothing.

LORD KEYNES: I should like to begin on behalf of all our Missions to say how very greatly they have appreciated the way in which proposals have been met. We have carried through in a short number of weeks examination of an enormous field, and apart from, I should say, one item which has not yet finally been resolved, I don't think there has been a single case in which friendly agreement hasn't been reached about the program, without any necessity to appeal to this main committee. And we recognize that that would only be possible when met in a most friendly and generous way.

There have been some modifications of programs, but those are all modifications which our Missions, after hearing the considerations urged on your side, have readily accepted as reasonable. So that there has been a full meeting of minds. I don't think that any of us have ever taken part in negotiations of this sort in which the spirit was better or more cooperative throughout, and for that we are exceedingly grateful. An enormous amount has been carried through, Mr. Secretary, under your chairmanship with the least possible friction and debate.

Well, now, there remain certain subjects where I think we haven't yet resolved matters. I want to run through those, if I may.

- 5 -

There was one matter referred to by Mr. Crowley which I am afraid will be of the very greatest disappointment to Ministers in London. We had hoped that in view of the very difficult situation which is faced in England with public opinion that we could make an announcement of freedom as from the first of January, not believing there to be any significant flow of exports from that date. That is quite out of the question, since there will be no significant change in manpower, but public opinion in Great Britain is now very vividly conscious that exports are life and blood to us. We can only keep ourselves independent and prosperous by them, and any sort of interference with them, however justifiable, creates an amount of feeling which I think is not always, perhaps, fully understood in this country.

I think this change which we hear for the first time today is something which we must communicate to our Ministers to see whether they are prepared to accept that. I have no authority to agree here and now to such arrangements. I had hoped very much that we could stick to the old date and that we could find some form of statement by the President of the Board of Trade which would be satisfactory to the public opinion of both countries. That is what we want to get - where we in this room could settle matters very easily.

On our side, we don't think any important quantity of export is involved in the difference between January 1 and VE Day. And you, as we found, are fully appreciative of the importance to us of getting moving. But satisfying public opinion which is not so well instructed is another matter.

We should like very much to try our hand at agreeing on a statement with you; but if the effective date of the new formula which we have discussed is to be VE Day, then I think the President of the Board of Trade's statement will have to make it clear that the various items which we are taking off Lend-Lease free a very large region of exports under the existing White Paper conditions.

- 6 -

H.M.JR: Could I possibly be a little helpful at this stage? I'd like to try to be. We have gone back and reviewed all of the documents starting with what I think was the first document, dated September 4, which was given to the President at Quebec; and I believe, while it isn't signed, that it was from Sir John Anderson to Mr. Churchill. The heading is, "Lend-Lease Supplies for Britain in Stage Two - Note for the President of the United States."

Well, starting with that document and anything else bearing on it that took place at Quebec, we feel that this committee was set up to deal with the problem of what we could mutually work out to help each other, starting with the day after VE Day.

Now, we appreciate that the discussions during the last eight weeks veered away from that, but we also appreciate that on the 29th your people will have to make a statement. Our so-called technical committee will be very glad to sit down and try to work one out with you, and I would like Mr. Crowley to tell you, himself, as the head of FEA, what he is prepared to do to be of assistance on exports between the first of January and VE Day.

MR. CROWLEY: Well, I think that we all realize the problem that confronts you people at home. We have a similar problem, but perhaps not quite as acute as is facing you folks right now. Anything that we can do in an administrative way between now and VE Day, we want to do.

The worry that I have - and I am sure it is the same with all of my associates - is that if we agree in writing to a plan of letting you start your export business on January 1, we know you can't get much of any supplies from here until after the German end of this war, it would have a very bad effect on our future relationship with our Hill and our appropriation and our extension and everything.

I recognize that after VE Day and in between now and VE Day Great Britain has to make some plan for its future. I think we all know that. I wouldn't want to see a statement that would say that there was an agreement

- 7 -

entered into between the United States and Britain that would embarrass us. It seems to me that Britain can handle their own problem by getting and giving a sort of pep talk about the possibility of returning to their civilian production again and what they can do in a general way after VE Day and what help you have received from this country here in the way of Lend-Lease supplies for the second phase of this war without committing us to a statement that on January 1, before we had permitted our people any easing at all and when shipping is as tight as it is and when we are right on the eve, perhaps, of the toughest battles of the whole war, that we should join in now with a plan to help you re-develop your export trade.

Psychologically it would be very bad, and if I were your adviser in this country, as your friend I would tell you there wouldn't be anything you could do that would affect you more with respect to what help you might be able to get over a period of time than some move like that. It is not because we are not entirely sympathetic as to what your problem is - we want to help you; but it is a question of a practical application.

LORD KEYNES: Mr. Crowley, I think it will be of immense assistance if, as you say, on the administrative level difficult cases such as we have had in the past can be eased out and we can make administrative arrangements. That, on the practical side, will help enormously, and, as I say, we shall try to make a satisfactory statement from your point of view.

But I think I ought to emphasize, because I know how strongly this will be felt by the leading Ministers in London, that in the statement to be made on November 29, if there is any agreement whatever with you before VE Day that we must be able to point out that having taken a large number of articles off Lend-Lease, under existing arrangements, the field is clear. And I think we can make something which will be satisfactory to our public, you see, dividing it into two parts: first of all, that we are now in a position to curtail Lend-Lease quite significantly. If a large number of articles which we have taken in the last two or three years are taken off Lend-Lease, that

- 8 -

means without any change in the White Paper conditions a wide field is relieved.

Secondly, the fact that both countries contemplate the beginning of reconversion on VE Day, from VE Day there will be no longer any need for the sort of restrictions which will continue up to that date.

I think along those lines we probably, if we sit around a table together, can produce something which is sufficiently satisfactory to both of us.

MR. COX: I think what Lord Keynes says is right, that in the biggest case, such as steel, for example, if it is taken off and none is obtained, under the White Paper - except for the stockpile thing which can be determined administratively - you don't have to change the White Paper to be able to export steel products.

LORD KEYNES: That is right, and I think what Mr. Crowley said about administrative action will be of the very greatest possible assistance, and we do appreciate that. While keeping the forms on certain lines, you are doing what is possible in making the thing as easy as may be.

H.M.JR: If I may just say that we also appreciate your problem - we also appreciate that you have a Parliamentary situation to meet, and we'll be just as helpful as we can in meeting it, always keeping in mind our own domestic problem that we want to get this through Congress.

I think we could be helpful to you in making a statement - naturally, not as good as you would like to have it, but, on the other hand, one that will not have too unfavorable repercussions in the United States. That is the whole point.

LORD KEYNES: Well, we'll bend our best wits to accomplish that.

DR. WHITE: Mr. Crowley said something, Mr. Secretary.

- 9 -

I don't think he meant it. When he said that you could accompany your statement as to what you can do and also indicate the help that you are going to get in Phase Two, I gather he didn't mean to suggest that there would be any announcement or any indication of the fact there would be any agreement that you would get anything in Phase Two, because that is quite beyond anybody's authority here.

MR. CROWLEY: That is right.

LORD KEYNES: I didn't misunderstand that.

Well, now, there are certain other matters. There is, first of all, additions to the Lend-Lease program as it has been in the last year which we were asking for to strengthen our financial position. Some of those have been agreed to. Some of them, I understand, are difficult. There is an intermediate class, individually not very important, but adding up to something from our point of view quite worth while, which have not really been properly explored yet.

And you haven't told us anything this morning about the large items, but unless there is better news on those than we have yet heard, I do think we could go back to some of the smaller matters which have been left unexplored or insufficiently explored.

I think Mr. Crowley could help us there, that if the object in sitting around the table was to try and build up something--

MR. CROWLEY: We'll do that, Lord Keynes.

LORD KEYNES: I still think there is something to be gained.

MR. CROWLEY: We'll do that with you.

LORD KEYNES: I think if we can go through those neglected items with the aim of building up something between fifty and a hundred million dollars - I believe it can be done.

- 10 -

MR. CROWLEY: We'll do that.

LORD KEYNES: Then there are also one or two matters which you are all very conscious of. There is the Reciprocal Aid point which has never been cleared out of the way. There, we have thought that a joint meeting with the Dominions and some representatives of yours might easily solve that. In our judgment there isn't anything very serious there.

H.M.JR: I wonder if Mr. Stettinius would be willing to take that on - from the State Department - as a separate matter?

MR. STETTINIUS: This is a new subject, Lord Keynes, not a part of this specific assignment.

LORD KEYNES: It is one we have been discussing for some time.

MR. STETTINIUS: In connection with these deliberations of Stage Two?

LORD KEYNES: It arose from a condition that was put in by the War Department about the British Government underwriting Reciprocal Aid from the Dominions in certain contingencies.

Well, now, we, as a matter of principle, are very unwilling to accept that position, and the Dominions are very unwilling to ask it of us. The Dominions, in fact, are prepared to make very much more extensive agreements than they have had hitherto. I believe that it is only a matter of finding a form of words. There is no intention of preventing the War Department from obtaining anything on the physical side which could be allocated. We have not yet had any opportunity of sitting down with you and with the Dominions to see whether we can't reach something.

MR. STETTINIUS: Mr. Secretary, Mr. Acheson and I would be delighted to discuss this matter with Lord Keynes and his associates, and I am sure we can count on the cooperation of Mr. Patterson and Mr. Gates in connection with the Service angle.

- 11 -

MR. PATTERSON: The one thing we are interested in is getting the supplies to the forces wherever they may be fighting in the swiftest time and with the least drain upon shipping. Everything else is in your domain. But we did have a case where we were delayed by indecision on a matter of supply.

LORD KEYNES: I think that the Dominions - Australia, in particular - is prepared to make a proposal under which it couldn't arise again. And they have made what looked to us very workable proposals. But we have not yet had the opportunity of sitting down--

H.M. JR.: Well, would that be agreeable with you, because this whole thing gets into really an Empire relationship which I think is a matter for our State Department.

MR. STETTINIUS: I think so.

LORD KEYNES: That would be very acceptable to us.

MR. STETTINIUS: I'll be delighted to pick this matter up with Lord Keynes, Mr. Secretary.

LORD KEYNES: I think there are only one or two other matters I need mention.

We have been discussing with Mr. Crowley's Department a covering letter for the non-munitions similar to the covering letter for munitions. I understand that that isn't quite ready yet, but we shall go on getting that into final form.

MR. CROWLEY: That is correct.

LORD KEYNES: There will come up under that the question you are all familiar with of the coastal vessels. And that, I think, can be taken in connection with that covering letter.

MR. CROWLEY: That is right.

- 12 -

LORD KEYNES: There are also one or two other things, but I don't believe there is anything with which I need trouble you at this meeting, Mr. Secretary. If we could, as I say, spend the next two or three days just tidying up the rough edges of the not so essential matters - the essential matters we shall settle here and now.

H.M.JR: Looking to the left, I think you gentlemen have been most reasonable and most fair in your approach on this. I told this to the President, that I don't know of any group I have worked with in the eleven years I have been here that has been a more satisfactory group, and I do feel, as Lord Keynes says, on these odds and ends left to be tidied up I am sure these gentlemen will continue to approach it in the same spirit that we have done and achieve something which in the long-run should be most helpful to the continued friendship of both countries.

DR. WHITE: This meeting winds it up, doesn't it, Mr. Secretary?

H.M.JR: As I said at the beginning, unless something comes up which we don't think of now, I think this will be the last meeting of this top committee. The other gentlemen are available - the technical committees - and will continue to try to be just as helpful until, as you put it, the thing is tidied up.

I am here, but I think that this should be the last formal meeting of this group.

Now, Mr. Stettinius, do you want to add something?

MR. STETTINIUS: I have nothing to add, Mr. Secretary.

H.M.JR: Mr. Crowley?

MR. CROWLEY: I have nothing.

H.M.JR: Lord Halifax?

LORD HALIFAX: I don't believe I have anything to add, Mr. Secretary. Lord Keynes expressed the feelings of all of us on this side, and I am sure that that is all

- 13 -

concentrated in our feeling of appreciation for the manner in which you have conducted these matters from your central position in the Chair. We very much appreciate it.

H.M.JR: Thank you.

Mr. Smith?

MR. SMITH: I would like to join with my colleagues in expressing our appreciation of the efforts that have been made and the good-will that has been established, which, I am sure, will redound to the credit of both our countries.

MR. STETTINIUS: Hear, hear!

MR. BRAND: I think I need do no more than reiterate what my friends have said.

H.M.JR: Well, let's get down to the war!

TOP SECRET

COPY NO. 38

C.C.L.L. 8th Meeting

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

MINUTES of a meeting held in Mr. Morgenthau's Room at the
U.S. Treasury on the 22d November, 1944 at
11:00 a.m.

P R E S E N T

Mr. Morgenthau (In the Chair)

U.S. representatives

- Mr. White
- Mr. Casaday

- Mr. Stettinius
- Mr. Acheson
- Mr. Taft
- Mr. Collado

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

- Mr. Patterson
- Colonel Burgoyne
- Mr. Gates
- Admiral McCormick

- Mr. Eaton

U.K. representatives

- Lord Halifax
- Mr. Ben Smith
- Lord Keynes
- Mr. Brand
- Sir H. Self
- Mr. Opie
- Sir Charles Hambro
- Mr. Helmore

Mr. Lee) Joint Secretaries
Mr. Coe)

1. MR. MORGENTHAU said that he assumed that this would be the last of the formal meetings between the two groups. The discussions which had taken place had been comprehensive and, he thought, very successful. He suggested that for this meeting the most satisfactory procedure would be for those members of the U.S. group primarily responsible for certain main programmes, or groups of programmes to summarize the position which had now been reached.

2. GROUND ARMY AND AIR AND FLEET AIR ARM PROGRAMMES

MR. PATTERSON said that U.K. requirements, as submitted, had been examined by combined committees on the basis of what would be needed after V-E Day in the light of the redeployment of forces following upon the defeat of Germany, i.e. taking into account such strategic commitments as were implied in approved combined operations against Japan and the task of occupying Axis countries in Europe. On that basis the scale of U.K. requirements from the U.S. during Stage II had been determined. Such requirements would be included in the U.S. procurement objectives and supply programmes, subject to the decisions of the C.M.A.B. from time to time in the light of the outcome of production programmes and of changed operational needs.

In short, the agreed list of requirements could be regarded as a firm commitment on the United States, subject, as in the past, to the right of the C.M.A.B. to make adjustments in the light of the factors previously mentioned.

3. NAVAL REQUIREMENTS

MR. GATES said that he wished to add little to what had been said by Mr. Patterson. The U.K. naval requirements following VE Day had been examined, broadly speaking, from the same standpoint as had the Ground Army and the Air and Fleet Air Arm requirements, and a like result had been achieved. The Navy participated with the Army in the decisions on Air items.

4. NON-MUNITION REQUIREMENTS

MR. CROWLEY said that as a result of the discussions which had taken place as regards the non-munition programmes, FEA would recommend to the committee as follows:

(a) The programmes would be regarded as beginning on VE Day, and except perhaps for slight changes, in the food programme would be on the terms and in the amounts already discussed with the British.

(b) It would be open for the U.K. to take certain raw materials off the Lend-Lease list before VE Day.

(c) The U.S. should not agree to any changes in export policy related to Lend-Lease goods prior to VE Day.

(d) In so far as food was concerned, it would be understood that easements in the British position would begin to be put into effect after VE Day.

(e) In the meantime, F.E.A. would be prepared to give any help possible on the administrative plane to assist the U.K. export arrangements between the present time and VE Day.

He thought that the arrangements which he had outlined could be regarded as being in keeping with the understanding reached between the President and the Prime Minister at Quebec.

MR. MORGENTHAU said that based on the reports of the conference, the U.S. representatives - Mr. Stettinius, Mr. Crowley and himself - would make an informal report to the President on the outcome of the discussions. It would then be for the President to make such disposition of the report as he might think fit.

5. COMMENTS BY U.K. REPRESENTATIVES

LORD KEYNES said that he wished to preface his remarks by expressing, on behalf of the U.K. representatives, appreciation of the manner in which the programmes of requirements had been examined. A great deal of work had been compressed into a comparatively short time, and it was symptomatic of the generous manner in which the programmes had been examined that there had been no necessity to make an appeal to the Main Committee except in one particular item. The U.K. group were very grateful for the spirit of co-operation which had been shown.

LORD KEYNES went on to say, however, that there were certain questions on which the position, in the view of the U.K. group, could not be regarded as satisfactory. The most important of these questions was that of the export arrangements. On this the U.K. representatives had hoped that in view of the very difficult situation in which the United Kingdom was placed, there would have been no change from the original proposal whereby the new arrangements would have effect from the 1st January, 1945. The suggestion that such arrangements should not come into effect until VE Day - a suggestion which the U.K. group now heard for the first time - would come as a surprise and a disappointment to Ministers in London, and might well have an unfortunate influence

on public opinion in England, which would be restive at the suggestion of any continuance of restrictions on the right to export. He would have to communicate the latest U.S. proposal to London and ask for instructions since he had no authority to accept the arrangement in the form now proposed.

LORD KEYNES went on to say that he hoped that it might be possible to maintain the original date of 1st January, 1945, and for both the U.K. and the U.S. group to agree upon the wording of a draft statement which might be made by the President of the Board of Trade upon that basis but which nevertheless would be put in a form which would satisfy public opinion in both countries. If it were found impossible in the event, to ante-date the beginning of the new arrangements for VE Day, it would be essential that the statement to be made by the President of the Board of Trade should indicate that the effect of taking off a number of items from Lend-Lease with effect from the 1st January, 1945, would automatically remove from that date White Paper restrictions on the use of such materials in export.

MR. MORGENTHAU said that he thought that the U.S. proposal was in harmony with the Quebec Agreement, which implied that the task of the two groups was to work out agreed plans which would have effect after VE Day. MR. CROWLEY endorsed this, but said that F.E.A. were most anxious to see what help could be given on an administrative basis in respect of the export position in the period up to VE Day. It would be very difficult indeed for the U.S. group to agree that the U.K., from the 1st January next, should have a greater freedom to export than that which would be enjoyed by U.S. exporters. He hoped that it would be possible for the U.K. representatives to persuade their ministers to refrain from making any statement implying that the U.S. Government had agreed to changes in export principles, since such a statement might give rise to unfortunate repercussions in the United States. He repeated, however, that he fully appreciated the imperative necessity for the United Kingdom to rebuild its export trade as soon as the course of the war permitted. He understood the problem of the U.K. on this matter and was most anxious to help in any practical way in respect of the period up to VE Day.

LORD KEYNES said that he thought that Mr. Crowley's undertaking to give practical assistance on the administrative plane might be of very great help in dealing with this problem. He reiterated, however, that in any statement which was made in the House of Commons, it would be essential--while avoiding any suggestion that a formal agreement had been reached concerning the period before VE Day--to make it clear that in respect of exports comprising items which were being taken off Lend-Lease from the 1st January, 1945, the field would be free from restrictions from that date.

MR. COX said that he thought that it should be possible satisfactorily to meet the point which Lord Keynes had raised. For instance, if steel were taken off Lend-Lease from the 1st January, 1945, the only outstanding question would be concerned with the user of Lend-Lease stocks of steel on hand in the United Kingdom. It should be possible to deal with this question in a way which would leave the United Kingdom free to export articles containing steel from the 1st January, 1945, onwards.

MR. MORGENTHAU, in summing up the discussion, said that the U.S. group had constantly to bear in mind that Congress had to vote the appropriations necessary to finance the agreed programmes. The U.S. representatives were anxious to help the British to make a satisfactory statement on export restrictions.

6. LORD KEYNES noted that it had not been possible for Mr. Morgenthau to make any reference to the large outstanding items (those relating to tobacco and sugar) in the proposals put forward in Chapter III of the U.K. case. He pointed out, however, that apart from those particular items and the others which had

already been accepted in principle, there was an intermediate class in regard to which the U.K. representatives would wish to have an opportunity of giving fuller explanations than had hitherto been possible in the course of the discussions. Lord Keynes was confident that in the light of such explanations, F.E.A. would have no difficulty in agreeing to bring back further items on Lend-Lease to the amount of perhaps \$50 millions - \$100 millions a year. He suggested therefore that there should be a further examination of these items at the Sub-Committee level.

MR. CROWLEY said that F.E.A. would be glad to go through the list of items referred to by Lord Keynes in the hope of being able to meet the wishes of the U.K. representatives to the extent indicated.

7. LORD KEYNES said that another question on which a settlement was desirable was that of the Reciprocal Aid to be granted by Australia and New Zealand to the U.S. forces. Two paragraphs had been inserted on this subject in the Combined reports on the Ground Army and Air and Fleet Air Arm requirements, in which the U.S. representatives had recommended that the United Kingdom should in certain circumstances "underwrite" Reciprocal Aid from Australia and New Zealand to the U.S. forces. The U.K. representatives could not accept the principle of "underwriting" and consequently the two paragraphs in question were unacceptable to them. He understood that equally the Dominion representatives were unwilling to ask the United Kingdom to underwrite their obligations in the manner proposed. On the other hand, he understood that they would be prepared to consider an extension of the existing Reciprocal Aid agreements in a manner which, he would hope, would be to the satisfaction of the War Department. He therefore suggested that this question also should be discussed further at Sub-Committee level.

At the Chairman's suggestion it was agreed that a meeting on the subject should be arranged by the State Department, to be attended by representatives of the War Department and of the Dominions concerned. Mr. PATTERSON said that the one object of the War Department was to ensure that there was no hold-up in the delivery of supplies to the U.S. forces as there might be if separate negotiations had to be entered into in respect to any given consignments.

8. LORD KEYNES added that there were one or two other matters still outstanding which, he hoped, could be dealt with at the Sub-Committee level. There was, for instance, the question of the form to be taken by the covering letter in respect of the non-munition programmes. He understood that this question was still under discussion between Sir Charles Hambro and representatives of F.E.A. There was also outstanding, the question of the financial provision in respect of certain coasting vessels required primarily for the transport of stores across the Channel and in the Mediterranean for U.S. forces in Europe.

It was agreed that these questions should be taken up as necessary at ad hoc meetings at Sub-Committee level with a view to settlements being reached.

9. MR. MORGENTHAU said that in closing the last formal meeting of the series, he would like to pay a tribute to this mission for the fair and reasonable approach to the problems. He had told the President that in eleven years he had not met a more satisfactory group to work with.

As Lord Keynes has said there were still certain subjects outstanding, but these could, he hoped, be cleared up satisfactorily by means of meetings at the Sub-Committee level. He felt that the discussions had been remarkably successful and augured well for the future friendship of the two nations.

LORD HALIFAX, LORD KEYNES, MR. SMITH AND MR. BRAND thanked Mr. Morgenthau for his remarks and for his services as Chairman of the Combined Committee. They fully reciprocated the sentiments which he had expressed as regards the value and significance of the discussions.

November 22, 1944
4:08 p.m.

HMJr: I just wanted to say I appreciated how much you cooperated with me on this work with the English.

Leo
Crowley: Well, I -- I want to say, Henry, too, that that goes double because your whole attitude toward us was very, very fair and very, very helpful.

HMJr: Well, that's very nice. I tried to be and -- I don't know -- the last minute there was some outside influences came in and made it a little difficult.

C: Well, but don't you -- oh, I don't care about that. That doesn't bother me anyhow.

HMJr: But today, certainly, I think we left them with a very good taste in their mouth.

C: I think that it worked out very, very well with them, don't you?

HMJr: I think so. I know so.

C: That's the impression that I gathered from them. And insofar as all of our fellows are concerned, I think they all left there in a pretty good frame of mind. I don't think Dean's particularly happy....

HMJr: Well

C: but you're happy about it and I'm happy about it. I don't think Ed feels badly.

HMJr: No, I don't either and that's important.

C: Yeah.

HMJr: Well, again, many thanks.

C: Thank you, Henry.

HMJr: Good bye.

C: Bye.

November 22, 1944
4:10 p.m.

HMJr: Hello.

Operator: Stettinius.

HMJr: Right.

Edward R.
Stettinius: Hello.

HMJr: Ed.

S: Yes, Henry.

HMJr: I just wanted to tell you how much I appreciated the backing and cooperation you gave me today.

S: Well

HMJr: And I hope you're satisfied. I hope

S: I am. You can always count on that.

HMJr: Well, it was very good and during all the meetings I want you to know that both Dean and Collado worked terribly hard.

S: Fine.

HMJr: And were most cooperative.

S: Fine, Henry.

HMJr: And the whole thing has left a very good taste in my mouth.

S: Well, you're very kind to call and I hope you're going to get a good rest somewhere for a little while.

HMJr: I hope so. I don't know where but I've had to call off my trip.

S: Aren't you going?

HMJr: Well, I'm going tonight to be with Bob down at Norfolk.

S: Yeah.

HMJr: And I'm coming back because my wife's been taken sick.

S: Oh, I'm sorry, Henry.

HMJr: So, I don't know what -- what we'll do.

S: I'm sorry, boy.

HMJr: But again, it was one of the most cooperative Government efforts I've been in in twelve years.

S: Thank you, Henry, very much for calling.

HMJr: Right.

S: Right, boy.

HMJr: Bye.

RECIPROCAL AID BY AUSTRALIA,
NEW ZEALAND AND INDIA

Minutes of Meeting held in Mr. Acheson's Room in the State Department on November 22nd, 1944, at 5.0 p.m.

PRESENT

Mr. Acheson (In the Chair)

United States

General Styer
Mr. Collado
Mr. Davidson
Mr. Casaday

Australia

Senator Keane
Mr. Moore
Mr. Dunk

India

Mr. Symon

New Zealand

Mr. Reid

United Kingdom

Lord Keynes
Mr. Brand
Mr. Snelling

AUSTRALIAN RECIPROCAL AID.

1. The meeting had before it a memorandum dated 20th November entitled "Note on Australian Reciprocal Aid", a copy of which is attached to these minutes.
2. SENATOR KEANE outlined the record of Australia in the sphere of reciprocal aid. He said that she had given everything for which the local United States forces had asked and which she was physically able to supply. Nothing had been refused to those forces in Australia and its territories, to whom the Australian Government had, in their Reciprocal Aid Agreement with the United States Government, undertaken to furnish reciprocal aid. No difficulty would arise in Australia about extending reciprocal aid to the Philippines; Australian troops were fighting under the command of General MacArthur and the Australian people would readily accept the necessity for continued privations in order to meet the requirements of the United States forces in that area. But when the question arose of withdrawing all geographical limitations upon reciprocal aid, political difficulties would arise. It seemed reasonable that reciprocal aid should be screened by the Australian Government and that they should not be asked to sign a blank cheque; the United States Government screened requirements under lend lease and did not herself sign blank cheques. Nevertheless, within the limitation of availability of supplies (which the present drought would seriously affect) Australia would go a long way beyond the terms of her formal undertakings.
3. MR. DUNK said that no country had done more than Australia in the reciprocal aid field. Her procedures were simple; the demands of the local United States forces were met quickly and without fuss;

when emergencies arose everything that Australia could do in order to save the situation was done without question and without payment; diversion to other areas of supplies furnished on reciprocal aid terms to the local United States forces had occurred several times without hindrance. Australia's record was a good one, as General MacArthur and the International Division of the War Department could bear witness. Australia would be willing, in the same spirit, to consider any further requests that might be made to her, but she could not give an undertaking to meet any demands for reciprocal aid that might be made upon her for any area.

4. GENERAL STYER agreed that the reciprocal aid which Australia had given had been of great assistance to the United States forces, and recognised that it had entailed considerable sacrifices for the Australian population. His view was, however, that Australia ought to be prepared to furnish reciprocal aid without geographical limitation. It was obvious that the availability of supplies imposed a limit upon the amount of goods which she could provide, but within that limit he thought that reciprocal aid arrangements should operate: if Australia found it physically possible to send meat to United States forces in India, it seemed reasonable that she should bear the cost of that meat. The chief interest of the War Department in the matter was to be assured of supplies, and he did not want procurement to be delayed in any cases where supplies that were urgently needed by any United States Commander could most conveniently be made available from Australia. He did not think that it would make any difference to Australia whether a given quantity of goods was supplied as reciprocal aid to United States troops in the Southwest Pacific, or, for example, in India or to Admiral Nimitz forces. The war against the Japanese was a total war and it seemed irrelevant whether supplies were used in one theatre or another.

5. LORD KEYNES pointed out that the problem was a political one: the shortages which existed in Australia would continue to be accepted by the population if it could still be brought home to them vividly that their privations arose out of the need for supplying the troops in the area in which their own forces were fighting. But the same scarcities would not be readily accepted if they arose because supplies were being sent to forces with whom the Australian people felt themselves to be less closely linked. The result of insistence by the War Department upon public recognition of the right to receive reciprocal aid from Australia for their forces in India or China might therefore be to reduce, rather than to augment, the total aid which they received. All that the Australian representatives were asking was that the War Department should proceed step by step and put forward particular proposals as needs arose. No doubt many of these would be accepted by the Australian Government in the future as in the past; if they felt difficulty in doing so, the matter could be discussed by those concerned.

6. MR. ACHESON expressed confidence that the Australian Government would, as a practical matter, meet the substance of what General Styer was seeking. They had said that they would raise no objection to diversions; they would no doubt deal with emergencies in the future as they had done in the past; they had indicated their intention to meet demands from the Philippines and the South Pacific area; they would probably agree to extend their reciprocal aid to the rest of the Southwest Pacific area; they had asked that requests from other areas should continue to be referred to them; and they had offered to discuss any border line cases. He accepted the view that it would be more difficult for the Australian Government to undertake a general and unlimited obligation than to satisfy particular requests from the United States forces. He also appreciated that the Australian Government wished to have an opportunity to consider requests which were put to them from other areas without being committed in advance. In the belief that the Australian Government would in practice give favourable consideration to such requests, he therefore intended to recommend that the proposals in the memorandum of 20th November should be accepted.

NEW ZEALAND RECIPROCAL AID.

7. MR. REID explained that, although New Zealand reciprocal aid was in theory limited to the South Pacific area, such a limit had not in practice been observed hitherto and would not be in future. New Zealand had adopted the policy of providing reciprocal aid to American forces to the utmost of her capacity, and this contribution would be continued so long as the provision of lend-lease assistance continued on a scale that would enable it to be done without undue straining of New Zealand's resources. If it was intended that there should be a formal revision of the arrangements between the New Zealand and United States Governments, he would, of course, have to refer the matter to his Government for instructions, but if the United States authorities were content to rely upon the willingness of New Zealand to continue her present practice, whereby the only restriction upon the amount of her reciprocal aid was the availability of supplies, this would be unnecessary.

8. MR. ACHESON considered that it would meet the case if Mr. Reid could furnish him with a short note explaining the attitude and intentions of the New Zealand Government in the matter.

INDIAN RECIPROCAL AID.

8. In response to an enquiry from Mr. Acheson, LORD KEYNES explained that, in India, shortage of supplies imposed a strict limit to the amount of reciprocal aid. This aid consisted very largely of the provision of local supplies such as building materials. If supplies were available, and could be transported, they were furnished under reciprocal aid as needed. In very few cases could India make available supplies for shipment to other theatres of operations. He had heard of no major cases in which the Government of India had been unwilling to provide as reciprocal aid for forces outside India goods which were physically available and could be moved. They had, however, expressed considerable doubt about the ability of the Indian economy to meet the local requirements of the forces likely to be stationed in India in Stage II. Nevertheless he was confident that, within the limits of their resources, the Government of India would continue to furnish the requirements of the United States under reciprocal aid on the basis already in force. MR. SYMON agreed with this statement.

9. MR. ACHESON stated that it would suffice if Mr. Symon could let him have in writing the assurances which the Government of India were prepared to give on this subject.

Note: Copies are also attached of a memorandum from the New Zealand Legation and of a letter from the India Supply Mission which were subsequently sent to Mr. Acheson.

Washington, D.C.
28th November, 1944

APPENDIX ANOTE ON AUSTRALIAN RECIPROCAL AID

1. The U.S. Authorities have requested that Australia should undertake to supply goods and services as reciprocal aid without geographical limitation.
2. The present position is that the Reciprocal Aid Agreement of 3rd September, 1942 between the Australian and United States Governments provides that Australia will furnish assistance, on reciprocal aid terms, to the U.S. forces in Australia or its territories. Notwithstanding the terms of this Agreement, the Australian Government have not, in practice, confined their reciprocal aid within this geographical limit: they have from time to time furnished considerable reciprocal aid to U.S. forces outside Australian territory, particularly to those in the South Pacific and latterly in Hollandia.
3. Australia is providing, as reciprocal aid to the U.S. forces, goods and services to the value of about 20% of her current war expenditure, with heavy consequential sacrifices to the population. These burdens, additional to those imposed by Australia's own war effort, have been spontaneously and willingly accepted, and the U.S. Theatre Commander in the area has expressed himself as being well satisfied with the scale of the reciprocal aid.
4. The Australian Government do not feel able to agree that the terms of their existing reciprocal aid undertakings to the U.S. Government should be revised in such a manner as to impose no limitation upon the amount or upon the area of such aid. They are, however, prepared, within the terms of their reciprocal aid undertakings, to continue to supply to the U.S. forces as reciprocal aid, within locally accepted programmes, the categories of goods and services which they now furnish. They would also agree that, where for strategic reasons it is necessary to transfer to other theatres supplies which have already been provided to the local U.S. Command, no objection should be raised to the transfer.

5. In addition, the Australian Government are willing, as at present, to examine any further requests, including those for additional areas, which may be made by the U.S. authorities, having full regard to the availability of supplies and to their responsibilities in other directions. They suggest that requests for the provision of supplies, on reciprocal aid terms, for areas outside their existing undertakings, should continue to be referred to them for consideration. They do not, however, think it appropriate that the U.K. Government should be called upon to undertake responsibility for the provision of reciprocal aid throughout the British Commonwealth. They accordingly propose, with the concurrence of the U.K. representatives in Washington, that in cases where the Australian Government feel unable to meet such requests, the question of the financial responsibility be jointly discussed between the Australian, the U.S. and the U.K. authorities.

6. If these proposals are acceptable to the U.S. authorities, it is suggested that the detailed arrangements should be settled by joint discussions between representatives of the Governments concerned.

Washington, D.C.

20th November, 1944.

APPENDIX 3RECIPROCAL AID - NEW ZEALAND

In terms of a note of 3rd September, 1942, and an exchange of letters of 15th December, 1943, the Government of New Zealand undertook to provide supplies to the Armed Forces of the United States in the South Pacific area by way of Reciprocal Aid. Provision was made in these documents for special conditions to apply to supplies made available for areas outside the South Pacific, but no such conditions have in fact been imposed, and though in the past New Zealand supplies have generally been confined to the South Pacific area, in actual practice substantial quantities of foodstuffs and other supplies have been provided for other areas. So long as New Zealand continues to be the most practical source of supply for foodstuffs and other appropriate commodities, the New Zealand Government will continue to further the common war effort, by accepting requisitions for supplies for United States forces in any part of the Pacific or in adjacent areas involved in the war against Japan.

It will be understood that the ability of New Zealand to meet such requisitions is dependent upon its capacity to do so and in particular upon (a) its obligations and responsibilities in other areas; for example, the provision of foodstuffs for the United Kingdom, and (b) upon the continued availability of Lend-Lease supplies from the United States to an extent essential to the maintenance of production without undue straining of the Dominion's resources.

APPENDIX C

INDIAN SUPPLY MISSION

24th November 1944.

Dear Mr. Acheson,

In accordance with the request which you made during the discussion in your room on 22nd November, I write to confirm that the Government of India will continue to furnish Reciprocal Aid during Stage II on the same basis as hitherto. It will be appreciated, however, that the actual extent of such aid will depend on a number of factors including the availability of supplies and the strength of the military forces located in or near India.

I should also like to emphasise the view of the Government of India that India's real resources (labour, food, transportation, coal, raw materials, etc.) are already over-mortgaged and that in consequence deliveries against existing supply programmes are already behind.

The quantum of Reciprocal Aid which can be made available hereafter must necessarily be conditioned by these factors. Nevertheless, as stated above, within the limits of India's resources the Government of India will continue to furnish the requirements of the United States under Reciprocal Aid on the basis already in force and subject to similar conditions as to availability of supply and transport.

Yours sincerely,

(Signed) A.C.B. Symon

Mr. Dean Acheson,
Department of State,
Washington, D.C.

TOP SECRETCCLL
U.S. No. 56COPY NO. 3UNITED KINGDOM TREASURY DELEGATION
Box 680
Benjamin Franklin Station
Washington, D. C.

22nd November, 1944

Dear Frank,

I attach a note on the "take-outs" of capital facilities appearing in Paragraph 10 (ii) of Chapter 3. Perhaps if you require any further details, you would arrange for the appropriate authorities to get into touch with Penson of the British Supply Mission.

Yours sincerely,

Signed/ F. G. Lee

F. G. Lee

F. Coe, Esq.,
Rm. 1405,
Temp. T Bldg.,
Washington.

Encl.

CCLLTOP SECRET

U.S. No. 56 (Attachment)

The following data are an endeavour to bring up to date the figures on the Take-Over arrangements.

1. The total British capital investment in the United States including so-called Extraordinary Charges, was approximately \$252 millions. After deducting certain costs which are clearly irrecoverable, e.g., development, rental, training of personnel, etc., and also the facilities which under the terms of the contracts, were to become the property of the suppliers, we are left with a figure of the British Equity of approximately \$184 millions.
2. In 1941 the U.S. Government, with a view to helping the British dollar position, undertook to take over certain capital facilities. This was separate from their taking us out of our liabilities under the production contracts themselves. The original value of the facilities which were to have been taken over under this arrangement was \$136 millions, comprising \$42 millions under Air contracts and \$94 millions under Non-Air contracts.
3. Facilities originally costing \$90 millions (\$9 millions Air and \$81 millions Non-Air) were in fact transferred to the U.S. Government Departments. The proceeds actually realized were \$85 millions (\$7 millions Air and \$78 millions Non-Air).
4. This left \$46 millions of facilities (\$32 millions Air and \$14 millions Non-Air) which were not transferred to U.S. Government Departments at the time when the U.S. Government suspended the Take-Over arrangements. There were seven plants left:

Air

Wright Aeronautical	\$ 12.5 millions
Packards	19 "

Non-Air

Western Cartridge	6.5 "
Pressed Steel	2 "
Lima Locomotive	.8 "
Pullman Standard	2.1 "
Republic Steel	<u>2.75</u> "

\$45.65 millions - say
\$46 millions.

5. Quite recently, the B.A.C. have been selling a part of their facilities at Packards and it is stated that the first cost of the equipment and buildings sold is approximately \$7.7 millions. It will be seen that the above leaves almost exactly \$38 millions unsold.

TREASURY DEPARTMENT

80

INTER OFFICE COMMUNICATION

DATE November 22,
1944

TO Secretary Morgenthau
FROM Ted R. Gamble

In none of our War Bond Drives have we had so many outstanding radio programs, exclusively supporting our efforts.

While the hour is going to be late, so far as Eastern Wartime is concerned, there is a great program originating on the Pacific Coast tomorrow night - 8:30 to 10:00 P.M. - and I thought you might like to have an outline of it.

Attachment

NBC WAR BOND PROGRAM NOVEMBER 23, 1944 8:30 - 9:55 pm PWT

First Half Hour

1. Opening announcement and marching theme.
2. Walter Huston bond appeal.
3. Ken Darby chorus with special lyrics by Johnny Mercer.
4. Walter Huston introduces Bing Crosby.
5. Bing Crosby song.
6. Bing Crosby introduces Joan Davis and Jack Haley.
7. Joan Davis and Jack Haley spot.
8. Bing Crosby introduces Dinah Shore.
9. Dinah Shore song.
10. Bing Crosby war bond appeal.
11. Bing Crosby introduces Bob Hope and Kay Kyser (in Chicago)
12. Bob Hope, Bing Crosby, and Kay Kyser round-robin.
13. Marching theme through station break.

Second Half Hour

1. Jack Benny introduction.
2. Jack Benny introduces Ginny Simms.
3. Ginny Simms song.
4. Jack Benny spot with Mary and Rochester.
5. Jack Benny introduces Dick Powell
6. Dick Powell song
7. Jack Benny introduces Amos and Andy.
8. Amos and Andy spot.
9. Jack Benny introduces Ed Gardner.
10. Ed Gardner spot with John Charles Thomas.
11. John Charles Thomas song.
12. Jack Benny serious war bond plug.
13. Marching song through station break.

Third Half Hour

1. Eddie Cantor opening and introduction.
2. Frank Morgan, Robert Young, and Cass Daley spot.
3. Cass Daley song.
4. Eddie Cantor introduces Hal Peary.
5. Hal Peary with Rudy Vallee.
6. Eddie Cantor and Nora Martin spot.
7. Eddie Cantor introduction to Abbott and Costello.
8. Abbott and Costello spot.
9. Eddie Cantor serious war bond appeal.
10. Star Spangled Banner.



TREASURY DEPARTMENT
WAR FINANCE COMMITTEE



OFFICE OF STATE CHAIRMAN

1270 Sixth Avenue
New York 20, New York
November 22, 1944

Dear Mr. Secretary:

I must not let any time elapse to express to you my very warmest thanks for helping to inaugurate our Sixth War Loan Campaign in New York.

I have heard many friendly words with reference to our dinner-meeting on Monday night at the Waldorf, and feel sincerely that you have helped launch a Drive that will be successful.

It was good of you to make the sacrifice to come to New York from Washington, and I speak for our entire organization in sending you warmest thanks.

Faithfully yours,

Frederick W. Gehle
State Chairman

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

November 22, 1944

My dear Mr. President:

I received a very nice letter from General Eisenhower, and I am sending you a photostatic copy herewith for your information.

Sincerely yours,

(Signed) Henry Morgenthau, Jr.

The President,
The White House.

Supreme Headquarters
ALLIED EXPEDITIONARY FORCE
Office of the Supreme Commander

14 November, 1944

Dear Mr. Secretary:

Your letter, together with that from the President, supporting the War Bond Drive in this Theater, will be used widely in an effort to stimulate sales. I think that our over-all results will be good although, of course, it is quite difficult to reach everyone when an Army is in contact with the enemy on such a wide front as ours.

In any event, I sincerely trust that the next War Loan will go over with a rush and certainly we will try to do our part here.

I would appreciate it if you would inform the President that we will go full out to support the drive.

Sincerely,

Dwight D. Eisenhower

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

Supreme Headquarters
ALLIED EXPEDITIONARY FORCE
Office of the Supreme Commander

14 November, 1944

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Sincerely,

Dwight D. Eisenhower

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

November 22, 1944

Dear Colonel McCarthy:

It was good of you to write giving the text of a telegram sent in General Marshall's care to General Eisenhower.

I know that he will share my own pleasure in the report of 100% employee participation secured in the first hour of the Drive by the Mines Equipment Company of St. Louis.

With thanks for your courtesy in sending me this information,

Sincerely,

(Signed) H. Morgenthau, Jr.

Colonel Frank McCarthy
Office of the Chief of Staff
War Department
Washington, D. C.

GHF:mn

89
11/22/44

WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

November 21, 1944

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

Dear Mr. Secretary:

We have just received the following telegram:

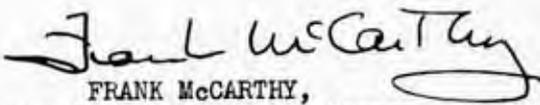
St. Louis, Mo.

General Dwight D. Eisenhower,
% General George C. Marshall.

We are proud to inform you that one hundred percent of our employees have subscribed for bonds in the first hour of the Sixth War Bond Drive.

J. B. Miller,
President,
Mines Equipment Company.

This telegram has been forwarded to General Eisenhower, but I felt certain you would like to have a copy of it.


FRANK McCARTHY,
Colonel, General Staff Corps,
Secretary, General Staff.

NOV 22 1944

Dear Mr. Vanderpoel:

I appreciated very much your kindness in coming to Washington and taking time from your work to help me with the speeches I had in hand last week. Also I want to thank you for editing and putting together the three speeches on our war finance policies, which we have distributed quite widely.

I continue to read your column with interest and appreciation and hope that you will continue to be available on occasion for such special assignments as those to which you have recently responded so generously.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Robert P. Vanderpoel,
Financial Editor,
The Chicago Herald-American,
326 West Madison Street,
Chicago 6, Illinois.

HEG:aja 

NOV 22 1944

Dear Harold:

As you requested I am forwarding to the President your letter of resignation as Assistant Commissioner of Internal Revenue.

In transmitting your resignation, which concludes thirty-six years of outstanding public service, I want to thank you personally for the many important assignments which you have handled for me so ably and efficiently as Assistant to the Secretary and Assistant Commissioner of Internal Revenue.

I extend to you my best wishes and hope for your future happiness and continued good health.

Sincerely,

(Signed) H. Morgenthau, Jr.

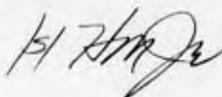
Mr. Harold H. Graves

Assistant Commissioner of Internal Revenue

NOV 22 1944

MEMORANDUM FOR THE PRESIDENT:

I am transmitting herewith a suggested draft of a letter for your signature to the Honorable Harold M. Graves, accepting his resignation as Assistant Commissioner of Internal Revenue, effective at the close of business on December 15, 1944.



Attachments

My dear Mr. Graves:

The Secretary of the Treasury has forwarded me your letter of November 17, 1944, submitting your resignation as Assistant Commissioner of Internal Revenue.

In accepting this resignation, effective close of business December 15, 1944, I wish to commend you for the excellent service you have rendered in the many important positions you have held in the Government service and for your outstanding achievements as Assistant Commissioner of Internal Revenue.

Sincerely,

Honorable Harold N. Graves
Assistant Commissioner
of Internal Revenue
Treasury Department
Washington, D. C.

TREASURY DEPARTMENT
OFFICE OF
ASSISTANT COMMISSIONER OF INTERNAL REVENUE
WASHINGTON

November 17, 1944.

My dear Mr. President:

I respectfully tender my resignation as Assistant Commissioner of Internal Revenue, effective at the close of business on December 15, 1944, with a view to retirement from Government service.

I greatly appreciate the opportunity which was afforded me to have a part in the work of the Treasury Department under your Administration.

Sincerely,



Harold N. Graves
Assistant Commissioner.

The President,
The White House.

November 22, 1944

My dear Mrs. Holmes:

I am enclosing copy of a letter which I received from General Holmes.

In accordance with his request, I take pleasure in sending you herewith the specimens of stamps and currencies.

Sincerely yours,
(Signed) H. Morgenthau, Jr.

Mrs. J. C. Holmes,
1621 21st Street, N.W.,
Washington, D.C.

86
Bell

Supreme Headquarters
ALLIED EXPEDITIONARY FORCE
G-5 Division

November 13, 1944

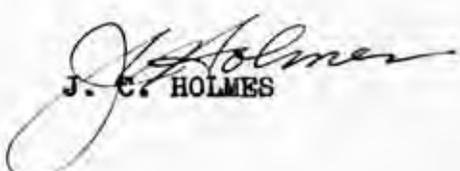
Dear Mr. Secretary:

It was very good of you to remember our conversation about the books of specimens of currencies and stamps which have been prepared for the use of our armies in Europe and to have sent me your letter of November 3.

I shall be most grateful if you will have someone deliver these books to my wife at 1621 Twenty-first Street, N. W. They will come out just right, and with your permission I propose that they shall constitute a Christmas gift from me to my son who is a collector.

Again with many thanks and not forgetting our rendezvous with General Bradley for that German St. Lo - what about Aachen?

Sincerely yours,


J. C. HOLMES

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

Mr. DuBois
Mr. Luxford

November 22, 1944

Secretary Morgenthau

A number of statements coming out in the papers recently -- Jimmy Byrnes', William Shirer's and General Eisenhower's -- all show that the fighting in Germany recently is not due to my statement. I wish you boys would watch these things and keep a scrap-book for me on anything that's come out, the editorial in the New York Times and various things like that. Keep them all together for evidence to show that Dewey's statements about the Morgenthau Plan causing the Germans to fight was wholly inaccurate and absolutely without any foundation. I'd appreciate it if you two boys would get on that. Thank you.

Du Bois is keeping

Personal:

98
file

Regarding our discussion,
you said you would be interested in
the enclosed, from a letter I received,
which I forward for what it is worth,
without comment or endorsement.

Sam (Lewisohn)

*Joe Plubois. Read and
tell me about it (Huz)*

November 22, 1944

Thank you for the courtesy of sending me the extract from "The Economist" (London) of October 7, 1944 - "THE WORLD OVERSEAS - Between Rhine and Oder."

After studying the article, I was quite puzzled. The Economist is run by well-informed and serious-minded people and usually their articles are quite sound. However, this one simply doesn't make sense and makes me wonder whether it was written by someone who is really opposed to any partition of Germany and therefore has set up a strawman to be knocked down.

The Economist's plan of making the eastern border of the new Germany be a line drawn along the course of the river Goerlitzer-Neisse near Zittau in Saxony and then along the Oder to the Baltic at Stettin has only one merit (and that is rather childish) of being the shortest that could possibly be devised. This line would cut off all of West and East Prussia (i.e., all of Prussia), all of Pomerania, all of German Silesia and a half of Brandenburg. It makes no statement as to what would be done with the territories thus cut off. They couldn't be given to Poland because then the German elements would overbalance the Polish. They couldn't be given to Russia - Stalin would be too smart to swallow such an indigestible morsel. They couldn't be set up as an independent country because they simply couldn't exist; they would contain all the explosive elements that have caused the troubles of the past and would sooner or later blow up. The fact that the writer of this article doesn't even mention this feature is one of the reasons that makes me suspicious of his motives.

Although the author deals with the western boundary in a rather haphazard way that part of his proposal is more sound. I am astonished

that the author doesn't even mention the important factor - that Germany naturally divides itself into two parts -- the northern, arrogant, war-like Prussian, Protestant half and the southern, peaceful, hard-working and rather amiable Catholic half. This is another reason that makes one suspect that the article was written by someone constitutionally opposed to any partition of Germany who has deliberately set up a plan to make a partition seem impossible.. So much for the London Economist's plan.

Unfortunately, I have not been able to get hold of a copy of Mr. Morgenthau's plan in full detail. The published general outlines resembled to a considerable extent a plan I have had in mind for some time. My plan would run approximately as follows:

- (1) The eastern boundary of a "North German Republic" to remain as it is now with the possible exception of constituting East Prussia (including Danzig) and the so-called "Corridor" into a separate protectorate either under a British or Allied Commission.
- (2) Bavaria, Wurttemberg, Baden and Austria (including in the latter all the provinces of Austria, Vorarlberg, Tyrol, Salzburg, Carinthia, Styria as well as Upper and Lower Austria) to be constituted as the "South German Republic".
- (3) Hanover, Oldenberg, Westphalia, Rhineland Province, Rhineland Palatinate ("heinpfalz), Saar, Nassau-Hesse, Hesse-Darmstadt to be constituted into an "Inter-Allied Protectorate." The Duchy of Luxembourg might very well be included in this Protectorate and thus end the fiction of its being a "neutral state". This fictitious neutrality in the past has hampered only the decent people and we may as well recognize that it

really is and has been a protectorate. However, this would not be important once the "Inter-Allied Protectorate" is set up.
 (4) Schleswig-Holstein to be given back to Denmark.

The net result of the above would be about as follows:

	<u>Population</u>	<u>Area</u>
SOUTH GERMAN REPUBLIC:	20MM	75M sq. mi.
RHINE PROTECTORATE:	20MM	45M sq. mi.
EAST PRUSSIA & DANZIG:	3MM	15M sq. mi.
SCHLESWIG-HOLSTEIN:	2MM	7M sq. mi.
	<hr/>	<hr/>
TOTAL OF ABOVE:	45MM	142M sq. mi.

i.e., the balance of Germany:

NORTH GERMAN REPUBLIC:	30MM	70M sq. mi.
------------------------	------	-------------

You will note that under the above arrangement, both sides of the Rhine would be either under Inter-Allied or French control. The entire critical part of the Rhine section which contains the bulk of the mining, heavy steel and other manufacturing industries would be segregated from the rest of Germany. North Germany would still have the Saxon and Silesian mining and manufacturing industries and this would make conditions there livable but could not endanger the peace of Europe.

Transferring Schleswig-Holstein to Denmark is important as this would deliver Kiel (one of Germany's main naval stations) and the Kiel Canal to the Danes.

The South German Republic would consist of the four countries that have a preponderantly Catholic population and history teaches us that they have never been friendly with the northern Prussian, Protestant part. We must not let the fact that they speak the same language deceive us.

Racially they are different -- they come of other stock - they differ temperamentally and even physically. Over the last one hundred years, Prussia has dragooned them by slow stages into the German Reich. As late as 1866, Bavaria joined Austria in a war against Prussia and was defeated. This same comment would apply to a large part of the Rhineland Province and to Rheinpfalz. In fact Rheinpfalz was, until quite recently, a part of Bavaria and its population is over 50% Catholic. However, these two provinces are so important from the military strategic standpoint that they ought to be included in the Inter-Allied Protectorate rather than made part of the South German Republic.

In considering whether this partition of Germany would result in making the whole unlivable, one must bear in mind that the situation is entirely in Allied hands and an economic machine can be set up that would make the whole thing work quite smoothly. One must not get the idea that commercial Chinese walls need be built between the various sections. For nearly one hundred years while Germany consisted of a half-hundred more or less independent sovereignties, they had a customs union (Zollverein) which worked quite well. A similar arrangement could be made which would permit the free flow of peaceful commerce between the various parts. I can see no objection to permitting the Protectorate to export sewing machines, agricultural machinery, etc. to the North German Republic and import potatoes, wheat, etc. in return. Furthermore, although many have had the fixed idea that every nation must control and issue its own currency, the experience of several parts of the world shows this isn't true and I'm definitely of the opinion that it ought not be done in this case. To avoid the possibility of a repetition of what happened in Germany after the last war (inflation and financial collapse), I would

○ suggest that the Allies set up a "Bank of Germany" in the Protectorate and have that Bank furnish the currency not only for the Protectorate but also for the North German Republic and the South German Republic as well. I would like to give you my ideas as to how this could be set up but I don't dare risk the dangers of abbreviation and a complete description would require writing a book. For the same reason, I am not going into the question of how the commercial and financial activities of North and South Germany and the Protectorate ought to be safeguarded -- the needs are quite obvious and a detailed description would take too long for this letter.

NOV 22 1944

My dear Mr. Secretary:

I am writing in regard to conversations which recently took place between officials of the State and Treasury Departments concerning the problems faced by United States Government civilian representatives in France because of the high living costs in relation to their salaries and allowances converted at the official franc rate of exchange.

Certain proposals involving various methods of obtaining French francs at less than the official rate of 49.566 francs to the dollar were tentatively put forward by officials of the State Department. The official rate was set by the French authorities and various French government officials have recently made public announcements that the Provisional Government of the French Republic intends to take every measure possible to maintain this rate. It is my view that the French authorities would consider a special diplomatic rate or any procedure for acquiring francs on official markets in France or outside France as tending to undermine the official rate of exchange for the franc and as serving to defeat the measures which the French authorities have taken or plan to take to maintain the rate. I do not feel that it would be appropriate for this Government to assume any responsibility for the future value of the franc by requesting the French authorities to approve any arrangement whereby the franc requirements of the United States Government civilian establishments in France would be obtained at any other than the official rate of exchange.

If the State Department should feel it desirable to request a Congressional appropriation for the purpose of extending supplementary living expense allowances to United States civilian representatives in France, the Treasury would have no objections to this step.

The suggestion of establishing commissary facilities for United States civilian representatives in France and of arranging for centralized procurement facilities in the United States for each personnel for items other than those made available through the commissary facilities appears to me to be an excellent method of meeting the immediate problem.

Very truly yours,

The Honorable,
The Secretary of State,
Washington, D. C.

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

Treasury Department
Division of Monetary Research

105

Date 11/21/44 19

To: Miss Chauncey

Mr. White said that if we called Stettinius it would make it much more likely that the State Department would agree, but the letter must also go since we need the acquiescence of our Ambassador in Switzerland.

The procedure suggested is that the Secretary sign the letter and phone Mr. Stettinius that he is sending it over.

L. Shanahan

203¹/₂.

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

Treasury Department 106
Division of Monetary Research

Date Nov. 20, 1944 19

To: Secretary Morgenthau

This letter requests permission
to send Mr. Hoffman (who is now in Paris)
and Mr. Ostrow (who is here) to Switzerland.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

NOV 22 1944

My dear Mr. Secretary:

For some time representatives of the Swiss Government have been stressing certain problems with which Swiss financial institutions are said to be confronted in complying with the provisions of General Ruling No. 17. You may recall that General Ruling No. 17 was issued on October 20, 1943, when an examination of TFR-300 reports and an investigation of certain Swiss banks made it clear to the Department that institutions in Switzerland could not be relied upon to disclose the enemy interest in funds held in this country by them in omnibus and rubric accounts.

As you know, Swiss assets in this country subject to the freezing controls are valued at approximately \$1.5 billion, and cash and securities amounting to over \$500 million, are presently subject to the provisions of General Ruling No. 17. Representatives of the Swiss Bankers Association now in this country have raised with representatives of Foreign Funds Control certain technical aspects of the operation of General Ruling No. 17 and have suggested the adoption of new procedures which they say would facilitate the segregation of non-Swiss interests in funds held in this country through Swiss institutions and the release from the provisions of General Ruling No. 17 of purely Swiss assets. In view of the highly technical nature of the problems involved and in order to discharge my broad responsibilities under the Trading with the enemy Act for uncovering and exercising appropriate controls over enemy funds, I want to send to Bern as soon as possible two Treasury representatives having the specialized training to deal not only with these problems but also with other problems arising in connection with such measures as the Treasury's regulations on the importation of currency and securities and the gold declaration of February 22, 1944.

- 2 -

The persons whom I am designating for assignment in this capacity are Messrs. Michael Hoffman and Walter Ostrow, both of whom are well known to your Department. Mr. Hoffman is now Treasury representative in Paris and formerly served in a similar capacity in Algiers. Mr. Ostrow has worked not only on the freezing controls but also with the Division of Monetary Research. Prior to coming with the Treasury Department he served in various capacities at the American Embassy in Berlin, and as American Vice Consul at Zurich. Both Messrs. Hoffman and Ostrow have not only the broad background but also the specialized training and knowledge that I believe necessary to do the job and are fully competent to handle any other Treasury problems which might arise in Switzerland.

I trust that the necessary arrangements can be made promptly.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of State.

NATIONAL COUNCIL OF AMERICAN-SOVIET FRIENDSHIP, INC.

232 madison avenue • new york 16, n.y. • murray hill 3-2082

November 22, 1944

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Corliss Lamont

**VICE-CHAIRMAN AND
EXECUTIVE DIRECTOR**

Edwin S. Smith

TREASURER

Samuel B. Leevin

VICE-CHAIRMEN

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Hudson Walker

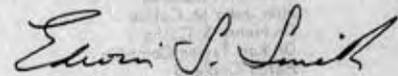
Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Treasury Department
Washington, D. C.

Dear Mr. Secretary:

I want to take this occasion to thank you in the name of our organization for the fine message which you sent to our Madison Square Garden meeting.

The meeting was the most successful and important we have held and the number of important messages we received did much to bring about this result.

Sincerely yours,



Edwin S. Smith
Executive Director

ESS:bc
uopwa 19



TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

OFFICE OF THE DIRECTOR

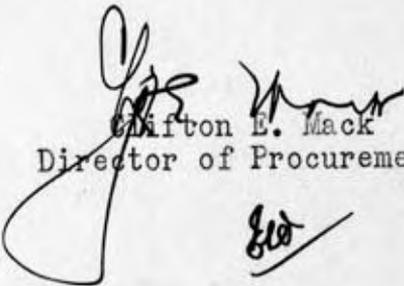
November 22, 1944

SECRET

MEMORANDUM TO THE SECRETARY:

Attached is the weekly report of Lend-Lease purchases.

A requirement has been received for 2,640,000 pounds of Concrete Reinforcing Bars, used in construction work for the Sugar Industry in Guadeloupe located in the Lesser Antilles of the West Indies.


Clifton E. Mack
Director of Procurement



SECRET

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF NOVEMBER 15, 1944
(In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$5807.7 (5606.6)	\$2627.1 (2627.1)	\$2457.3 (2257.3)	\$133.9 (133.9)	\$15.9 (15.9)	\$573.5 (572.4)
Requisitions in Purchase	\$ 231.3 (226.9)	\$ 26.6 (25.1)	\$ 88.3 (82.1)	\$ 1.7 (1.8)	-	\$114.7 (117.9)
Requisitions not Cleared by W.P.B.	\$ 110.9 (107.5)	\$ 22.8 (25.7)	\$ 77.5 (70.1)	\$.3 (.3)	-	\$ 10.3 (11.4)
Obligations (Purchases)	\$4292.7 (4263.4)	\$2034.9 (2034.0)	\$1827.6 (1805.1)	\$ 68.2 (68.1)	\$15.0 (15.0)	\$347.0 (341.2)
Deliveries to Foreign Governments at U. S. Ports*	\$2613.8 (2592.9)	\$1530.2 (1524.1)	\$1004.8 (990.8)	\$ 25.4 (25.1)	-	\$ 53.4 (52.9)

*Deliveries to foreign governments at U. S. Ports do not include the tonnage that is either in storage, "in-transit" storage, or in the port area for which actual receipts have not been received from the foreign governments.

Note: Figures in parentheses are those shown on report of November 8, 1944.

SECRET

EAS
Distribution of true
reading only by special
arrangement. (SECRET W)

November 22, 1944

9 p.m.

AMEMBASSY

LONDON

9834

The cable below for Mann is WRB 28.

For your information following cable has been sent by State to American Embassy, Paris:

QUOTE 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

... .., WASHINGTON

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.

STETTINIUS
(Acting)
(OLW)

WRB:IMV:ND
11/22/44

BC

WE

FMH-1639
Distribution of true
reading only by special
arrangement. (SECRET W)

Caserta

Dated November 22, 1944

Rec'd 10:05 p.m.

Secretary of State,
Washington.

1463, November 22, midnight

FOR WAR REFUGEE BOARD

Reference my 1388 November 18, midnight.

OSS has informed me that a new air strip has just been completed near present location of this group and it is planned to move them near the sight of this new field and then evacuate them as soon as possible. In the meantime they are in no immediate danger and will continue to be supplied.

KIRK

JMS

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:

"FOLLOWING CABLE RECEIVED FROM BARON GEORGE MENASSE OVADIA SALEM PRESIDENTS PIDON CHEBOUYIN ALEXANDRIA CAIRO: 'HAVE RECEIVED APPEAL REPRESENTATIVES JEWISH COMMUNITIES ATHENS SALONIKA FOR FIRST AID TO SURVIVING JEWS ESTIMATED 15,000 DESPERATE STATE. ESTIMATED IMMEDIATE NEEDS STERLING 100,000 UNTIL INTERVENTION UNRRA AND GREEK GOVERNMENT. PLEASE CABLE ANY INFORMATION YOU HAVE SITUATION GREEK COMMUNITIES AND YOUR INTENTION HELP. CAIRO ALEXANDRIA PIDON CHEBOUYIN COMMUNITIES PREPARED CONTRIBUTE STERLING 10,000. IF NECESSARY NELLOS LEVI VICEPRESIDENT ALEXANDRIA PIDON CHEBOUYIN GREEK SUBJECT MAY GO GREECE AT OWN EXPENSE AND SURPERVISE PERSONALLY DISTRIBUTION FUNDS.'

"ADMINISTRATION COMMITTEE AGREES SET ASIDE \$360,000 VIEW EXTRAORDINARY NEEDS GREEK SITUATION. PLEASE ASK SCHWARTZ UNDERTAKE ASCERTAIN IMMEDIATE REQUIREMENTS FROM MAGNES UNRRA OTHER SOURCES AND ADVISE RECOMMENDATION ALSO HOW AND WHEN FUNDS SHOULD BE REMITTED. ANXIOUS BRING MAXIMUM AID SOONEST."

THIS IS WRB LISBON CABLE NO. 118.

9:00 a.m.
November 22, 1944

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

RDrury 11/21/44

RA-47

PLAIN

Lisbon

Dated November 22, 1944

Rec'd 3:59 a.m., 24th

Secretary of State

Washington

4035, twenty-second

JDC 124 WRB 262 FOR LEAVITT FROM PILPEL.

Harold Trobes Portuguese visa authorized.

NORWED

JIS

MB-48

PLAIN

Lisbon

Dated November 22, 1944

Rec'd 3:57 a.m., 24th

Secretary of State,
Washington.

4036, ~~Twenty-second~~

JDC 123 WRB 261 FOR LEAVITT FROM PILPEL

Your November 20, have requested Paris Office
and Saly Mayer trace Godlenweiser's twin sister.

MORFEB

JMS

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

JP-49

PLAIN

Lisbon

Dated November 22, 1944

Rec'd 4:03 a.m., 24th

Secretary of State

Washington

4037, Twenty-second

JDC 125 WRB 260 FOR LEAVITT FROM PILPEL.

Max Perlman Rome advises complete list of claims of refugees ex Italy now Palestine forwarded to High Commissioner Palestine by Displaced Persons Subcommission. Claims total 11,000 pounds have requested magne consult High Commissioner.

Clothings shipment referred out 157 arrived and Perlman expects distribute by month end. Perlman states cancelled plan remove Polish refugees from Corfu to Ferramonti.

NOIRWEB

BEC

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

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
 TO: Secretary of State, Washington
 DATED: November 22, 1944
 NUMBER: 4800

SECRET

US URGENT.

Reference Legation's 4745, November 20 and 4746, November 20, 1944.

The question of the Norwegian refugees at Narvik and in northern Norway was brought up during the meeting which Sir Victor Mallet and I had with Mr. Boheman this afternoon. The latter stated that the Foreign Office today is encouraged to believe that they will have a favorable answer to the sharp Swedish request of the Germans for permission to bring these refugees into Sweden and allow them to stay in Sweden. Today they have again made urgent representations at Berlin for permission at once to send to Narvik Red Cross trains to bring out refugees already in Narvik. An offer has been made by the Swedes to first receive the aged and sick, children and women. In this connection Boheman anticipates Swedish relief resources would be taxed to the hilt. It is probable that they will have to shut down the schools in northern Sweden in order to house these people and they expect some will be diseased and the majority will be improperly clothed. The appropriate government officials and organizations are making every endeavor now to make preparations.

In addition, Boheman stated that the food situation in all of Norway is critical and the only things that stand between a great number of individuals and starvation are the soup kitchens which the Swedes maintain in Oslo. Boheman declared that until lately the major portion of people who came to these soup kitchens were the poorest classes naturally, but now wealthy business men and bank directors are requesting permission to come to the kitchens for food twice a day. Further he stated that the current principal concern of the Government of Sweden in its relations with Germany is anxiety lest present meager facilities which Sweden has for assisting the Norwegians might be jeopardized, and not fear of Germany nor of any action which Germany might take. These statements of Mr. Boheman verify data we are in receipt of from various sources that the whole of Norway is in peril of starving.

JOHNSON

DCR:MED:MLM 11-24-44

Dated November 22, 1944

Rec'd 2:55 a.m., 23rd

Secretary of State,

Washington.

7685, November 22, 4 p.m.

FOR WRB FROM MCCLELLAND. FOR RABBI KALMANOWITZ,
EMERGENCY COMMITTEE, UNION OF ORTHODOX RABBIS, FROM
STERNBUCH.

We are attempting reorganize sending of parcels to Shanghai. Since we have recently received repeated complaints concerning distribution scheme of relief funds in Shanghai we asked S. Z. Muelowicz to furnish us with exact figures for each group. We have received the following answer: Mirer Kessel 36, Rabbis 44, Mirer Hanhala 8, Wilner Kowner Kollelim 35, married students of Rabbis 23, Lubliner 39 Kamenetzer 14, Kletzker (including 3 families) 15, Tolsher (including 4 families numbering 13 persons) (*) 18, Beth Joseph (including 1 couple) 10, Chabad 3, Slonimer 3, Radumer 3, Boledim 7, Total 454 persons.

Wilner Kowner Kollel is separate from Rabbis group. We ask that future distributions be exactly based on this new scheme to avoid misunderstandings.

HUDDLE

RR

(*) Apparent omission

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

SECRET

OPTEL No. 379

Information received up to 10 a.m., 22nd November, 1944.

1. NAVAL

One of H.M. Submarines during recent patrol Strait of Malacca sank several small ships and a gunboat escorting a convoy.

2. MILITARY

WESTERN FRONT. French hold 10 miles of Western bank of Rhine between Kembs and Swiss Frontier. They have advanced 5 miles north of Belfort and in the Vosges have reached Gerardmer. Armoured forces fanning out beyond Saarebourg have advanced 6 miles to the east and south. Metz was cleared on 20th and U.S. troops have cut the German salient 7 miles east of the town. S.W. of Luxembourg infantry of a U.S. Armoured Division have crossed the German frontier on 15 mile front to depth 2 to 4 miles. In Aix Sector where heavy German opposition, minefields and obstacles have been met. Only slight gains with little change in positions. U.K. Forces west of Meuse have made further advances from 1 to 4 miles on 8 mile front in North-Easterly direction. Progress slow owing to minefields and bad going.

ITALY. 8th Army attacking west of Forli continue to meet strong and determined resistance but have made some slight advances.

BURMA. Our troops advancing from the north are 12 miles north of Kalewa.

3. AIR

WESTERN FRONT. 20th/21st. 221 tons Coblenz and 63 Hanover. Both attacks through cloud.

21st. 152 escorted Bomber Command Lancasters (2 missing) dropped 795 tons Homberg Oil Plant. Results believed good. 1137 escorted U.S. heavy bombers bombed oil plants Leuna - 425 tons, Hamburg - 429, and Harburg - 424, also other objectives Western Germany - 1346. Pathfinder technique used and results unobserved. German casualties in action 71, 7, 32, and 6, 0, 6 on the ground. Ours - 40 bombers, 16 fighters missing. (Some fighters may have landed in Allied territory). 435 medium bombers (1 missing) attacked targets Western Germany and 1243 fighters (16 missing) supported ground forces and flew reconnaissances. German casualties 14, 4, 5.

21st/22nd. 1203 aircraft despatched: Aschaffenburg Railway Centre - 278, Oil plants Sterkrade and Castrop Rauxel - 552, Dortmund-Ems Canal - 125, Mitelland Canal - 125, other tasks - 123. 13 aircraft missing. Preliminary results - Aschaffenburg, complete cloud conditions. Castrop - very good visibility, bombing concentrated. Sterkrade, thin cloud, bombing concentrated. Canals, attacked from below cloud, marking accurate and bombing concentrated in both cases.

MEDITERRANEAN. 20th. 171 escorted heavy bombers (16 missing) attacked Belchhammer South oil Refinery - 280 tons with good results. 439 others bombed 3 railway bridges - 170 tons, 3 railway centres - 185, roads, etc. - 155 and pontoon bridge - 103. All in Yugoslavia with fair to good results. Railway centre Brno - 277 tons and Bata factory Zlin - 56. Latter very good results. Bad weather restricted operations by medium bombers, but 375 fighter bombers and fighters effectively attacked various objectives, mainly near Faenza and elsewhere in Northern Italy and Yugoslavia.

4. HOME SECURITY

To 7 a.m. 22nd. Seven rocket incidents; 4 by day and 3 by night.

Form FEA 75

122

FOREIGN ECONOMIC ADMINISTRATION

Date November 23, 1944

Referred for action checked to

SECRETARY MORGENTHAU

- | | |
|-------------------------------------------|--------------------------------------------------|
| <input type="checkbox"/> Approval | <input type="checkbox"/> Note and file |
| <input type="checkbox"/> Attention | <input type="checkbox"/> Previous correspondence |
| <input type="checkbox"/> Comment | <input type="checkbox"/> Recommendation |
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REMARKS:

TOP SECRET

F. Coe

(Initials of sender)

Use reverse side if necessary

GPO 16-55217-2

UNITED KINGDOM GOLD AND DOLLAR BALANCES IN RELATION TO LIABILITIES
REVISED TABLE

[The figures in brackets show the estimates given in the table in para. 7 of Annex A to the U.K. case.]

	<u>31st August</u> <u>1938</u>	<u>31st August</u> <u>1939</u>	<u>31st December</u> <u>1939</u>	<u>31st December</u> <u>1940</u>	<u>31st December</u> <u>1941</u>	<u>31st December</u> <u>1942</u>	<u>31st December</u> <u>1943</u>	<u>30th June</u> <u>1944</u>
RESERVES								
Gross gold and dollar reserves	4220 (4200)	2455 (2450)	2225 (2330)	350 (no figure)	500 (500)	935 (930)	1720 (1720)	2170 (2171)
LESS								
Gold and dollar liabilities	--	--	--	50 (no figure)	105 (105)	235 (235)	420 (420)	560 (597)
NET RESERVES	4220 (4200)	2455 (2450)	2225 (2330)	300 (no figure)	395 (395)	700 (705)	1300 (1300)	1610 (1614)
LIABILITIES								
Quick sterling liabilities	3685	1920	2240	2955	4525	5855	8370	9510
Overseas loans	--	--	--	10	430	1210	1200	1175
TOTAL LIABILITIES	3685 (3150)	1920 (2015)	2240 (2335)	2965 (no figure)	4955 (4900)	7065 (7140)	9570 (9670)	10,685 (11,223)

NOTES

(i) Gold is valued at \$35 per fine ounce and the conversion rate into U.S. dollars has been taken at \$4.03 to the £ except for August, 1938, when the rates then current (viz. \$35 per fine ounce for gold and \$4.85 to the £) have been adopted.

(ii) The figures for gross gold and dollar reserves at the 31st August, 1938, 31st August 1939, and the 31st December 1939, include an estimate in respect of private holdings of gold and dollars subsequently requisitioned.

(iii) In the calculation of the figures for quick sterling liabilities, no offsetting has been made for the miscellaneous currency assets of the Exchange Equalisation Account, dollar balances of authorised dealers or retained accounts.

November 23, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

(For your information; no action required)

1. Conversations are proceeding at the Bureau of Internal Revenue toward the negotiation of a convention to eliminate double income and death taxation between Great Britain and the United States. Sir Cornelius J. Gregg; Chairman of the Board of Inland Revenue, is head of the delegation of three. Mr. Eldon P. King is in active charge for the Treasury. I have been attending as often as possible.

2. A convention to eliminate double income taxation with France was negotiated shortly before the fall of France but never ratified. The French are now asking to have the convention ratified, and I understand that this matter is proceeding in a normal course.

3. The convention to eliminate double death taxation with Canada, which was negotiated last year, is now before the Senate Foreign Relations Committee for consideration. A subcommittee, headed by Senator George, will hold hearings next week. It is understood that there will be some objections to the convention on the ground that taxpayer compliance would be made more complicated. The Canadian Parliament has already ratified the convention.

RB

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

November 23, 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 15, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

EmB

FEDERAL RESERVE BANK
OF NEW YORK

November 22, 1944

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended November 15, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Very truly yours,

/s/ L. W. Knoke

L. W. Knoke
Vice President

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury,
Washington 25, D.C.

Enclosure

COPY

ANALYSIS OF BRITISH AND FOREIGN ACCOUNTS
(In Millions of Dollars)

Week Ended November 15, 1944 **Strictly Confidential**

Month	BANK OF ENGLAND (BRITISH GOVERNMENT)								BANK OF FRANCE				
	DEBITS				CREDITS				Total Debits (a)	Total Credits (a)	Net Incr. (+) or Decr. (-) in Funds (d)		
	Total Debits	Govt. Deposits (a)	Official Canadian Account	Other Debits	Total Credits	Reserves or Funds of (Official) (b)	Transfers from Official Australian Account	Other Credits (c)					
1944	1,779.2	625.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	426.2	+ 35.0	866.3 (c)	1,091.3 (d)	+ 292.0
1943	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
1942	1,238.4	924.8	7.7	293.1	1,361.5	21.8	5.5	37.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
1941	754.0	382.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
1940	1,367.7	300.4	61.4	835.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
1939	143.0	19.9	30.4	80.7	46.5	-	-	1.0	55.5	- 94.5	-	-	-
1938	122.9	21.0	7.4	99.5	54.7	-	-	1.0	53.7	- 73.2	-	-	-
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- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those affected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1941; September 29, 1943; September 6,
- (h) Includes \$2.2 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$ 26.5 million in connection with the expenses of our armed forces abroad.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(in Millions of Dollars)

Strictly
Week Ended November 15, 1944. Confidential

Month See Annex (a)	CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)							
	DEBITS				CREDITS				DEBITS				CREDITS			
	Total Debits	Transfers to Official British A/C	Other Debits	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 \$	Total Debits	Transfers to Official British A/C	Other Debits	Total Credits	Proceeds of Gold Sales	Other Credits
1941	323.0	18.6	304.4	204.7	432.7	20.9	28.7	32.4	+ 181.7	31.2	3.9	27.3	35.3	30.0	6.1	+ 4.9
1942	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	22.5	82.2	62.9	19.3	+ 9.0
1943	525.8	0.3	525.5	526.3	178.6	7.7	-	360.0	+ 30.5	107.2	77.4	49.8	132.3	17.2	95.0	- 5.0
1944	723.6	-	723.6	958.8	47.1	170.4	-	742.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4
1945	808.3	1.0	848.3	958.5	39.1	64.4	-	859.0	+ 283.3	298.6	251.0	45.6	287.7	-	287.7	- 30.9
	24.5	0.2	74.4	91.8	-	70.4	-	41.4	+ 17.3(c)	5.8	1.0	4.8	7.3	-	7.3	+ 1.5
	31.7	-	21.4	82.5	-	7.1	-	76.8	+ 60.1	20.5	1.0	89.5	21.0	-	21.0	+ 0.4
Week-Ended																
October 25, 1944	7.9	-	7.9	29.4	-	7.4	-	22.0	+ 21.5	0.1	-	0.1	0.8	-	0.8	+ 0.1
November 1, 1944	7.1	-	7.1	15.3	-	-	-	15.3	+ 8.2	20.5	1.0	19.5	19.5	-	19.5	- 1.0
November 8, 1944	6.8	-	6.0	33.2	-	-	-	13.2	+ 7.2	-	-	-	0.4	-	0.4	+ 0.4
November 15, 1944	19.0(a)	-	19.0(a)	21.8(a)	-	-	-	21.8(a)	+ 2.8	-	-	-	0.5	-	0.5	+ 0.5

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 (through November 15, 1944)	8.0 million.

- (a) For monthly breakdowns see tabulations prior to: April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (b) Reflects changes in all dollar holdings payable on demand or maturing in one year.
- (c) Does not reflect transactions in short term U. S. securities.
- (d) Includes \$ 3.5 million deposited by War Supplies, Ltd. and \$ 16.3 million received from New York accounts of Canadian chartered banks.
- (e) Includes \$ 16.8 million draft paid to the order of the Treasurer of the U. S.

EK-55

London

Dated November 23, 1944

Rec'd 6:30 a.m. 24th/

Secretary of State,
Washington.

10309, November 23, 6 p.m.

FROM MANN FOR PEHLE.

Please deliver a paraphrase of the following message to Moses Leavitt of the JEC from Joseph Schwartz:

"Max Perlman expects leave for home about December 1 and Reuren Resnick is now enroute to Italy. I have now secured all necessary clearances and am leaving for Paris probably Saturday. Important you arrange that Russian visa be sent Consulate London which I can pick up on my return from Switzerland and possibly Brussels. Also undertake necessary steps validate my passport for Russia and necessary countries on the way".

WINANT

BB

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

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATED: November 23, 1944
NUMBER: 4811

CONFIDENTIAL

THIS CABLE IS FOR WAR REFUGEE BOARD AND IS OUR NO. 106.

The following message is sent by Storch for the WORLD JEWISH Congress, New York, and the same organization in Geneva should have a repeat. Swedish Legation negotiations with the Hungarian Government concerning recognition of Swedish protection passports, out over the 4500 passports, indicate that there are certain chances recognition will be given for a further 1500. Regarding release of South American citizens, we hope to be able to continue negotiations next week and we await the chief negotiator then. Information about the result will be given to you.

JOHNSON

DCR:ER 11/24/44

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

CABLE TO MINISTER JOHNSON, STOCKHOLM, FOR OLSEN

The following is a text of a cable to Bern which is repeated for your information.

QUOTE Amcross shipping on S.S. Saivo to Gothenburg within next ten days 37,388 cases containing 224,328 three-kilo WRB food parcels for consignment to Intercross for distribution to unassimilated persons in camps. Shipment to Swedish port being made due to lack of shipping facilities Marseille. All three-kilo parcels, in accordance with Intercross instructions, are unmarked cartons. Outer shipping cartons (each containing 6 three-kilo parcels) are marked on each of two ends as follows: Top: International Red Cross Committee, at the top; lower left: Weight 43 lbs; lower right: Cubic Feet: 1.32. In the center portion of each of the two ends and on two sides will appear a circle substituted for the Red Cross emblem (at Amcross suggestion). That portion of the shipment containing a Kosher meat product (39,324 three-kilo parcels packed in 6,554 shipping cartons) will be distinguished by the letter "K" appearing in the center of the four circles. Parcels so packed do not contain receipt cards and are for distribution by Intercross as outlined in paragraph 4, your 6263, September 21. Balance of 30,834 shipping cartons containing 185,004 three-kilo parcels includes receipt card as per wirephoto, September 22. All parcels contain items mentioned our 5859, September 6. Remaining 60,672 three-kilo parcels will go forward sometime in December.

For your information, Board has secured authorization from MEW to make provision for the shipment of an additional 300,000 three-kilo parcels to go forward beginning the latter half of December. UNQUOTE

MEW has approved and Amcross is prepared to ship for World Jewish Congress here 10,000 pounds of clothing for Intercross distribution to unassimilated persons Bergenbelsen and other camps. Shipment will be made sometime in December when space becomes available. Will you informally clear this matter with appropriate Swedish officials with a view to obtaining their approval for the offloading of this shipment at Gothenburg.

THIS IS WRB STOCKHOLM CABLE NO. 254.

1:30 p.m.
November 23, 1944

PJMcCormack:ar 11/22/44

CABLE TO MINISTER HARRISON FOR MCCLELLAND, BERN, SWITZERLAND

Please deliver the following message from World Jewish Congress to Dr. Gerhart Riegner, Geneva:

QUOTE Number 191 Yours 3/11 through WRB received documentation grateful your efforts. Are afraid that if ICRC note of 2/10 deals with foreigners in general without specific reference to Jews they will in fact be excluded from concessions eventually obtained.
A. Leon Kubowitzki, World Jewish Congress UNQUOTE

THIS IS WRB BERN CABLE NO. 290.

11:30 a.m.
November 23, 1944

BAkzin:tmh 11-22-44

CABLE TO MINISTER HARRISON AND MCCLELLAND, BERN, SWITZERLAND

Amcross shipping on S.S. Saivo to Gothenburg within next ten days 37,388 cases containing 224,328 three-kilo WRB food parcels for consignment to Intercross for distribution to unassimilated persons in camps. Shipment to swedish port being made due to lack of shipping facilities Marseille. All three-kilo parcels, in accordance with Intercross instructions, are unmarked cartons. Outer shipping cartons (each containing 6 three-kilo parcels) are marked on each of two ends as follows: To International Red Cross Committee, at the top; lower left: Weight 43 lbs; lower right: Cubic Feet: 1.32. In the center portion of each of the two ends and on two sides will appear a circle substituted for the Red Cross emblem (at Amcross suggestion). That portion of the shipment containing a Kosher meat product (39,324 three-kilo parcels packed in 6,554 shipping cartons) will be distinguished by the letter "K" appearing in the center of the four circles. parcels so packed do not contain receipt cards and are for distribution by Intercross as outlined in paragraph 4, your 6263, September 21. Balance of 30,834 shipping cartons containing 185,004 three-kilo parcels includes receipt card as per wirephoto, September 22. All parcels contain items mentioned our 5859, September 6. Remaining 60,672 three-kilo parcels will go forward sometime in December.

For your information, Board has secured authorization from MEW to make provision for the shipment of an additional 300,000 three-kilo parcels to go forward beginning the latter half of December.

The foregoing has been repeated to Stockholm.

MEW has approved and Amcross is prepared to ship for World Jewish Congress here a total of 10,000 pounds of clothing for distribution to unassimilated persons in Bergenbelsen and other camps. Shipment will be made to Gothenburg sometime in December when shipping space becomes available. However, Amcross has asked Board to obtain assurance from Intercross that Intercross is prepared to receive and distribute this clothing. You are requested to obtain such assurance and advise Board.

Reference Bergenbelsen and point No. 3 your 6265 of September 21, Board would appreciate definition of "number A internees in Bergenbelsen Germany."

THIS IS WRB BERN CABLE NO. 291

1:30 p.m.
November 23, 1944

PJMcCormack:tar 11/22/44

ALH-1794

PLAIN

Born

Undated

Rec'd November 23, 1944
7:05 a.m.

Secretary of State,

Washington

7677, Undated

FOR WRB FROM MCCLELLAND

FOR ROBINSON AMERICAN CHRISTIAN COMMITTEE FOR
REFUGEES FROM FREUNDENBERG

"We discussed cooperation on central location index with Intercross and certain competent private organizations we desire help coordinate search for missing relatives hope our own service could be helpful in France, but as postal communication in and with France still very bad and Cimade and French chaplaincy service for refugees overburdened, please begin with few test cases particularly southern France. Other proposals are under consideration." 1235.

HUDDLE

WMB

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

PARAPHRASE OF TELEGRAM RECEIVED

136

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: November 23, 1944
NUMBER: 7702

CONFIDENTIAL

We delivered to the Swiss Foreign Office on October 25 the message contained in Department's cable of October 23, no. 3604, and they reply in a note of November 17 saying that Swiss Legation in Berlin instructed to communicate message to German Government. When they received this instruction the Swiss Legation in Berlin had just suffered two refusals on the part of the German Foreign Office to accept communications from the Government of the United States (see Legations cables of November 15 and 21, nos. 7542 and 7667 respectively) and since refusal to accept Department's 3604 seemed inevitable it reported the situation to the Swiss Foreign Office. After examining the question in an attempt to find, notwithstanding this situation, the means to send Department's message to the German Government, the Foreign Office in Bern submitted it under cover of note to German Legation in Bern which has returned the communication of the Department with the following remark: (The Department of State has chosen wording which would oblige the German Foreign Office to refuse to accept the message).

HUDDLE

DCR:WAG 11/25/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: November 23, 1944
NUMBER: 7705

CONFIDENTIAL

Unofficial statement is made by the Swiss that their Legation in Berlin approached the Spanish Embassy there to learn whether instructions have been received regarding Paraguayan passports discussed in cable No. 3411 dated October 4 from the Department. The reply received was negative but the Spanish official taking care of such matters remembered that declaration of its willingness to consider passports in question valid until termination of hostilities had been made by the Government of Paraguay.

HUDDLE

DCR:ER 12/9/44

CABLE TO AMBASSADOR STEINHARDT, ANKARA, FOR KATZKI

News item date marked Istanbul November 15 is in substance as follows:

QUOTE The Turkish Consul in Budapest attempted to save 1450 Jews from the Budapest ghetto in danger of deportation to Germany, by making them Turkish citizens, but his government did not permit it.

QUOTE The Consul endeavored to follow the example of the Swedish representative in Budapest who had already done so. The Turkish Government, however, advised the Hungarian Minister of the Interior that the passports which the Consul issued were not legal and that the Consul was not empowered to issue the passports. UNQUOTE

The Board would appreciate any information you may be able to gather with respect to the truth of the foregoing particularly as to whether the Turkish Government disavowed any passports which a Turkish Consul may have issued in an effort to save lives.

THIS IS WRB ANKARA CABLE NO. 130.

1:30 p.m.
November 23, 1944

LSLesser:hh 11-22-44

NOT TO BE RE-TRANSMITTEDCOPY NO. 3SECRETOPTEL No. 380

Information received up to 10 a.m., 23rd November, 1944.

1. NAVAL

NEW HAVEN. Yesterday morning an ammunition barge ran ashore and blew up. Many houses damaged and railway station temporarily out of action.

CALAIS. First train ferry accepted 21st. On 19th/20th Coastal forces torpedoed two coasters in convoy, Gulf of Genoa.

2. MILITARY

WESTERN FRONT. French armour reached outskirts Mulhouse by midday 21st. Unconfirmed reports state town since captured. U.S. troops have advanced from Saarebourg to within three miles west of Lutzelstein, whilst S.E. of Metz they have advanced three miles on 30 mile front. Fighting still reported two areas in Metz and Germans hold seven forts to south and east. Ninth U.S. Army made limited gains along their whole front capturing Gereonsweile and reaching outskirts Ederen. U.K. troops west of Meuse are now only three miles from Venlo.

ITALY. Poles have captured two villages S.E. of Faenza and taken some prisoners.

3. AIR

WESTERN FRONT. 21st/22nd. Tons dropped:-

Aschaffenburg	1378
Sterkrade	854
Castrop Rauxel	949
Dortmund-Ems Canal	627
Mittelland Canal	612
Other Missions	111

Five Coastal Command Halifaxes set on fire two 3,000 ton merchant vessels in the Skagerrak.

22nd. Very bad weather conditions considerably restricted operations by medium bombers and fighters. Only 123 sorties flown.

22nd/23rd. 178 Bomber Command aircraft sent to attack Trondheim. Target area hidden by smoke and attack abandoned. 3 aircraft missing.

MEDITERRANEAN. 21st. 1356 aircraft (13 missing) attacked objectives battle area with good results.

4. HOME SECURITY

To 7 a.m. 23rd. 8 rocket incidents. During night 10 flying bombs plotted.

November 24, 1944

At seven thirty-five Friday night Mayor LaGuardia called me over the White House phone from Chicago and said that they were having a hell of a time with the English on the Air Conference. He told me that the rumor was around Chicago that the American Government was about to sell or lend-lease to the British, three hundred D. C. 3's or D. C. 4's -- I don't know which he said -- and if that transaction could be postponed it would be very helpful to them. He said he would call me back Saturday morning for an answer.

I got hold of Dean Acheson and told him the story, and said I definitely wanted to keep out of the transaction, and asked him if he could advise me between ten and eleven what I should tell LaGuardia. He said he would call up Lovett and let me know tomorrow.

He said -- I said, "How are they getting along with the message for the President?" and he said that he'd okayed it, Stettinius had okayed it, and then Oscar had come along and re-written the whole thing. He said he doesn't know what's the matter with that fellow. Then he went on to say that Oscar held back all through the conference so that he could say he wasn't committed, and he's quite sure that it was Oscar who got some kind of a memorandum to the President and tried to, more or less, torpedo what we were doing for the English. That wasn't his exact language, but that was the extent of what he said, and he said he feels that we are all working together

except Oscar, and he feels quite bitter about it. I said,
"Well, I didn't think any more of Oscar than that myself".

November 24, 1944
11:30 a.m.

Harry
Hopkins: I'm all right. How's Elinor?

HMJr: Well, she's, under the circumstances, as well as
one could expect. She was operated on yesterday.

H: Yeah. So Mrs. Klotz just told me.

HMJr: Oh!

H: Gosh, Henry, that's tough.

HMJr: Yeah. But

H: Are you -- are you worried about her?

HMJr: No, not now. We were worried yesterday.

H: Yeah.

HMJr: But

H: Where is she?

HMJr: She's at the Emergency.

H: Uh

HMJr: But, she's all right now.

H: Good.

HMJr: At least, we know of -- if no complications set in.

H: Yeah.

HMJr: But it came so unexpected.

H: Yeah. Oh, God, I hope all goes well.

HMJr: Yeah.

H: That's all I had on my mind.

HMJr: Thanks. But that's, you know, the second time she's
had it in a year and a half.

H: Yeah. It's tough.

- 2 -

HMJr: Yep.

H: All right, old boy.

HMJr: Did your daughter enjoy herself?

H: Yeah. She's going down to see the Bureau of Engraving this afternoon, too.

HMJr: I see. How did she like the movie?

H: Oh, she had a wonderful time. Loved it. Now, she's got that

HMJr: What?

H: She's got a pamphlet on what to do about money, and how to know your money, and she's studying that....

HMJr: Wonderful!

H: religiously.

HMJr: Wonderful!

H: All right, Henry.

HMJr: Okay.

H: Good-bye.

November 24, 1944
11:34 a.m.

Ted
Gamble: Mr. Secretary.

HMJr: Hello, Ted. How are things going?

G: Well, they're going very well. .

HMJr: Good.

G: I don't know whether you had an opportunity yesterday to hear any of the radio or not.

HMJr: No, I did not.

G: But we had everybody from Eisenhower down

HMJr: Yeah.

G: on an eighteen-hour program.

HMJr: No, I -- you know Mrs. Morgenthau had to go to the hospital yesterday.

G: I didn't know that.

HMJr: Yes, she was operated on, so I had

G: Oh, I'm sorry.

HMJr: my mind on something else.

G: I'm sorry to hear that.

HMJr: It was very successful.

G: She's better then?

HMJr: Yeah.

G: Well, that's fine.

HMJr: Yeah.

G: Ah -- we

HMJr: Incidentally, she kept telling me to tell you that she can't do any radio work for the time being.

G: Oh, that's a shame, Mr. Secretary, that she -- she's had more than her share of it.

HMJr: I'll say so.

B: Well, you've had a rough few weeks too.

HMJr: Yeah. Now, look

G: Yes.

HMJr: I have here in my possession the German flag which was captured by the 12th U. S. Army group

G: Yes.

HMJr: at Orleans.

G: Yes.

HMJr: and I'll send it over to you.

G: Yes.

HMJr: It's a wonderful thing, and it's presented by the War Department by Lieut. Gen. Omar Bradley

G: Uh huh.

HMJr: and what I want you to do is, two things: I want you to write -- have somebody over there write a letter to -- well, there are different people -- well, it will be to General Bradley thanking him for sending it to us, you see?

G: Fine.

HMJr: And also to General Marshall.

G: Yes.

HMJr: See?

G: Yes.

HMJr: And, I think the way to do would be to write General Marshall and thank him, and say, "Please forward the enclosed letter to General Bradley for me, also, thanking him".

G: Right. Well, we'll have that over to you during the afternoon.

HMJr: And I'll get this over to you in a little while.

G: Fine. Now, there were two things that I wanted to ask you.

HMJr: Right.

G: One: this letter from Eisenhower to you is an excellent letter

HMJr: Yes.

G: and I've read it very carefully; I've read it half a dozen times -- I've talked to our boys here in the press shop about it, and we all agree that it would make a great story.

HMJr: Yeah.

G: And we think it ought to be used.

HMJr: Yeah.

G: Do you have any objection?

HMJr: No.

G: Well, I -- there's nothing of a -- of a nature that anyone would take the slightest -- would question, I mean.

HMJr: Well, which one -- Ted, I forget -- which one is it?

G: It's the one that he writes you, it said "Your letter, together with that from the President, supporting the War Bond drive in this Theatre"

HMJr: Well, just clear it with the Army.

G: Yes. Oh, we'll clear it with the Army.

HMJr: Clear it -- who do you clear with over there?

G: Oh, we'll clear with General Surles' office.

HMJr: Yeah, if you clear with Surles, that's all right.

G: Fine. It's a knock-out of a letter.

HMJr: Good.

G: It's got several meanings -- I mean, the fact that this fellow who has got time to carry on a Bond program, should make everybody at home think that the least they can do is to get behind this one. Now, the only other matter I wanted to ask you, Mr. Secretary -- the fact that you haven't gone away -- do you want us to think of you in terms of any War Bond work in the next couple of weeks?

HMJr: Well, I don't know, Ted. I haven't been able to think about myself. I don't know what I'm going to do.

G: Yes.

HMJr: So, ask

G: Better wait until

HMJr: ask me again Monday.

G: All right, sir.

HMJr: I'll know better where I'm at Monday.

G: Fine. Thank you very much.

HMJr: Thank you.

G: Right.

November 24, 1944
12:53 p.m.

HMJr: over the ticker just came the -- talk on the President's report to Congress on lend-lease.

Harry White: Report of the President?

HMJr: Yeah, the President makes either a quarterly or annual report to Congress on lend-lease.

W: I haven't seen it.

HMJr: Well, it's on the ticker.

W: Yes.

HMJr: Do you get the ticker?

W: Well, I can get it.

HMJr: No, I'll send in what I have in front of me, see?

W: Yes.

HMJr: The part that interested me was: "President Roosevelt told Congress lend-lease -- reverse lend-lease 'should end with the war'".

W: Well, the war in Japan, probably.

HMJr: Yeah, but I thought

W: Yeah.

HMJr: in view of what you're working on, you'd better look at it.

W: Yes. I'll do that.

HMJr: What?

W: All right. I'll get it. Now, we'll have a -- we've been working on it since you called -- we'll have a draft ready in about a half an hour or an hour, and I'll send it around to you and

HMJr: Be sure that Mrs. Klotz gets it. Well, now, I'll tell you what my plans are. I'll be here until about two-thirty.

W: Yes.

HMJr: Then I'm going down to meet Bob at the airport.

W: I see.

HMJr: Then I'll be back in here again about three-thirty.

W: I see.

HMJr: So, what -- either get it to me before two-thirty or when I get back.

W: Yes, well, it will be there. Now, Mr. Crowley is out of town.

HMJr: Yes.

W: And since we have talked of arranging it so that the three of you would sign, I don't know whether that will make it

HMJr: Well, they should read it over the phone to him, and say we want to send it to the President by courier

W: Yeah.

HMJr: can we sign his name to it?

W: Yeah, all right. I'll do that, and

HMJr: But I -- I very definitely want him to give somebody over there the authority to sign "Leo Crowley, per" -- somebody -- ".... per Oscar Cox" -- or per somebody, but get somebody over there that has the authority to sign, and they should read it to him over the phone.

W: All right, now, before that -- I'd like to try to get it to you before half-past two so that -- get your reaction before we

HMJr: Well, that's up to you, if you -- I'm here if you want me.

W: Yep. All right. We'll get it to you before then. Okay.

November 24, 1944
2:14 p.m.

Admiral
Leahy: Admiral Leahy.

HMJr: Morgenthau speaking.

L: Hello, Mr. Secretary.

HMJr: How are you?

L: Very well, thank you, sir.

HMJr: Admiral, I have a two-page document that's going as a report from Stettinius, Crowley and me to the President, and I'd like you very much to read it over and see if you think it's wholly within the spirit of the conversation that we had with the President.

L: Yeah, I'd be very glad to.

HMJr: When could you see Mr. White? He'll bring it over to you.

L: Any time now.

HMJr: Well, could you see him if he came in the next five minutes?

L: Yep.

HMJr: He's on his way.

L: Fine. Thank you, sir.

HMJr: Thank you, sir.

L: Good bye.

For: Ted Gamble

151

This conversation with the Clerk of the House -- please look into it, and for God's sake, let me know what to do, this afternoon.

November 24, 1944
2:23 p.m.

South
Trimble: Hello.

HMJr: Yes.

T: Who is this?

HMJr: Morgenthau.

T: This is South Trimble, Mr. Morgenthau....

HMJr: Yes.

T: Clerk of the House of Representatives.

HMJr: Yes.

T: And I'm in trouble. I -- the Army and Navy overlooked me, which is the first time, on account of a lot of red tape, and I -- I want six -- three pairs of tickets, and I've bought, previously in drives, sixty thousand dollars worth of bonds and I'm buying eighteen thousand more now, and I'd like to buy six tickets to the football game.

HMJr: Well, I -- I haven't got them in my pocket. (Laughs)

T: What?

HMJr: I don't carry them around with

T: Oh, no, I -- I understand that, but I've called up the men up here at the Capitol and those men from the Army and Navy, and they've just been allotted so many -- two from West Point -- two for each member and four from -- from the Navy. And they've just got that many tickets, and this is the first time they've ever overlooked me.

HMJr: Well, what do you know about that!

T: Well, they've just got so many people down there, you know, and they just didn't give them enough tickets. But I get everything from every department, and all I want -- I'd like to have six tickets; want to pay for them, but I just don't know where to get them.

HMJr: Well, give me a little time to go to work on it, will you?

- 2 -

T: Yes. Now -- now -- now as I tell you, I've already bought sixty thousand in bonds and am buying eighteen thousand more now, just for this drive.

HMJr: Well, let -- let me have a look at it.

T: Yes. Yes, that will be all right.

HMJr: Right.

T: All right.

HMJr: Thank you.

November 24, 1944
2:39 p.m.

Operator: Hello, Lord Halifax.

HMJr: Yes.

Lord Halifax'
operator: Secretary Morgenthau's office.

Lord
Halifax: Hello.

HMJr: Yes.

H: Is that Mr. Morgenthau?

HMJr: Talking.

H: Halifax here.

HMJr: How do you do?

H: I'm sorry to bother you, and I'm not going to bother you about business.

HMJr: Yes.

H: I just called up to ask how your wife was.

HMJr: Well, that's terribly sweet of you. The operation was very successful.

H: Uh - huh.

HMJr: And she's resting very comfortably, and it was quite unexpected, but -- it's phlebitis. That's what it was, and she had a clot, and they had to

H: Oh, dear!

HMJr: operate.

H: Oh, dear! When did she have that? Yesterday?

HMJr: Yesterday, yes.

H: But she's -- she's all right?

HMJr: Everything's fine.

H: Fine. Oh, I'm glad.

HMJr: Yes.

H: Well, I do hope that she'll go ahead.

HMJr: Well, it's terribly nice of you to call.

H: Well, will you -- will you give her both of our messages

HMJr: I certainly will.

H: when you see her?

HMJr: I'll do that shortly.

H: Whenever you're seeing her.

HMJr: I will very shortly.

H: And I shan't -- I shan't bother you again, only I was going away tomorrow for a week, and I just wanted to know before I went, and if I don't hear, I shall assume that everything is going nicely.

HMJr: Well, that's awfully nice of you.

H: And, so give her both our messages -- from Dorothy as well.

HMJr: I'll do that.

H: Is she in Washington?

HMJr: Yes, she's in

H: In -- in the hospital?

HMJr: at the Emergency.

H: Emergency.

HMJr: Yes.

H: Uh huh.

HMJr: Yes.

- 3 -

H: Well, good-bye, and the best of luck.

HMJr: Thank you.

H: Thank you.

HMJr: Good bye.

November 24, 1944
4:32 p.m.

HMJr: in reverse. H. H. Kung wants to see me between now and Monday, when he says he's turning over his sceptre to the next Minister of Finance.

Harry White: I see.

HMJr: Well, now, I've taken the position, through you, that I want a brief from him -- what he's going to see me about.

W: Ah -- all right. I thought he -- I thought he told us that, but we'll

HMJr: Well, he

W: try him out again.

HMJr: Well, what have we got that's new?

W: Ah -- we haven't got anything new.

HMJr: Well, then, why don't

W: He gave us a lot of new figures which I have here in a memorandum for you. I'll send it right around. Those are the only new things

HMJr: Well

W: and they're not -- they introduce nothing new.

HMJr: Should I say I'll see him, and

W: Well, I understand from Adler, who -- that he hopes to wind this thing up before he quits.

HMJr: Well, I

W: And that means if he comes here, be willing to settle on the basis of the memorandum -- on the basis of the arrangements you've already made, and permitting him to put those Chengtu airfields in reverse lend-lease. I'll send the memorandum you read while you were waiting outside the President's office, and there's another one which gives the new material.

HMJr: All right.

- 2 -

W: I think you'll have to -- you probably will have to see him unless you are out of town.

HMJr: No, I can't -- I'll see him at eleven tomorrow.

W: All right. I'll send these right in.

HMJr: Now, did you see Leahy?

W: I saw Leahy. He had a couple of good suggestions. He wanted -- he thought it would be desirable, as you had suggested, to use the identical language with respect to "this is no commitment".

HMJr: I see.

W: So we made that change, and then he thought it would be desirable to delete the question of what -- this would strengthen or prevent their dollar balances from weakening; he didn't think that ought to be introduced in there.

HMJr: I agree with him.

W: And, so we changed it, but the F.E.A. has made some changes and one of the changes, I don't know, may make some trouble with the State Department. Apparently there's a squabble on between State and -- and F.E.A. as to who should go up to Congress to let them know about the changes in export policy when they're going to anticipate it.

HMJr: Well, hold the wire a minute while I call Drew Pearson and tell him, will you? (Laughs)

W: (Laughs) All right. Well, I'm having

HMJr: Well, wait a minute.

W: Yes.

HMJr: Here he is. (Aside: Come on out, Drew.) He's right here.

W: (Laughs) All right, then I'll give you some more information if he's there. And -- we're having it typed now. I'll send it around, but I don't know whether it's satisfactory to State. They haven't seen it yet.

- 3 -

HMJr: Well, look, old man. My son has arrived, and it's my last evening with him before he goes, see?

W: Yes. Do you want this cleaned up before -- today or tomorrow morning?

HMJr: Tomorrow morning will do. I'll see you when I get down here around nine-thirty or ten.

W: All right, in which case -- by then I'll have it cleared up

HMJr: Why not have it cleared up there?

W: Okay.

HMJr: Now, this Chinese thing you can send me and I'll try to read it, you see?

W: Okay. All right.

HMJr: And we'll get this thing on the wire -- it's still time enough to get on the wire to the President.

W: All right, sir.

HMJr: What?

W: All right.

HMJr: How's that?

W: That's fine. Okay.

Mrs.
Klotz: Hello.

Jack
Lighter: This is Jack Lighter, Orson Welles' partner.

K: Yes.

L: Orson had to leave the office. I'll tell you what he was trying to find out. He wants to know for a -- for a program that he's writing, whether or not Mr. Morgenthau follows the custom of placing a wreath on the grave of -- of Alexander Hamilton every year.

K: No. No, not that I know of.

L: What's that?

K: Not that I know of.

L: He doesn't, huh?

K: No.

L: It was a custom for a long time, you know.

K: Well, not as far as I've ever known, and I've been here long enough.

L: Really?

K: Uh huh.

L: Well, then he's not very apt to do it, is he?

K: I don't -- as a matter of fact I've never known him to lay a wreath.....

L: On anything?

K: On anything. (Laughs)

L: Huh?

K: No. Really.

L: Well, that's very funny. I guess that perhaps when he came into office, the custom was dropped, or maybe it was dropped before his advent.

- 2 -

K: I imagine -- I've never known it to happen here, and -- and which

L: How long have you been there? All the time that he has?

K: Well, many years with Mr. Morgenthau. Tell me, would Mr. Welles like him to do it?

L: No.

K: (Laughs)

L: We're just writing this -- writing this radio show.

K: No.

L: We wanted authenticity on it, you see?

K: Yes. Well, I -- I -- he's never done it to my knowledge.

L: Never done it, and then certainly won't this year?

K: No. Now, if between now and tomorrow morning when I see him, I find that he has, I'll let you know.

L: All right. Would you wire me?

K: Surely.

L: At Mercury Productions

K: At where. Where?

L: Mercury Productions.

K: Yes.

L: 427 North Cañon Drive.

K: 427 North Cañon Drive.

L: Yeah. How's the Sixth going?

K: Oh, very well.

L: It is, huh?

K: Extremely well. Mr. Gamble was in today and gave us a wonderful report.

L: Oh, wonderful!

K: So everything's going along very well.

L: Well, give our regards to everyone there, including the Secretary.

K: You bet. And please give ours to Mr. Welles.

L: Thank you.

K: Good bye.

L: Good bye.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Nov. 24, 1944

TO Secretary Morgenthau

FROM Mr. White *JDW*

Subject: Lend-Lease Exports to Russia

1. In June, 1944, United States lend-lease exports to Russia totalled approximately \$281 million as compared with about \$316 million in May, 1944.
2. Among the principal non-military items were:
 - Motor trucks (all sizes) (\$17 million)
 - Canned meat, excluding chicken (\$8 million)
 - Wool cloth and dress goods (\$7 million)
 - Forging machinery and parts (\$6 million)
 - Steam locomotives (\$5 million)
 - Aluminum & alloy ingots, slabs, etc. (\$5 million)
3. Among the munitions sent were:
 - 40 B25 2 eng. medium bombers
 - 111 A20 2 eng. light bombers
 - 8 PBN 2 eng. U. S. patrol bombers
 - 173 P39 1 eng. pursuit fighters
 - 35 P40 1 eng. pursuit fighters
 - 40 P47 1 eng. pursuit fighters
 - 18 C47 2 eng. medium transports
 - 936 unarmored scout cars
 - 52 M4A2 20 to 40 ton medium tanks
 - 22 50 cal. aircraft machine guns
 - 150 50 cal. anti-aircraft machine guns
4. Shipments to Eastern Russia, presumably on Russian boats via Vladivostok or some other Siberian port, accounted for about \$174 million of the total of approximately \$281 million exported during the month under review.

MEMORANDUM FOR THE SECRETARY.

November 24, 1944.

Mail Report

Quite heavy this week, mail was again interesting, with discussion of current topics brisk and varied. Bond matters held the center of the stage - half of the mail about them devoted to recent developments and the other half to routine inquiries. The Florida bond-burning by employees of the Vultee Corporation provoked a dozen protests, several of them anonymous. The Sixth Drive elicited much comment, including a few reports from communities and organizations that are already "over the top." Correspondents are even yet offering songs and slogans for the Drive. The Army-Navy game was the subject of 20 further communications, some suggesting that movies of the game be used to sell bonds and others that each person listening to the game by radio pledge himself to buy a bond or stamps. The Sunday night radio program launching the Sixth Drive has received only 4 letters from the general public - all decidedly uncomplimentary. The Waldorf-Astoria speech of Monday night has received only 1 comment - an approval.

Reaction to the over-the-counter plan for cashing bonds continues largely unfavorable, and there are still questions as to the truth of rumors that war bonds will be invalidated by the Treasury. More than half of the 16 bonds submitted through this office for redemption bore Kentucky postmarks. Although no worse than it has been, the situation concerning delays in delivering currently purchased bonds to families of service men was again the major sore spot in the week's mail.

Along with 17 requests for refunds, tax correspondence included several letters opposing higher income taxes

- 2 -

Memorandum for the Secretary.

November 24, 1944.

or the 1% increase in Social Security taxes. One writer suggested that the cigarette shortage, which he believes results from hoarding, can be ended by suddenly changing the color of the revenue stamps to be placed on the packages.

In the dozen or more comments on the Morgenthau plan for postwar Germany, opinion as to its merits was not very clear cut this week.

Y. F. Forbush

General Comments

R. L. Comstock, Weeks Island, Louisiana. * * * The matter of reducing Germany to an agricultural nation by elimination of industries will have only the result of permanently embittering a very capable and technically skilled people and will result in extensive migration. Admittedly, the crimes of Germans in this war should be punished. This punishment should be directed against not only the individual and groups who are responsible but also against all who participated. Trials of all members of the Nazi party and of the Gestapo should be conducted swiftly and realistically in the Russian manner. * * * As for the punishment of the nation as a whole, the destruction by bombing and bombardment and the loss by casualties of millions of disciplined workers will quite reduce Germany to a minor role for several decades. All that will be necessary to complete this pacification and insure the world against aggression by the German people will be effective control of industry. * * *

Max Sturm, M.D., New York City. I agree with you; Germany should be deprived of all war and heavy industries. If you do not do this, there positively will be another war within 15 or 20 years. They will find a means of starting it. They are not only killing off the ordinary people, but all intellectuals. If all occupied nations could claim areas of Germany to make up their losses, that might be sufficient to prevent future wars. The punishment must fit the crime, and there is nothing severe enough to equal their crimes. They are even now continuing their atrocities. We should have no compassion, and because it draws so much opposition in Germany, we know your plan is about as severe as we can impose. Even if it does prolong the war, it is better to finish up now than to have another war; besides we are killing off more Germans. If they are the supernation they claim to be, they might even,

- 2 -

as an agricultural nation, be able to subdue their enemies with a bombardment of rotten fruits and vegetables! I trust your idea will be put over and thus avoid more future trouble.

George W. Walton, North Hills, Pennsylvania. * * * You know from the many comments and criticisms thus far made that the mechanics of such a plan would be practically unworkable because there just isn't enough farm land for each German to make even a decent living unless you plan to bring half of them to America. You also realize by now that along with the ambiguous "unconditional surrender" demand your plan has been used as inspiration to Germans to continue fighting. * * * I know you are as anxious as I for a lasting peace, so let's look at the long-range effects of our immediate acts. Peace cannot come until all of us, regardless of race, religion, nationality, and all other greater or lesser differences, realize our essential oneness as fellow men. Friendship and fellowship should be our methods, not vindictive proposals and acts.

J. Weinstein, Chicago, Illinois. As long as you're the cause for "prolonging" the War, at your suggestion in Quebec, Can., what are you going to do to "shorten" it and stop the "Slaughtering of our Boys." You certainly displayed great Statesmanship at that Conference. You had better stick to your Sheckels.

Fred R. Cutcheon, Madison, Wisconsin. Your proposal to prohibit the building of industrial plants in Germany after the war, struck me as very reasonable but seems to have aroused much opposition. I therefore suggest as a basis for compromise that the prohibition be limited to plants engaged in the fabrication of iron and steel, brass, copper and aluminum. This limitation would prevent the building of guns, planes, tanks, etc., but would still leave them a wide field for industrial work in plastics, wood, and textiles. * * *

- 3 -

D.C.M. -- Postmarked Saginaw, Michigan. Why not shoot all Germans -- it would be the same as taking their tools away.

William F. Brack, Baltimore, Maryland. Undoubtedly in the course of events in your position, you receive many unusual requests, mine may be considered such, but it is one which is made with the utmost sincerity. Briefly, I would like you, or some one appointed by you, to serve as the executor of my estate, as it is my intention to leave it entirely to the government of the United States. * * * For some years past I have been involved in litigation with certain members of my family, and others, and have met with indifferent results. Recently I have had the pleasure of conferring with the District Attorney assigned to this district, and was very much impressed with the service provided by the Federal Government for its taxpayers. Inasmuch as I am now confident that my Government will give me some real assistance, I am preparing to make my will as already outlined. Please advise me of your willingness to serve, also of any specific provisions which you or your counsel feel should be included in my will, to carry out my intention.

Harold Tilma, Grand Rapids, Michigan. (Enclosing personal check for \$500.00). Please accept this small free-will contribution to the war effort of these United States. It is my wish that none of this sum be spent for the support of unnecessary and wasteful Government Bureaus, and that none of it will go for military aid to support and further the cause of Communism. * * *

Matthew G. Ely, President, New York Board of Trade, New York, New York. It is a distinct pleasure to express to you my sincerest gratification and thanks on behalf of the officers and members of the International Trade Section of the New York Board of

- 4 -

Trade, for the most excellent address of Mr. Ansel F. Luxford, Assistant General Counsel of the Treasury, at our gathering at the Hotel Astor, New York, on Friday, October 27, on the subject -- "International Trade and the Bretton Woods Conference." The subject was developed most satisfactorily and authoritatively by Mr. Luxford before a most representative gathering of 225 business executives. * * * I wish to emphasize strongly also the splendid contribution to the success of the meeting by Mr. Edward M. Bernstein, Assistant Director of the Treasury's Division of Monetary Research. His handling of the technical questions was most thorough and certainly indicated a most excellent grasp of the problems. * * *

F. W. McDermott, President, Rio Grande College, Rio Grande, Ohio. I have on my desk a copy of a pamphlet entitled "War Finance Policies" containing excerpts from three addresses by yourself during the month of October 1944. I have read this pamphlet carefully and on the whole find myself wholeheartedly in sympathy with practically all, if not all, of your suggestions and recommendations. I do feel that this world war in which we are all engaged must be supported and paid for by the people themselves. I am glad personally to endorse at all times the necessity and advisability for the purchase of war bonds on the part of the general public. Certainly I am not going to curtail my own purchases as long as my eighteen-year old son is serving in the combatant forces. However, there are some things in our national life involving the financial policies of our people and government which I find somewhat disturbing. Your mention of "pressure blocs" and "special interest groups" refer to an increasingly prevalent tendency which I greatly fear. * * * I talked with the minister of a large church in one of our great American cities and he told me of government bonds he had purchased years ago. These bonds were originally bought to assist younger members of the family to go through college. When the bonds matured my friend must fill out a questionnaire stating for what purpose the funds would be used, and it was specifically

- 5 -

stated on the questionnaire that the government does not approve the use of such repaid funds for a musical education. I was so much amazed that I am still wondering if I was properly informed concerning this situation. Bankers seem to have real misgivings concerning the financial policies of our government. I have understood from one that he was advised to unload several hundred thousand dollars worth of American Telephone and Telegraph stock and reinvest the amount in government bonds at an unbelievably low rate of interest. I discussed this matter with the president of a bank in one of our smaller Ohio cities and asked him if this was a common experience. He picked up a sheet of paper lying on his desk and pointed out that his bank had purchased under advisement \$1,300,000.00 worth of government bonds at the interest rate of three-eighths of one per cent. Out of this the banks must pay taxes and insurance rates, of course. Since banks and bankers handle only the people's money I am wondering where the people themselves will come out in the end.

Frank L. McAfee, San Francisco, California. Just recently I lost \$143 interest on some HOLC and Treasury Bonds that have been called in unbeknownst to me. Some time ago I spoke to the manager of my bank in my home district and asked him to notify me if there was any move on foot as to the recall of these bonds. Now he says he had no knowledge of any move of this sort. Now my point is this. I am not a rich man and I lost another sizeable amount, I believe around \$75.00, in the same way on some other Government Bonds. It seems to me there should be some way of notifying people of these things. They say, "look in the papers." Well true enough, but a person can't look in the papers day after day. And where and what part of the paper should he look at. Goodness knows I want to be a good American, but this is discouraging. I have a sizeable amount of War Bonds on

- 6 -

hand and want to buy more. I could have by adding more to the interest I am losing. Why can't the banks and other institutions be notified so that they in turn can notify their customers by posting notices and thereby be protected against loss of interest? * * *

- 7 -

Favorable Comments on Bonds

Earle Rowland, President, The National Bank of South Carolina, Sumter, South Carolina. In handling the payments of Series E Bonds, it has occurred to us that you might make a ruling which would save the banks and the Federal Reserve Banks, as fiscal agents, quite a bit of work, and at the same time help the banks to some extent, without hurting the Treasury Department. At this time, banks all over the U. S. are cashing these bonds and are making daily shipments to the Federal Reserve Banks, thus taking the time of the employees of the banks, Post Offices and Federal Reserve Banks. Why would it not be wise to permit the banks to cash these bonds, just as they are doing now, and to accumulate them in amounts not to exceed 10% of their savings deposits, or \$500,000.00, whichever amount is smaller, and have the interest accrue on them to the benefit of the banks until they see fit to complete the surrender?

- 8 -

Unfavorable Comments on Bonds

Just an American, New York, New York. May I raise my voice in protest against the present method of cashing in War Bonds. I am connected with a bank in New York City, and to me it's pretty disgusting the way people are rushing in to cash their bonds. We cash many - many more than we sell. Certainly such a thing was to be expected when the cashing of bonds was made so easy. * * * Should very much like to see us back at the old way of cashing. Give these Americans (?) who cash their bonds, a chance to stop and think before doing so.

John A. Becker, Real Estate Broker, Hartford, Wisconsin. In a small community like ours where people know each other, I notice that many individuals are cashing their War Bonds in spite of the fact that they need no money. Others are cashing the bonds to purchase furniture or clothes more expensive than their social position would warrant. It would appear to me that unless an extensive educational campaign is put on, you will have to pay out a lot of money which would eventually find itself in commercial channels and help to bring on inflation. Either the cashing should be made more difficult or the people must understand that they are not helping the war effort by buying the bond today and cashing it 60 days later.

Horace Van Metre (lawyer) Waterloo, Iowa. Waterloo is now launching on its Sixth War Loan Drive. In all of our previous campaigns, we have more than met our goal. A vast amount of work was done in setting up the pay roll deduction plan for the purchase of War Bonds by the employees in our numerous industrial plants. I desire to record the fact that the eagerness of the people to participate in these bond selling

- 9 -

campaigns, and to invest their money in the bonds, has been very materially diminished by the ease, amounting to almost encouragement, with which the Government has made it possible for people to cash their bonds. There is a steady stream of such people going through our local banks every day and I have no doubt the same conditions obtain throughout the country. * * *

Edith B. Herman, Long Beach, California. Today at one o'clock over radio station K.E.C.A. the newscaster for the S. and W. Coffee Co. broadcast a news story to the effect that since the Govt. had made it easier to cash War Bonds, so many people were cashing their bonds that the Govt. now planned to make the process of redemption very much more difficult. There has been a very evident effort in Southern California to appeal to the fear and ignorance of the people in many instances, and I am afraid this is one of them. Coming as it does on the eve of the 6th War Loan Drive, I believe that it was calculated to sabotage the sale of War Bonds. There can be no excuse for the newscaster's (Sam Hayes') ignorance since on the first page of the second section of this morning's edition of the Los Angeles Times (no friend, certainly, of the Administration) there is a United Press despatch in which Treasury Department officials deny this story. The utterly irresponsible character of many of the broadcasts we get over our Southern California stations worries me. I have it on good authority that in the recent political campaign the air waves were closed here as far as practical, to the Democrats. Statements that are completely unfair, and sometimes vicious in their implications, such as this one, are made very often, and almost never retracted unless there is an organized public protest. * * *

J. E. Yeager, Detroit, Michigan. A recent article appeared in the Detroit News warning people to place their war bonds in a safety vault if possible as these bonds if stolen were very easy to cash. This

- 10 -

is news to me as I have always carried the impression that bonds could be cashed only by the owner or co-owner. I hold a lot of bonds and they are in a safety box at home but they could be stolen. I don't intend to rent a safety box and if thieves can cash them, I intend to cash in my bonds and buy no more. News like the article in the Detroit News certainly won't help the Government in the next war bond drive. Please advise.

Paul H. Hudson, Vice President, Empire Trust Company, New York, New York. Last week we received from you a letter advising that plant or company quotas for the Sixth War Loan had been set on the basis of an average of \$75 cash investment per employe. In the same mail we received from the National War Labor Board, Second Region, 220 East 42nd Street, New York 17, New York, a denial of our application to increase from 2-1/2% to 4% our Christmas or year end bonus to our 381 employes. The increase would have averaged less than \$30 per employe. The New York papers carried an announcement of the granting by the National War Labor Board of an increase of \$2 a week, retroactive for eleven months, in the salaries of 2,000 employes of the New Jersey Bell Telephone Company. Thus, the Board granted \$100 back pay and an increase of \$2 a week for the indefinite future to 2,000 employes across the river, while denying a non recurring increase of \$30 per employe to our employes. * * * If this small bonus be denied our employes, it is only fair that they should understand that it is not due to the action of our Directors. Notwithstanding the obvious injustice and discrimination in denying a small increase to a small group, while granting much larger increases to large organized groups, we can assure you on behalf of our employes of their loyal and earnest support of the War Loan to the extent of their ability.

- 11 -

Harry A. Jones, Attorney at Law, Washington, Pennsylvania. Notwithstanding my resentment at the desecration of the Lord's Day by inaugurating a Loan Drive which could have been launched upon a week day just as well, I did thru patriotic impulses tune in on the radio last night to hear the President of the United States. But I never got past your introduction. If your knowledge of finance is no greater than your sense of good taste and your ideas of a psychological approach, you ought to leave the gilded palaces of Washington and take a leaf-raking job on the WPA. It is assumed that your prospective purchasers of the bonds comprised ALL of the Americans - Republicans, Democrats, New Dealers, Communists, Yankees, Confederates, and every other color, race or condition of man. The hope obviously was to cultivate good-will and promote unity among all these diverse elements. And yet you could not resist, notwithstanding weeks of persistent ballyhoo had failed to convince over 21 millions of the thinking and patriotic Americans, to plug for the deification of one Franklin Delano Roosevelt. If you politicians will leave the atmosphere of Washington, come out into the land that is America and keep your ears open, you will learn that on Nov. 7th, over 21 million voters not only did not vote for your sainted hero, not only do not like him, but millions of whom loathe him. And they will continue to loathe him so long as his fanatical zealots sneer at these 21 million patriots, and flaunt the triumph of his vote collection. Speeches such as yours will prevent any national unity, even during a war; and are a distinct DISservice to both the President and to the country. For God's sake, forget about being a New Dealer and be an American -- at least between elections.

(Anonymous - postal card postmarked Dayton, Ohio) Re your remarks presenting the President on Sunday evening. It would be difficult to conceive of remarks more lacking in tact, or less likely to promote the sale of bonds, or to produce unity among our people.

- 12 -

Edward W. Heusinger, President and Treasurer, Heusinger Hardware Company, San Antonio, Texas. The attached newspaper clipping from the San Antonio Light of November 19th stating that an organization formed by 27 Miami employes of the Consolidated-Vultee Aircraft Corporation, each of whom tossed an \$18.75 bond into a fire as a gift toward the cost of the war and advocating a nation-wide series of "bond fires" to be fed by bonds bought in the sixth war loan drive, to my mind is a serious piece of publicity, and same will not do the "drive" any good - as it shows that the owners who burnt up their bonds, either have no faith in the Government for their redemption, or were silly and did not realize that they were not making a gift toward the cost of the war, as bonds when once issued by the Government stand as a liability against it and must be accounted for in the Public Debt, until they are retired. I believe that any person advocating the burning of any United States Bonds and suggesting that other groups be formed in the U. S. to do likewise, should be severely reproved and reprimanded. I do not know whether this matter has already been brought to your attention or not, but I feel that it is my duty to say something about it, and I hope to hear from you as to what your action will be in the matter.

- 13 -

Favorable Comments on Taxation

Mrs. G. E. Hunt, Decatur, Georgia. Have heard a great deal about the automobile use tax plan. Please do not abandon it. I do not like to pay taxes any more than anyone else. But I realize the necessity. * * *

- 14 -

Unfavorable Comments on Taxation

Laura G. Shimp, Philadelphia, Pennsylvania. I understand that the withholding tax from the wage-earner and salaried worker is to continue through 1945, and that it may be increased. * * * I have paid income tax for many years and am perfectly willing to continue to pay income tax, but I do not think the tax is very well proportioned for the small salaried worker. I, like thousands and thousands, do not have a home, and I earn \$35 a week. Out of that I have to pay \$11.00 a week for a room, and I have to pay at least \$2.00 a day for meals. Then I pay a Phila. wage tax, Social Security, and this withholding tax, then I have the large sum of \$4.70 left to pay my insurance, buy War Bonds, give to the numerous charities, and I do, of course, need a few clothes to keep going, so you can see just what a hardship it has been for me. I trust you will try to have the tax reduced for the small salaried worker. * * * I am a real American and would like to do more toward buying War Bonds. I would then feel I was helping to do my bit toward winning the war, and still have something I could call my own.

R. E. Rinard, Elk Lumber Company, Charleston, West Virginia. I am writing you on Social Security taxes and laws and am urging you not to increase the rate as the present rate appears to be adequate. I have worked hard all my life with my hands and my brains to be able to manage my business and employ men. Otherwise I am just an American citizen like the men I employ, yet the Social Security law requires me to pay as much Social Security tax as all my men combined, that they may have a pension when they reach the age of sixty-five years, but if I attain the age of sixty-five and am old and decrepit, bankrupt and helpless, I am assured I am to have nothing for all of my

- 15 -

money and labor making up Social Security reports under penalty. We business men hope that some day we will have repeals of these radical class legislations and give business the relief it needs. You can easily see that these laws are of no social gain for us, but a penalty for our thrift and integrity.

L. H. Brown, Las Vegas, Nevada. From the year 1943, there is a rebate coming to me of about \$128 on my income tax return. When this return was completed it was with the expressed understanding that any rebate would be paid in cash. To date all I have received is a mimeographed letter giving me the run around. Now, Mr. Morgenthau, I'm doing my best toward the war effort, I'm a railroad conductor, my sister's husband is on Saipan Island, my two brothers are in the Army and Navy respectively. * * * I sincerely hope I'm not griping too much, but, Mr. Secretary, I could surely use that money for Christmas. There are so many deductions out of my check it is impossible, with the cost of living, to hold on to much, and after all you said the rebate would be paid in cash. I talked with Pat McCarren on the subject but he wanted to talk about Basic Magnesium. So, Mr. Secretary, if in the interest of good government and equity you can arrange to refund to me what was promised, I shall greatly appreciate it.

NOV 24 1944

Dear Dr. Kung:

I am very sorry to learn that your health has compelled you to resign as Minister of Finance. At the same time I am glad to see that you are continuing to serve China as Vice President of the Executive Yuan and Governor of the Central Bank, in which capacities you will, I am sure, continue to contribute to the war effort and to the maintenance of Sino-American relations with the same distinction and statesmanship as you have displayed as Minister of Finance. I am also glad to see that it is your own aide, Mr. O. K. Yui, whom I understand you recommended, who succeeds you as Minister of Finance.

With kindest personal regards,

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. H. H. Kung,
Room 707D, Shoreham Hotel,
2500 Calvert St., N. W.
Washington, D. C.

RDW/RA
HDM/SA/efs 11/21/44

FILE COPY

EXECUTIVE YUAN
NATIONAL GOVERNMENT OF CHINA

November 24, 1944.

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

Dear Mr. Morgenthau:

I am deeply touched by your letter of November 24th which has just come to my hands. Despite the fact that my Government repeatedly urged me to return to China to attend to the pressing problems arising from the requirements of the war, I have not been able to return on account of unfinished business and a rather serious illness which necessitated an operation and rather prolonged treatment afterwards. I have, therefore, asked to be relieved of all my official posts. My Government has so far only accepted my resignation of the post of Minister of Finance and I am looking forward to my Government's generosity to relieve me of some more official responsibilities.

I wish to take this opportunity to thank you for your friendly cooperation during my tenure of office as Minister of Finance. I look back to the past eleven years with gratification because through our cooperative effort, I was able to do what I did in promoting the economic and financial cooperation between our two countries. I am confident that you will cooperate in the same friendly spirit with my successor, Mr. O.K. Yui, who is a man of competence and integrity.

With best personal regards,

Sincerely yours,

H. H. Kung

C
O
P

Y:DCH:AGH

MFD-281

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

London

Dated November 24, 1944

Rec'd 8:12 p.m.

Secretary of State,

Washington.

10344, November 24, 5 p.m.

Department and FEA informed Embassy (re Department's 9321, November 8) that they were willing to approve shipments to Pruskow given in Legation's 4440, October 31 to Department repeated London as 1400 and requested Embassy to inform Legation when MEW concurred. MEW has not given its approval provided that International Red Cross will assume responsibility for distribution and that any clothing sent is of Swedish origin. Sent Stockholm as 754 repeated Department as 10344. Please inform British Legation.

WINANT

JMS

REF-461

London

Dated November 24, 1944

Rec'd 10:40 a.m. 25th

Secretary of State,
Washington.

10352, November 24, 9 p.m.

FOR PEHLE FROM MANN

The following message is for Moses Leavitt of
the JDC from Joseph Schwartz.

"Following proposals made to Inter-governmental
Committee for final quarter 1944: Hungary \$500,000;
Rumania \$300,000; Northern Italy \$100,000."

WIN:NT

JT

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

CABLE TO AMERICAN CONSULATE GENERAL, JERUSALEM

Please deliver following message from World Jewish Congress to Representation of Polish Jewry, 15 Lilienblum Street, Tel Aviv (Palestine):

QUOTE Gottesman informs us from London that Jewish fighting forces and other Jews participated in uprising in Nazi occupied Poland suffered great losses no information about Antek and Borowsky. Scattered groups are communicating again. Quick and great help necessary. We are taking necessary steps here and shall inform you results. Schwarzbart Reiss Tartakower UNQUOTE

9:00 a.m.
November 24, 1944

BAkzin:tmh 11-22-44

DSH-308

Lisbon

Dated November 24, 1944

Rec'd 9:30 p.m.

Secretary of State,
Washington.

4057, November 24, 6 p.m.

Eighty thousand men and women have been deported from Budapest since end October and are being marched about 30 kilometers daily in direction Vienna. This report from Mayer who is trying supply them with food. Intercross endeavoring contact deportees.

MORWEB

DU

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

CABLE TO MINISTER HARRISON, BERN, FOR MCCLELLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Isaac Sternbuch, St. Gall, from Rabbis Aron Keller and Abraham Kalmanowitz of Vaad Hahatzala Emergency Committee.

QUOTE (1) Urge you continue efforts with Swiss Government to effect rescue of 8,000 Hungarian Jews. Suggest you approach McClelland for information regarding American Government's attitude toward this project. (2) Likewise approach McClelland regarding American attitude toward proposal of collective intercession of Vatican and neutrals in regard to treatment of civilian internees. (3) Advise whether 1374 from Bergenbelsen already reached Switzerland send names outstanding persons in group. UNQUOTE

The following from WRB to McClelland:

You may, in your discretion, inform Sternbuch about items one and two above. Reference Department's 3760 of November 3, 3786 of November 7, and 3788 of November 7.

THIS IS WRB BERN CABLE NO. 292.

1:45 p.m.
November 24, 1944

RDrury:BAksin:tah 11-22-44

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

Please deliver following message to Gerhart Riegner, Geneva, from Dr. Kubowitzki of World Jewish Congress:

QUOTE NUMBER 194 YOURS 1/11 WILLING PARTICIPATE SENDING
CLOTHING FOR BUDAPEST JEWS PROVIDED INTERREDCROSS ACCEPT
CLOTHING IN LISBON UNQUOTE

THIS IS WRB BERN CABLE NO. 293.

4:30 p.m.
November 24, 1944

RDrury 11/24/44

DCO-73

Bern

Dated November 24, 1944

Rec'd 8:30 a.m.

Secretary of State,
Washington.

7715, November 24, 8 p.m.

FROM MCCLELLAND FOR WRB.

Saw Belgian Charge, De Caritat, in Bern
November 22, (Department's 3926, November 18).
He is writing Brussels for identification and
location Messrs. Major and Lapaille. He desires
this clarification before accepting funds.

HUDDLE

RB

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

MVA-104
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern

Dated November 24, 1944

Rec'd 10:41 a.m.

Secretary of State,

Washington.

7716, November 24, 9 a.m.

FOR WRB FROM MCCLELLAND.

Legation's 7541, November 14.

According to latest news from Swiss Legation Budapest brought by Minister Jaeger who is at present in Bern, some 7,000 persons (composed of family groups) holding Palestine certificates are ready to leave for Switzerland. They have all necessary papers including German transit visas but are unable to depart for lack of transportation. Meanwhile they are relatively un-molested and are exempted from forced labor service as are all persons possessing Swiss "protective" documents in view of military situation it seems unlikely that Germans will choose to allot rolling stock for their transportation. Essential thing is, however, they are not (repeat not) being deported.

Departure of 4,500 or more persons holding Swedish protective papers is even more doubtful as they are reported not to have been granted German transit visas yet.

Will keep you posted on any new developments in this situation.

HUDDLE

BB

Dated November 24, 1944

Rec'd 9:27 a.m.

Secretary of State,

Washington.

7722, November 24, noon.

FOR WRB FROM MCCLELLAND

Dr. Edouard Turauskas, permanent Lithuanian delegate to League of Nations, with whom situation of comparatively small number of Lithuanian refugees in Switzerland was discussed. Legation's 7362, November 6) has expressed his grave concern over lot of around 400,000 Lithuanian civilian refugees who have fled into Germany and German-controlled territories during past months before Russian advance into their country.

Dr. Turauskas is most anxious to have funds available in Switzerland for two purposes: (One) to be able guarantee maintenance for certain number of worthy young Lithuanians particularly students at present in Germany in order prevail upon Swiss authorities grant them entry visas. He has reason to believe that Germans would allow them to depart; (two) finance relief shipments from Switzerland under ERRC control to concentration of several thousands of Lithuanian refugees in Vienna area.

Dr. Turauskas makes impression as serious and capable man and I feel confident that any funds which could be sent to him for uses above proposed by United Lithuanian Relief Fund would be well spent.

HUDDLE

RB

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

Barn

Dated November 24, 1944

Rec'd 7:09 a.m., 25th.

Secretary of State,

Washington

7727, Twenty-fourth

FOR WIRE FROM MCCLELLAND

Kindly deliver following message from Georges Thelin, General Secretary Save Children International Union Geneva to John Voris Save Children Federation, 1 Madison Avenue, New York.

"16. In view organizing in time American and union collaboration field postwar relief work management committee and secretarial, extend cordial invitation to Secretary Lentugov as representative of Federation to come to Geneva headquarters. Journey via Lisbon seems most advisable. Would appreciate information near future whether he can undertake this trip." 12.90

HUDDLE

MJP

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

FBI-381
 Distribution of true
 reading only by special
 arrangement. (SECRET-W)

Ankara

Dated November 24, 1944

Rec'd 10:56 p.m.

Secretary of State,

Washington.

2247, November 24, 5 p.m.

FOR PEBLE WAR REFUGEE BOARD FROM KATZKI ANKARA 190.

The Vaad Hahatzala Emergency Committee of New York has sent a cable direct to Ambassador Steinhardt which of course was seen by Turkish authorities charging that Turkish Government had disavowed "passports" alleged to have been issued by Turkish Consul in Budapest to 1450 Jews about to be deported to Germany and requesting Ambassadors assistance in interceding with Turkish Government to reconsider and recognize these passports.

Ambassador and I have been unable to verify the accusation made by Vaad Hahatzala against Turkish Government nor have we been able to confirm that any such "passports" were issued by the Turkish Consul in Budapest. Furthermore neither the representatives of Vaad Hahatzala in Istanbul Messrs Griffel and Kastner nor the representatives of other private Jewish agencies in Turkey gave any knowledge of the issuance at the Turkish Consul in Budapest of these passports or of alleged action by Turkish Government in disfavoring same. As Ambassador is not (repeat not) replying direct to telegram received by him it would be appreciated if the board would inform Vaad Hahatzala of foregoing.

In connection with above, the board may wish to consider desirability of requesting Vaad Hahatzala in the future to refrain from sending telegrams direct to Turkey which are liable to give offense to Turkish Government particularly in respect of changes which have not yet been conformed. At same time, board may wish to request Vaad Hahatzala to submit to it the basis for charges against Turkish Government which appear in its telegram to the Ambassador.

STEINHARDT

WMB

NOT TO BE RE-TRANSMITTEDCOPY NO. 3SECRETOPTEL No. 381

Information received up to 10 a.m., 24th November, 1944.

1. NAVAL

INDIAN OCEAN. One of H.M. Submarines recently sank small escorted tanker and damaged an escort vessel off the Nicobars.

2. MILITARY

WESTERN FRONT. French have occupied Mulhouse and St. Die and have pushed on across the Meurthe. Other French troops of 7th U.S. Army have reached Saverne with forward elements reported outskirts Strasbourg. Heavy opposition continues N.E. of Aix; Allied troops have captured Eschweiler. Second British Army has advanced to within 2 miles of Venlo.

ITALY. Troops of 4th and 46th Divisions have gained bridgeheads over the Cosina south of Highway 9 and have consolidated them in the face of heavy opposition. Tanks and support weapons are now across and an attack to enlarge the bridgeheads is in progress. After heavy fighting Poles captured a feature 3 miles south of Faenza.

BURMA. Patrols report area southwards from Kalemyo to within five miles of Gangaw clear of Japanese. East and North east of Kalemyo our troops have improved their positions and are in contact 10 miles N.E. Kalemyo. Chinese now south of Chindwin River for a stretch of about 30 miles west of Shwegu. Chinese on Salween Front launched an attack 20th from N.W. against village Chefang on Burma Road, 23 miles S.W. Mangshih.

3. AIR

WESTERN FRONT. 23rd. 163 Lancasters (1 missing) and 134 Fortresses respectively attacked Nordstern Oil Plant - 864 tons, and coking plant - 282. Results unobserved. No sorties by tactical aircraft owing to bad weather.

23rd/24th. 121 Bomber Command aircraft despatched, including 61 Mosquitoes (1 missing) against Hanover.

MEDITERRANEAN. 22nd. 486 escorted U.S. bombers (10 missing) attacked various objectives, including railway installations Ferrara - 104 tons, Munich - 364, Salzburg - 124 and Regensburg - 91. 1210 tactical aircraft (3 missing) operated very successfully in close support and against communications Po Valley and Yugoslavia.

4. HOME SECURITY

To 7 a.m. 24th. 3 rockets reported. Just before 6 a.m. about 14 flying bombs plotted. Several shot down over the sea.

November 25, 1944
9:52 a.m.

Dean
Acheson: Good morning, sir.

HMJr: How are you?

A: I'm fine, thank you. I have talked with Bob Lovett about the matter you spoke to me

HMJr: Yes.

A: about last night.

HMJr: Yes.

A: He had heard the same rumor also.

HMJr: Yes.

A: He says that he believes that it is entirely untrue.

HMJr: I see.

A: He thinks it started on the Pacific Coast and by some talks between the British Purchasing Mission and the Consolidated Company.

HMJr: I see.

A: He says that he has looked into it, and if Mayor LaGuardia wants to talk with him, he -- he'll go into all the details.

HMJr: Fine.

A: But the fact of the matter is that the British have been allocated only ten D.C. 4's for the first six months of '45

HMJr: I see.

A: and ten for the last six months, which are solely for the Ceylon-Australia, Ceylon-Burma route.

HMJr: I see.

A: That they want to get these others, but there is no possibility whatever that they will unless

A:
Cont'd. there is some arrangement at the White House that he knows nothing about, and the Munitions Assignment Board knows nothing about, which he does not believe to be fact, and there is no truth in this at all.

HMJr: Well, I will -- all I will say to him, that I did talk to you, if that's agreeable

A: Yes.

HMJr: and that if he wants to be reassured he should talk to Mr. Lovett.

A: That's right.

HMJr: How's that?

A: I think that's fine.

HMJr: And that will keep me out of it.

A: Yeah.

HMJr: Thank you. I haven't seen White this morning. I wonder where we are on that memo for the President.

A: Well, I think we are quite a little mixed up on it.

HMJr: I see.

A: Why, yesterday afternoon after Ed approved the original draft

HMJr: Yes.

A: they sent over one which was quite different.

HMJr: Yeah.

A: Then Frank Coe got hold of it, and I believe is trying to get it back into shape, and I haven't seen that draft yet.

HMJr: Yeah. Frank Coe is a good man, isn't he?

A: Oh, yeah. Frank's all right. He's ~~he's~~ doing a fine job, but he's driven almost crazy.

- HMJr: Yeah. Well, I'll be sending for Harry. Well, thanks for this information. I'm -- I've got to get this thing off to the President today.
- A: Yeah. I -- I will get hold of Pete and Frank and see if we can't get something here which will be all right with them.
- HMJr: And if necessary, I'll just call up Crowley and read it to him, wherever he is.
- A: Well, that's -- that's what Oscar did yesterday, and then bawled up the thing.
- HMJr: I see.
- A: But, we'll see if we can get it back on the track this morning.
- HMJr: Thank you.
- A: All right. Good bye.

November 25, 1944
10:17 a.m.

Col. Edw.
Heller: Hello.

HMJr: Hello, Ed.

H: Yes.

HMJr: This is Henry talking.

H: Yes, how are you?

HMJr: How are you?

H: I'm all right.

HMJr: Ed

H: Yes.

HMJr: I'm sort of injecting myself into your situation, because I've been reading the papers and I'm sort of fearful that they may give you a bad time.

H: Yes.

HMJr: And, if you care to have some advice, I'd like to give it to you.

H: I certainly would appreciate it.

HMJr: Now, Ed, are you having anybody -- advising you -- any Washington attorney down here?

H: No, I'm not.

HMJr: Well, I think you should. Hello?

H: Yes.

HMJr: There are an awful lot of tricks to this thing down here that somebody who lives here knows the situation might be able to advise you.

H: Well, I - I think that's an awfully good idea. Who should I get?

HMJr: Well, I'd have to check, but I'm thinking of two people, because I think when you get somebody, you should get the best, see?

- 2 -

H: Yeah.

HMJr: And that money should be no object.

H: That's right.

HMJr: I'm first thinking, if he would do this -- if he's still -- it's Joe Davies. That would be Number One.

H: Yeah.

HMJr: And the other is ex-Governor Max Gardner of North Carolina.

H: Yes. Well, I -- I would -- I would tremendously appreciate anything that you could do to find out if either one were available.

HMJr: Well, I will find out, and I'll have them check. And -- are you going to be at the bank?

H: Well, I'm going to come down to Washington tonight -- on tonight's train. I'll be there tomorrow morning.

HMJr: I see. Where are you going to go?

H: Well, I'm going to try to go to the Statler. I don't know whether I've got accommodations or not.

HMJr: Ah -- we can get you a reservation at the Statler. Hello?

H: All right, sir. Well, that'll -- that will be wonderful.

HMJr: You -- you'll be there in the morning?

H: I'll be there in the morning, yes.

HMJr: Well, there'll be a reservation for you.

H: Fine.

HMJr: And why don't you -- where are you going to be during the day?

H: I'm going to be here all day.

HMJr: All day?

H: Yeah.

HMJr: Well, you'll hear from me one way or the other.

H: Well, Henry, I -- I tremendously appreciate it.

HMJr: Well, to go up there without somebody guiding you, I think it's a mistake.

H: Well, I've -- I've been sort of appalled at this whole thing.

HMJr: Yeah.

H: And -- I think this is a wonderful suggestion.

HMJr: Well, I think it would be a good investment for you.

H: Well, I'll -- I'll be delighted to do it, and I -- thanks an awful lot.

HMJr: Right, and I'll -- you'll be hearing from me.

H: Okay.

HMJr: Thank you.

H: Right.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

November 25, 1944

TO Secretary Morgenthau
FROM Joseph J. O'Connell, Jr.

For your information

The Senate Military Affairs Committee will hold a public hearing next Tuesday morning at 10:30 on the nominations of Robert A. Hurley and Lieutenant Colonel Edward F. Heller to the Surplus Property Board. The hearing will be held in the Caucus Room of the Senate Office Building, which is the largest hearing room on the Hill and is usually reserved for hearings of major importance.

Attached is a list of the members of the Committee, from which you will note that Senator Downey, of California, is a member of the Committee.

One stated purpose of the hearing is to examine Messrs. Hurley and Heller with respect to a Government guaranteed loan to a company of which Mr. Hurley is vice president. An earlier report of the House Military Affairs Committee criticized the transaction and this report presumably is to be the basis for the questioning. A copy of the report is also attached.



Attachments

Senate Military Affairs CommitteeDemocrats

Robert R. Reynolds, of North Carolina.
Elbert D. Thomas, of Utah.
Edwin C. Johnson, of Colorado.
Lister Hill, of Alabama.
Sheridan Downey, of California.
Albert B. Chandler, of Kentucky.
Harry S. Truman, of Missouri.
Mon C. Wallgren, of Washington.
Harley M. Kilgore, of West Virginia.
James E. Murray, of Montana.
Joseph C. O'Mahoney, of Wyoming.

Republicans

Warren R. Austin, of Vermont.
Styles Bridges, of New Hampshire.
Chan Gurney, of South Dakota.
Rufus C. Holman, of Oregon.
Chapman Revercomb, of West Virginia.
George A. Wilson, of Iowa.
John Thomas, of Idaho.

November 25, 1944
10:40 a.m.

CHINESE FINANCIAL NEGOTIATIONS

Present: Mr. White
Mr. Adler
Mrs. Klotz

MR. WHITE: What Kung has apparently done, either intentionally or unintentionally - I suspect intentionally - is to make the difference between you in the negotiations, and himself, appear to be the question as to whether or not we were going to pay for the Chengtu airports.

H.M.JR: Where did the President say that?

MR. WHITE: I sent you the material yesterday. Now, there has never been any question about that. We never doubted we would pay for it, and we always said so, and the assumption is, on our part, that you are paying for it in the offer that you made, and there is nothing in the President's telegram, and there is nothing in this letter which meets that specific issue.

The Army claims that the price of the Chengtu airfield is included in the thirteen billion dollars, according to the Army figures; whereas Kung claims that it is not included and that if you include the Chengtu airfields you get - what is it - fifteen point something billion dollars. So the issue is quite other than what was represented to the President, quite other than what the President may think. It is merely as to whether the Army figures include the Chengtu airfields, or do not. We asked the Army again to check. They said they would cable Chungking. They got a reply to that cable. You heard it yesterday.

- 2 -

H.M.JR: Where is Vinson?

MR. WHITE: In Baltimore, and won't be here. I don't know whom else to get.

H.M. JR: What cable are you waiting for?

MR. ADLER: What happened was, when Kung sent these figures over, I went to see Colonel Foster in the Army and he sent a cable to headquarters in Chungking to check on these figures.

He gave me the substance of the reply over the phone but he promised to send me a copy. I asked him to make it urgent but it hasn't reached us yet. According to this reply the essential is that the Army stands by its own figures, says it has no method of checking up on the Chinese figures because the Chinese will not submit itemized statements as they promised. Their Army figures are based on the authorization to the amount they have spent themselves, what they have authorized the Chinese to spend, and their estimates of the costs when they haven't spent the money themselves. The main divergence is on Chengtu.

According to the Chinese, Chengtu cost six point three billion yuan; according to the Army, it cost about four and a half billion yuan. And the Army says it stands by its figure; it doesn't see how the Chinese could have spent as much as they claim on Chengtu. They also find an additional error in Chinese figures. They are claiming they have spent eight billion yuan on Chengtu up to October 15; that is including June 30 and beyond. And the Army people say that that is at least twenty-five percent too high.

MR. WHITE: That is one discrepancy. The major discrepancy is not the amount of the cost of the Chengtu project, but whether that cost is included in the Army's figure of thirteen billion, which was the basis for your negotiations. Now, in this letter Kung says he excepts--

- 3 -

H.M.JR: May I just take a minute? This is the memorandum for the President. Let me take time to read this. (Refers to attached Memorandum for the President)

Where is the memorandum from the President to me? (Refers to attached Memorandum of November 20, 1944)

I think I had better postpone him again until eleven-thirty, don't you think?

MR. WHITE: I don't think it will take you more than twenty minutes.

H.M.JR: There is one place where it doesn't seem to me this thing is clear. You say all the way through here that we said that our offer included payment for the Chengtu airfields, but as early as our negotiations in Bretton Woods we said if they wanted to put it in Reverse Lend-Lease, they could.

MR. ADLER: If they wanted to put in a claim for Reverse Lend-Lease; we didn't say we would accept the claim.

H.M.JR: That is right, but all the way through this thing you are very short about it. Then at the very last - "In order to facilitate the settlement, we informed Dr. Kung we had no objections to his putting in a claim for the cost of the Chengtu airfields on Reverse Lend-Lease, making it clear, however, that we regarded the lump sum payment we were offering as a final settlement of our outstanding obligations."

If you haven't been all through the negotiations, it is a little hard to understand that.

MR. WHITE: It is a difficult position to defend; I always thought so.

MR. ADLER: Yes, you have been very consistent on that.

MR. WHITE: Because if you say to a fellow, "You can give a claim," and we agree that they can file a claim -

- 4 -

whereas, on the other hand, you are saying that this is a complete payment - they don't jibe.

H.M.JR: That is my point. But whose idea was that in the first place?

MR. ADLER: We can check on the transcript - whether it was General Clay or not--

H.M.JR: I think it was General Clay.

MR. ADLER: I have a suspicion it was.

H.M.JR: Is there anything in writing that says Kung can put in this claim?

MR. ADLER: He has a copy of the transcript, but a very edited copy.

MR. WHITE: Whom did he get it from?

H.M.JR: Us.

MR. ADLER: I cut out a lot of parts.

MR. WHITE: Did he get this point?

MR. ADLER: I don't know.

MR. WHITE: That is the point to check. The question is whether in this copy of the minutes which was prepared for him there is this statement that he can put in a claim, and how it is stated.

H.M.JR: Well, let me get his last letter, and you get that other thing.

MR. WHITE: This is the last letter. (Hands Secretary letter from Dr. Kung, dated November 18, 1944, attached)

H.M.JR: I can't check all of these things in his letter. Which are true and which aren't?

MR. WHITE: The true items - there are two; one, the difference in the cost of the Chengtu airfield; and two, all other expenditures. Now, he differs with the Army in the over-valuation of the cost by about two billion yuan.

H.M. JR: But the point I don't understand - "As for the Chengtu airfields, I had received documentary material since the Bretton Woods discussions which were communicated to you on September 9, 1944, confirming the fact to which I have referred throughout our discussions on this subject that the advances for the Chengtu airfields, which are built specially for the use of the Superfortresses (B-29), constitute a totally separate project."

Now, where is this General Hearn?

MR. WHITE: He is over there. When Stilwell was gone, Hearn took his place.

H.M. JR: What about this General Marshall?

MR. WHITE: There is no disagreement on that. As a matter of fact, that antedates that January 8. General Hearn referred to a reply - this is the material the President sent over - referred to a reply from General Marshall to his inquiry, which stated the U.S. will bear the cost of labor and material for the Chengtu airdrome construction at a rate of exchange to be arrived at under negotiations now in progress. We never denied that.

H.M. JR: We claim that money we are paying pays for the Chengtu airport?

MR. WHITE: That is right. It is the Army that has presented us with a bill - read that paragraph. (Refers to attached letter to the Secretary from Mr. Stimson, dated June 26, 1944)

H.M. JR: Is there anything in here, Sol, that is new that he writes me? You kept mumbling, "This is outrageous; this is terrible."

MR. ADLER: It is not new in the sense that he has brought up all his old demands - that is what is outrageous - which we have never paid any attention to, for instance, that the settlement should be at the official rate of exchange and all the rest should be credited to Reverse Lend-Lease.

- 6 -

Well, we would have to credit a fantastic fund to Reverse Lend-Lease on that basis.

H.M.JR: This is the thought that I was going to say to him, "Mr. Kung, I am prepared once more, and just once more, to offer you one hundred and eighty-five million dollars in complete settlement for everything from the 1st of March to the 1st of October. Now, if you are not satisfied with that, ask Mr. Roosevelt to let you negotiate with somebody else. I am through. I won't go any further in the matter. You have seen fit to bring the thing up - I have spent months and months on this thing. This is what the Army has asked me to do. I am not going to change, and if you are not satisfied, I am very sorry, but you will just have to see somebody else in the Government, that is all."

MR. WHITE: Supposing he answers that by saying, "Then we would like to charge the Chengtu project on Reverse Lend-Lease."

H.M.JR: Do you have the thing? We told him you could put it--

MR. WHITE: And this is repeated by General Somervell's letter which I just called your attention to.

H.M.JR: What does that mean?

MR. WHITE: It doesn't make any sense to me at all.

H.M.JR: I will repeat what I said - "And if you want to, you are free to put in a claim, as I told you once before, for Chengtu. Our position is when we pay you this, we are paying you for everything. And in the document, if we do send you one hundred and eighty-five million dollars, we will say that it is in final payment. But you are free, as we told you before, to make a counter claim if you want to - a credit through Lend-Lease in Reverse."

Is that right?

- 7 -

MR. ADLER: Yes.

MR. WHITE: Counter claim - whether you would recognize that claim or not - you think now you would not, but there could be a review of all the expenditures, since it would be a matter of fact.

H.M.JR: I am going to tell him that in this letter; "If you accept this payment, this is in final payment for everything in China."

I mean, up to now I have been very gentle with the fellow. I am not going to be gentle today, and now the fact that he has gone over to the President, and all the rest of that - I am simply going to say, "Dr. Kung, this is the best I can do. I have tried my best; I haven't changed my position. The first offer I made you was a fair one. I want to clean this up to October 1st. If you are not satisfied, you can ask the President to have somebody else handle it. I am going to wash my hands of it."

MR. WHITE: Could this be a good out for him and for you on Reverse Lend-Lease? You can say, "If you want to make a claim, you can." You state there is a difference as to the facts; I am in no position to check the individual facts. If in future examination and survey by the Army or yourself it is revealed that you are correct as to the facts, and the Army is wrong, then your claim will receive consideration. If, on the other hand, it reveals no change in the facts, then the claim will not be accepted."

Now, that begins to make sense because all you are saying there is you are going on the facts supplied to you by the Army; he doesn't agree to the facts, therefore you are not closing the door.

H.M.JR: That was the idea.

MR. WHITE: If some examination should show that the Army is wrong - because you are only going on Army figures - if they later are able to prove to somebody's satisfaction that the Army was wrong, then the claim becomes a valid one.

- 8 -

On the other hand, if they are not able to prove it, the claim is no good. Does that make sense?

MR. ADLER: Yes, it does, and they can never prove that about the claim.

H.M.JR: But we have said that before.

MR. WHITE: But that is your justification, now.

H.M.JR: Isn't that right, Sol, that is what it was before?

MR. ADLER: Yes, it was General Clay who made the offer. He said, "Going back to what we have been discussing, in this view which you have just stated, if we paid you a gross of one hundred and twenty-five million now, that would leave remaining the food and lodging, and the four billion which you have spent on the Chengtu airfields from your own money. We would be willing to accept that with the understanding that the four billion dollars would be presented by you as a claim under Reverse Lend-Lease. It would have no effect on the twenty million dollars for the next three months, which would be paid in cash, and for which you would provide us with the yuan we need; that we would pay you the lump sum of a hundred million dollars immediately, and in any Reverse Lend-Lease agreement to be effected you could in addition to the food and lodging which you would put forward as a claim include also this four billion dollars."

MR. WHITE: No, Clay is telling him something very different. Kung is right from this. I don't understand Clay saying that. I would like to read this over more carefully. He is putting that four billion claim in the same class with the food and lodging and saying that both are in addition--

H.M.JR: Well, the Secretary is all right, but Clay isn't.

What do you have, Harry? (Refers to transcript of Bretton Woods meeting of July 19, 1944)

- 9 -

MR. WHITE: I think he has a little stronger case. You corrected Clay in your statement after, because Clay definitely said that he could treat this four billion dollars for the Chengtu airfield - which, incidentally, has grown to six, now--

MR. ADLER: In Kung's figures it is six point three, now.

MR. WHITE: In the same way that he said Kung could treat the expenses for food and lodging that they were giving the soldiers, which the President said we would pay, but which the Chinese don't want us to pay because they want to be able to say, "We will support it."

Now, you said after he said that, "Excuse me, may I add one thing that we talked about, that in admitting this Chengtu four billion dollars we in no way prejudice or go back to the cable of the President which we interpret was all-inclusive; namely, the twenty-five million dollars a month. That covered everything."

I would like to make that clear. I mean, we claim that this telegram of the President's meant twenty-five million a month and included the construction of everything. Now, what we are saying in view of what you have said - not in any way going back on that, but if they wished to put that claim under Reverse Lend-Lease for four billion dollars, we would raise no objections - now, the only justification, it seems to me, that you can tell him he can put in a claim is where there is a disagreement between you as to the facts upon which you are basing your opinion. Otherwise it doesn't make any sense, and I think that should be the position.

H.M.JR: What I said is all right, isn't it?

MR. WHITE: Then why do you tell him to put in a claim unless there is some doubt?

H.M.JR: Didn't I have to do that to pick up what Clay said?

- 10 -

MR. WHITE: Yes. In other words, Clay got off the beam, wholly. You straightened it out as best you could without saying to him, no.

MR. ADLER: Actually, this business of putting in a claim was to save his face. He was utterly in the wrong and the idea was that if we told him he could put in a claim, he could report to the Generalissimo--

H.M.JR: Excuse me, Sol. Let me get this straight. Now, listen closely, Harry. What I can simply say, if he goes back to this telegram, is that we have nothing that has been given to us to prove that anybody, from the President down, said that they would pay for those Chengtu airfields. I don't know what the President told him the other day, do you see?

MR. WHITE: Oh, yes, we said we would pay for the Chengtu airfields in a number of places.

H.M.JR: He says here, "Kung gave me the enclosed letter from the Generalissimo of last January to take up specifically. It does seem to make it clear that General Marshall said the U.S. would bear the cost of labor." But we have got that General Marshall stuff, haven't we? And this telegram from Roosevelt to Chiang Kai-Shek was written by us. Is there anything new he has dug up?

MR. WHITE: No - no, sir.

MR. ADLER: He has two statements from Marshall and Stilwell.

H.M.JR: Anything in either of those?

MR. ADLER: They are previous to the President's telegram and they say we will pay for the Chengtu airfields. There is no doubt of that.

H.M.JR: Who said so?

MR. ADLER: These two messages of Marshall's and Stilwell's.

- 11 -

H.M.JR: Then why don't we?

MR. ADLER: We say we are paying for them.

H.M.JR: In this price?

MR. WHITE: That is what the Army tells us. We can't audit the Army's figures. If the Army has made a mistake, it will appear they have an out later.

H.M.JR: But we claim that the one hundred and eighty-five million is paying for it. I am simply acting as the agent for the Army.

Now, I am going to do this thing once more - Dr. Kung, I think, has had all the dramatics - I feel a little that way myself, today - I will simply say, "As far as I am concerned, this is the last time I offer it to you. Now, if you are not satisfied you can take it up with the Army direct, or you can take it up any way that you please. I have reached my limit."

MR. WHITE: And that your offer is based on the information that is supplied to you from the Army.

H.M.JR: "Now, if that is incorrect, and proves to be incorrect a year from now, or two years from now, you have got the privilege of putting in a counter claim."

MR. WHITE: And that is what you meant by saying he can put in a claim for Lend-Lease in Reverse.

H.M.JR: Well, I better not be too specific.

MR. WHITE: He can put in a claim on Lend-Lease in Reverse now. That is what you have already told him.

H.M.JR: I am simply acting on the information given to me by the Army. Now, if it is wrong, I am sorry.

MR. WHITE: If it is wrong they will be able to demonstrate it sometime in the future.

- 12 -

H.M.JR: Now, don't you think that from having been to China there always comes a time when you have to call a halt to these negotiations or they go on forever?

MR. ADLER: Yes.

MR. WHITE: I would very definitely be tough with him.

MR. ADLER: He is anxious to reach a settlement before he leaves tomorrow.

MR. WHITE: And the one hundred and eighty-five million - I wonder whether the Secretary thinks he might raise it to two hundred million.

H.M.JR: I have got the authority to do it.

MR. WHITE: Yes, I know you have.

H.M.JR: But every time I raise it, the Chinese only think they are going to get one more.

MR. ADLER: I am afraid so.

H.M.JR: I mean, I have sweetened it by twenty-five million now; if I sweeten it again they will think, "Every time we come and see him he raises it."

MR. ADLER: I agree that if an addition is made, they will expect a further addition on a subsequent occasion.

MR. WHITE: The only thought in my mind about the extra fifteen million is to bury it.

H.M.JR: No, I think you can bury it just as well at one hundred and eighty-five. He will think, "Well, if we wait maybe we can get another twenty-five."

I am going to do it my way.

MEMORANDUM FOR THE PRESIDENT

Subject: Our negotiations with China on U.S. Army expenditures in China.

1. On June 26, Secretary Stimson asked the Treasury to take over the financial negotiations with China which had been going on for over six months. Accordingly, on July 16, at Bretton Woods, with the concurrence of the War and State Departments, I offered Dr. Kung US\$100 million (in addition to US\$25 million we had already paid) in settlement of all our yuan obligations up to June 30, 1944, including the cost of the Chengtu airfields. Dr. Kung was willing to accept the \$100 million in settlement of our yuan obligations, excluding the cost of the Chengtu airfields, which he says is 6.3 billion yuan and which according to the Army is 4.5 billion yuan.

We have always made it clear that our offer has included the cost of the Chengtu airfields, our commitment for which we have invariably acknowledged, but Dr. Kung has stood out for a higher figure by consistently refusing to accept our position with respect to Chengtu. He bases his case on your cable to the Generalissimo which was transmitted to him on January 28. Our interpretation of this cable gives Dr. Kung no ground for any additional demand except for payment for board and lodging of American troops in China -- totalling about 3 billion yuan. We have stated our willingness to pay for this item in U. S. dollars but the Chinese indicated their preference for treating it as reverse lend-lease. They feel that the political advantage of having this item on the reverse lend-lease side of the ledger outweighs the gain from the dollars which they would otherwise obtain. General Clay and I expressed our appreciation of the position the Chinese have taken on this matter at Bretton Woods, and it is no longer a point at issue unless the Chinese reopen the question.

No agreement was reached at Bretton Woods because of the insistence by Kung that Chengtu airfield expenditures were not included and our insistence that they were included.

2. Dr. Kung came to see me again on October 6th. After talking with General Clay, I repeated our July 16th offer of US\$100 million in settlement of all our obligations up to June 30, at the same time making an alternative offer of US\$185 million in settlement of all our obligations up to September 30. Dr. Kung again raised the question of an extra payment for the Chengtu airfields and this proved the main stumbling block.
3. According to the Army we owe 13.9 billion yuan gross including the cost of the Chengtu airfields; deducting taxes, overhead, transportation costs, etc. its net debt is 10.9 billion yuan. According to

- 2 -

Dr. Kung, however, the unpaid debt, excluding Chengtu, amounts to 9.2 billion yuan, and 15.5 billion yuan including Chengtu. These figures cover the period up to June 30. Both fortunately agreed on expenditures from July 1 to September 30, which amounted to 8.5 billion yuan.

The Army's figures are based on the amounts it has spent itself and the amounts it has authorized the Chinese Government to spend. There is no satisfactory way of checking up on the Chinese figures, as they have failed to fulfill their agreement to submit to the Army itemized lists of their expenditures for the Army's account.

My offers to Dr. Kung work out at a rate of around 100 yuan to one U.S. dollar on the basis of our Army's gross figures, around 90 on the basis of the Army's net figures, and around 110 on the basis of Dr. Kung's figures. This is most reasonable to the Chinese, in view of the exceedingly low purchasing power of the yuan and of the fact that it compares favorably with the black market rate which has risen from 80 at the beginning of 1944 to 400 recently.

4. Dr. Kung has been obstinate in holding out for what would amount to an additional \$50 or \$60 million. Representatives of State and War have agreed with us that we would be grossly overpaying the Chinese if we gave them this additional sum.

In order to facilitate settlement we informed Dr. Kung that we have no objection to his putting in a claim for the cost of the Chengtu airfields on reverse lend-lease, making it clear, however, that we regarded the lump sum payment we were offering as a final settlement of our outstanding obligations.

C O P Y

November 20, 1944

Memorandum for the Secretary of the Treasury:

Dr. Kung gave me the enclosed. The letter from the Generalissimo of last January takes up specifically the Army expenditures, but the memorandum of January 8, 1944 does seem to make it clear that General Marshall said the United States would bear the cost of labor and material of the Chengtu airdrome construction.

Will you take this up with Dr. Kung?

F.D.R.

EXECUTIVE YUAN
National Government of China

November 18, 1944

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

Dear Mr. Morgenthau:

With reference to the question of the settlement of advances for U.S. Army Expenditures in China and also for the construction of the Chengtu airfields, you will recall that, during our discussions at Bretton Woods on July 16th, I have stated that, in order to meet the wishes of the U.S. Government to the utmost of our capacity I am willing to accept on behalf of my Government the suggestion made by General Clay, with the understanding that the lump-sum you offered (U.S.\$125 million including the U.S.\$25 million paid in March for the account of February) would be accepted as America's payment for clearing the account up to June 30th, 1944 for U.S. Army expenditures in China, except the advances for the Chengtu airfields, which constitute a separate account. I wish to state that I still adhere to this statement which is in compliance with the wish of President Roosevelt who has given the estimate of monthly expenditure to be in the neighborhood of U.S. \$25 million.

In accordance with this settlement it is understood that China will receive U.S.\$25 million per month as payment for its equivalent in Chinese currency calculated according to the official rate, and credit the balance to Reverse Lend-Lease account.

- 2 -

As for the Chengtu airfields, I had received documentary material since the Bretton Woods discussions which were communicated to you on September 9, 1944, confirming the fact to which I have referred throughout our discussions on this subject that the advances for the Chengtu airfields, which are built specially for the use of the Superfortresses (B-29), constitute a totally separate project. General Hearn in a memorandum dated January 8, 1944, stated on the authority of General Marshall that "the United States will bear the cost of labor and material for Chengtu airdrome construction at a rate of exchange to be arrived at under negotiation in progress". On January 12, General Stilwell transmitted to Generalissimo Chiang a telegraphic message from President Roosevelt with reference to the Chengtu airfields in which the President said, "I'll undertake to make available the necessary fund through lend-lease appropriation if that would hasten the completion of the work on the desired schedule."

With the understanding contained in these communications and in compliance with President Roosevelt's wish to hasten the construction work, the National Treasury and the Central Bank of China have advanced the necessary funds for this purpose. China has paid for the cost of the land and part of the labor cost for which she is not making any claim. As for the rest, we would consider carefully any suggestion that you would care to make as to the ways of clearing up this account.

- 3 -

On November 16, I had an interview with President Roosevelt. In the course of our conversation, we touched upon the question of U.S. Army expenditures in China and he confirmed that the Chengtu airfields constitute a separate project and that the advances which China have made to cover the cost for their construction will be paid separately as stated in his telegram of January 12th. The clarification of this fact, I am sure, will help us to come to a speedy settlement of this problem.

Although President Roosevelt generously offered to pay for the maintenance as well as construction expenses of the U.S. armed forces in China, China has paid for the board and lodging of U.S. armed forces in China which up to the end of June, 1944 cost China nearly a total of 2 billion dollars Chinese currency and is costing now about 400 million dollars per month. China is not asking for the repayment of these expenses and will credit them to Reverse Lend-Lease account.

With best personal regards,

sincerely yours,

(signed) H. H. Kung

H. H. Kung

WAR DEPARTMENT
Washington

June 26, 1944

The Honorable,
The Secretary of the Treasury.

Dear Mr. Secretary:

I am pleased to learn from General Somervell that the Treasury Department has consented to take over negotiations with the Chinese Government looking to a settlement of our financial problems in China and that you have designated Mr. Bell to carry on the negotiation in this matter with Dr. Kung.

We will be glad to assist Mr. Bell in any way he may wish, but we are fully in agreement that it is now advisable to have the Treasury assume primary responsibility for the settlement of the rate of exchange upon which our present indebtedness to China may be liquidated as well as for the arrangement of a fair rate for any future operations in that country. The Army in turn will, of course, feel free to negotiate with the Chinese on any matters necessarily incident to its military responsibilities in that country, but in doing so, it would properly expect to conform to monetary and fiscal agreements actually consummated by the Treasury Department.

Sincerely yours,

(signed) Henry L. Stimson
Secretary of War.

November 25, 1944
11:15 a.m.

CONFERENCE WITH DOCTOR KUNG

Present: Mr. White
Mr. Adler
Doctor Kung
Mr. Chi
Mr. Pei
Mrs. Klotz

H.M.JR: Doctor Kung, I sincerely hope that as one of the last transactions you and I do as Finance Ministers, but not the last we do together for China, that we can get together. And, you see, I am in this peculiar position, that I am simply acting as the agent for the United States Army. I have no original figures of my own. I mean, it isn't as though we have Treasury bookkeepers, Treasury accountants over there, or even Treasury lawyers who have made the contract in the first instance. It is simply I have a letter from Mr. Stimson asking me to conduct these negotiations. So I am at a great disadvantage.

If we had been in this from the first, I think you and I could have settled it in five minutes. If you had had your own people--but it is very difficult. So I am more or less bound by what General Somervell and General Clay tell me and authorize me to pay. It comes out of their appropriations, not out of any other. And they have, in turn, to explain it to Congress; I don't.

Now, I have had your letter, and the reason I asked you to be kind enough to delay is, I didn't have time to go over it with White and Adler. Again I find myself in the embarrassing position that the last word, you see, that I have had from General Somervell and General Clay is that from the first of March to the first of October they have authorized me to pay the Chinese Government one hundred and eighty-five million dollars for all of the expenditures incurred by our Army during that period.

- 2 -

Now, at that time, I think we met, and General Carter was there, and the others--they feel it will take time before the Army auditors and your auditors can get together, and there may be discrepancies on both sides. After all, we are just as apt to make them as you are. And if, when the Army auditors and your auditors subsequently should find any discrepancies, why, I think, it was General Clay who said it would be perfectly proper for you to put in a claim.

DOCTOR KUNG: That could be adjusted on both sides.

H.M.JR: But as of today, the 25th, I have nothing to offer other than this offer, which I made before. That is all the Army has authorized me to do.

DOCTOR KUNG: Certainly General Clay cannot go over the authority of the President, who is your Commander in Chief. From what the President wired officially to my Government--he said from March on the American Government would undertake to pay everything, spend it for the American account for the American troops.

Then further he said for the next few months the Army requirement probably would be about twenty-five million dollars. And that was the figure which General Clay offered at Bretton Woods. And I accepted the figure from March to July because that was the wish of the President, and why that was brought about--we know for a fact that the Army was spending something near that amount up to that time. In fact, the February expenditure was much more than that, because in February your Army had sold nearly ten million dollars to the Central Bank at the official rate.

And then later you wanted more money, owing to the increased expenditures, the rising price, and so forth. You negotiated through your Army's representative, Acheson, and your Ambassador, Mr. Gauss. I think at the conference Mr. Adler also was present, and you told your case. After I consulted with the Generalissimo and with my colleagues, we made a counter proposition. That was, for many, many reasons we cannot alter the rate of our exchange. You say

- 3 -

twenty to one to your dollars, but in relation to our foreign money, including British pounds--no other countries have raised any objection. Well, of course, they have in the Army there. But our own people, including the Chinese laborers who have to maintain their families in China, for instance--many Chinese work in this country and earn a little money, and each month they have remitted to China through the Bank of China to support their father, mother, wife or children. The Government gives them the same rate. Furthermore, your merchant--take your moving picture industry--after they have that picture, they get so much money, and they want to bring that back to this country. We sold foreign exchange, American dollars, to them. And the American prisoners, some missionaries, sold out their things, for instance, a typewriter--say they paid a hundred dollars for it before; now they settle for probably forty thousand dollars in China, and that means two thousand dollars of American money. They all exchange for the money they take out of China. Well, we know all of this. Why don't we change the rates? We have inflation, inflation caused by high prices. And the Chinese currency was based on American currency. We have it stabilized. Before the war it was thirty American dollars to a hundred dollars.

Then because we tried to maintain the free market in Hong Kong, it gradually depreciated until this stabilization board was established, and your own representative, Mr. Fox, had a great deal to do with it; a rate was fixed at five cents to a Chinese dollar. Since then we have completed it, and we have, owing to your kindness in granting us a loan, we have some foreign exchange, and everybody knows that. The Government deemed it was unwise to change our rate, because the public would say there was no reason for you to do that. If you do that, you are going to just depreciate the money to nothing. That is why--that would encourage people to hoard, lose confidence in the currency, or they will hold back, hoping to get a higher price. That would add to our difficulties. That was the reason we explained to your representative, saying we could not change the rate at the present time.

But the time may come when the Burma Road is open, or a seaport is open, and then we shall be able, I hope, by

- 4 -

that time, because some goods would be flowing into China which would combat the rising prices; so if we make a change of the rate it will not affect the finances of China enough to hurt it, the economical structure.

At that time there was really no black market, but when your Army came in some of them had sold and that created a black market. We could stop that, but at that time we didn't want to do it because probably a mother would send five dollars and a wife might send five dollars for them to buy something extra. If we force them to sell to the Central Bank at the official rate, do you see, they lose it.

Then there was a smuggling business between China and India - the Indian rupee lost value. They wanted to get hold of American dollars. Well, the supply from China goes to India - the Indians would buy it at a premium so the Chinese smugglers will get that and buy precious stones or cigarettes or drinks or perfume or gold. Here, again, because of this military transportation, planes, and we trust everybody--your Army didn't want us to have a customs officer investigate all that. So that was left as freight. Well, occasionally, of course, that created the market for the American dollars. At that time the black market was about seventy or eighty dollars while the official rate was twenty. But in order to help those people out, the Government decided finally to give dollars for dollars. That is, when an American dollar was sold to the bank, the Chinese Government created a fund--they would give an equal amount to what they sold to the bank. Later that was applied to the Chinese who supported families.

But your military expenditure is between Government and Government. The American Government has been generous to help China. Therefore, we thought this was the way--and perhaps the American Government would be willing to do it. But since you said you are spending too much and you want to change the rate, we cannot change the rate, so we offered you a fifty percent subsidy. They thought that was too little, and they wouldn't accept that. If the Chinese Government then could see its way, we might offer a hundred percent; maybe they think it could be settled.

- 5 -

But because we know you are sympathetic--the President of the United States realized the common effort to win the war against Japan--the Chinese position must be strengthened. To strengthen the Chinese military position, you must hold the economic line. If the economic line is snapped, then everything will be gone. On the strength of the President's telegram which said he would pay for the Chengtu airfield and other expenses, and so forth, we advanced the money. The money advanced by the Central Bank of China is not from the Government Treasury. It so happened that I am the Governor General of the Central Bank. I can make loans and make advances. So I did that.

Now, of course, my Government says I haven't done the thing right and I made a mess of things, so they will dismiss me. And I am dismissed as the Minister of Finance now. So I must settle everything in the proper way; otherwise, they will put me in jail.

But you see, we are cooperating in a common effort to fight a common enemy. You have in the past granted us a loan. This is an account which has been advanced by the Chinese Government, by the Central Bank, and they believe this thing would be settled accordingly, because the President said he would pay for the Chengtu airfields from the Lend-Lease.

Now, if General Somervell or General Clay has some difficulty about their appropriations--well, the President from the very beginning said that could come out from the Lend-Lease fund. And I know you had difficulties, because you didn't have all these negotiations, and you didn't know what happened. So the last time I had occasion to see the President, I just asked him what he meant by those telegrams.

He said it was correct, but about that twenty-five thousand dollars--that was for the military expenses. I just told you, remember, later, one billion Chinese dollars. If that one billion Chinese dollars which you required must be bought with American dollars at the official rate, that would amount to fifty million dollars alone. So your February expenditure would not be twenty-five million U.S. dollars; it would be nearly sixty million dollars. That was

- 6 -

too much. Therefore, the President--I suppose he was probably influenced--said, "Well, we will spend about that much." He said in his telegram, "For the next few months the American Army expenditure will be somewhere around twenty-five million dollars."

Well, now, if you say it is twenty-five million dollars, from March you pay nothing. Suppose you say from March on, March, April, May, June--four months--that is a hundred million dollars. Do you see? Now, if you go on like that to July, August, September, October--or where do you want to end it, the end of October or November?

H.M.JR: To the 1st of October.

MR. CHI: The end of September.

DOCTOR KUNG: Well, then that is three months more, July, August, and September at the rate of twenty-five million? That would be seventy-five million. Seventy-five million and a hundred million--that would be one hundred and seventy-five million for your military expenditure. That is, of course, saying nothing about the maintenance of your Army and construction of barracks. The President promised that the American Government would pay for it, though you didn't know how much that would be.

Now, the Chengtu airfield is a separate account. That, the President already said he would pay for from the Lend-Lease fund. There is a telegram he sent, and I have sent that telegram--a copy of that for your reference.

MR. WHITE: May I make some comments on some of the facts involved?

H.M.JR: I think we will wait until Doctor Kung is finished.

DOCTOR KUNG: That is the history of it. As I have said before, the only regret I have is that China, after fighting seven and a half years of war, is desperately in need. To begin with, China is a poor country. If China were like America or the United Kingdom, Mr. Secretary,

- 7 -

I can assure you that as long I was Minister of Finance I would foot the whole bill. That is, I would fight for it with my Government to pay whatever the extra expenditure may be that is expended by the American Army in China, because it is a common war. If we can do it, well, why shouldn't we do it. Good will and future cooperation are very important. But it so happened that China is not situated in such a position. China has to time and again come to America asking for assistance. Before you entered the war you couldn't make us a loan, so we sold something--you paid us in advance--the tung oil loan. And you gave us five years to pay it back. We paid it in two and a half years. Before the war you had to store it, and your people advocated burning it, but you gave it to us, and we took it and paid for it; even today during the war we suspended other payments, but we are still meeting that every year with cash.

I need not tell you, Mr. Secretary, of our relations since I have become the Minister of Finance and you have become the Secretary of the Treasury; from the very beginning our relationships have been very pleasant and very happy, and I must say that we have the utmost confidence and faith in each other. I appreciate what you have done for China; and if there is something that I cannot do for the American Army, it is not because I don't have the desire, but it is because China is not in the position. We have every dollar we issue--that piece of paper money that is printed in this country, we have to pay cash for it later after the war, and that is payable on demand. What would your merchants say after the war when they sell goods to China and they get this paper money and they come to the Central Bank for exchange of American currency and we say to them, "Take this money to America and spend it. We issued the money on your Army account. You never gave us money to redeem this"? What could we say or do?

And I think, Mr. Secretary, you are justified, not based on what Clay said--Clay made a trip to China, stayed a few days--I think he really doesn't understand the situation himself--by the principle laid down by the President. And if he wired to the Generalissimo, the President of China,

- 8 -

that between the head of one State and the head of another friendly power, who are cooperating--fighting against a common enemy--that is something, after all--

H.M.JR: May I just say this: We have never questioned the President's telegram. As a matter of fact, the telegram that the President sent was written in my own office, so I am thoroughly familiar with it.

DOCTOR KUNG: You mean about the Chengtu airport?

H.M.JR: The one the President signed.

MR. ADLER: The one transmitted to the Generalissimo on January 28.

H.M.JR: The January 28--

DOCTOR KUNG: But there is another one.

MR. ADLER: From the President?

MR. CHI: On the 12th. That was quoted in the letter.

DOCTOR KUNG: There were two telegrams with regard to the Chengtu airfield, one by Marshall, and the other by the President.

MR. WHITE: This is the one, I imagine, he refers to, but there is nothing inconsistent with that, Mr. Secretary.

H.M.JR: On the 12th General Stilwell transmitted to the Generalissimo Chiang a telegraphic message from President Roosevelt with reference to the Chengtu airfields, part of which reads: "We can supply the technical engineering supervision but rely upon you to provide the necessary labor and material so as not to draw on the air supply line. Stop I'll undertake to make available the necessary fund through Lend-Lease appropriation if that will hasten the completion of the work on the desired schedule."

- 9 -

Well, now, look, Doctor Kung, as I explained in the beginning, we have been over this a number of times, you and I. We here feel, and you correct me, White or Adler, if I am wrong, that there is nothing in Doctor Kung's letter which we received last night which as far as we are concerned brought any new light on it.

MR. WHITE: That is correct.

MR. ADLER: Yes.

H.M.JR: Now, I can't do any more than I have. I am operating here as the agent for Mr. Stimson. I can't do any more than I have done. We feel, as far as the President is concerned, that we are doing what we interpret he wanted done, namely, paying for the Chengtu field, and we are paying for it when we offer you one hundred and eighty-five dollars.

Now, that has been our position right along.

MR. CHI: That makes the Chengtu airfield only ten million, because here twenty-five million dollars a month--

MR. ADLER: Excuse me, it was only twenty-five million dollars a month up to June 30.

H.M.JR: After that we suggested twenty a month.

MR. WHITE: That very question, Mr. Secretary, was raised in almost the precise form, and General Clay's answer to that, not once, but several times in the same conference, was that the cost of the Chengtu airfield was included in the item bill of the twelve or thirteen billion yuan. Doctor Kung questioned that. He said he thought it didn't.

General Clay said that our figures show it is. That was part of the expenses which the Army was supposed to have been operating under and were operating under. So the question has progressed no further than it did at that time, in which the Army claims that the figures include the cost of the Chengtu field, and Doctor Kung says they don't.

- 10 -

H.M.JR: May I explain to you once more how we arrived at these figures in the offer we are making? For March, April, May, and June, four months, it is one hundred million dollars. Then we offered for July, August and September, twenty million a month.

DOCTOR KUNG: Mr. Secretary, how could we arrive at that? From March, April, May, and June, four months, gives you the figure which is no more than the figure in Chinese dollars expended for July, August, and September. And in some months you will spend more. How is that?

H.M.JR: I can only repeat what the Army told me, that they felt that beginning with July our expenditures fell off.

MR. CHI: They actually didn't, Mr. Secretary.

MR. ADLER: Excuse me, the average for March, April, May, and June on our Army figures is approximately three point five billion yuan, and for July, August, and September, the average monthly figure is approximately two point eight billion. So there is a falling off.

DOCTOR KUNG: That is four months.

MR. ADLER: But I am taking the average monthly. The twenty-five million a month was offered for the first four months as the average, and the twenty million is offered for the next three months. There is one other point which has not been made clear, and which the Army had in mind when they suggested the twenty million dollars, that prices were going up all the time, that even if our expenditures had not fallen, there would be a justification for a reduction from twenty-five to twenty million. Actually on the average monthly figures there is a decline in expenditures, too, as well as an increase in prices.

MR. CHI: But in arriving at that average from March to June, you are including the expenditures of the Chengtu airfield. So the whole thing hinges on that.

MR. ADLER: So the next three months--

- 11 -

MR. CHI: If you included the six point three billion and arrive at the average, then you will find the expenditures per month in the three months from July to September a little higher.

MR. ADLER: Excuse me, the figures from July to September also include the Chengtu figures.

MR. WHITE: You see, the Chengtu—the expenditures on the Chengtu field declined very sharply so that if he is consistent in his position that the earlier figures do not include the Chengtu field--the Army says it does--then he is right in saying that the expenditures in yuan is greater. But that still leaves the major issue that it does include--

DOCTOR KUNG: The Chengtu airfield was built--after the finishing of the construction--that was kept as a separate account. After that you have personnel and additions, and, therefore, you need a little more money. But that does not include the construction of the airfield.

H.M.JR: Well, Doctor Kung, I am not arguing; I am simply telling you what the Army--what General Somervell, General Carter, and General Clay have told me. Now, I just wanted to go through those figures, because, as I say, what we have offered you was a hundred million dollars for the four months from the 1st of March to the 1st of July, and twenty million a month for the three months from the 1st of July to the 1st of October, inclusive, or sixty, by which you arrive at one hundred and sixty, and then I think the last time the Army authorized me to add twenty-five million dollars over the seven months period to settle the matter. So we added twenty-five million over the seven months period which brought it up to one hundred and eighty-five million.

Now, I have done all I can do, Doctor Kung. I can only do what I am authorized to do.

DOCTOR KUNG: Is that your authorization by the President or by General Clay? We are dealing with the Government.

- 12 -

MR. WHITE: It is on the basis of figures which the Army has supplied.

H.M.JR: I am authorized by the War Department. Now, it was a very simple matter when you and I started these negotiations; they have always been very friendly, and I would like them to stay that way. I think I have demonstrated over a seven year period that I am a friend of China's, but I am a public servant, and I can only do so much.

DOCTOR KUNG: I am in the same position.

H.M.JR: Now, we have, unfortunately, not been able to come to an agreement. I am not authorized to do anything more, so my suggestion to you would be that you deal directly with Mr. Stimson and maybe you can get a better deal. Do you see? I would suggest that you deal directly with Mr. Stimson.

DOCTOR KUNG: The President said he entrusted the thing in your hands.

H.M.JR: Well, you took it out of my hands a little bit, which is your privilege, and I think maybe it would be much better if I would simply write Mr. Stimson a letter in answer to his, which I have here, and simply inform him that I have tried my best to get together with you with the information which he has given me. I have been unsuccessful.

DOCTOR KUNG: I haven't been dealing with Mr. Stimson; I have been dealing with you.

The only thing at Bretton Woods is, the issue was confused because General Clay seemed to think the twenty-five million included everything.

MR. WHITE: He said so several times. It is a specific and direct question which arose then and since. You questioned him, and he said that, "Our figures which we have submitted to the Treasury upon which this arrangement was based of the hundred million includes the cost of the Chengtu airfields."

- 13 -

Doctor Kung said according to his information they did not. And General Clay said that according to his information they did.

DOCTOR KUNG: Well, the figure now proves it did not. And furthermore, I saw the President. The President said that would be paid. "In fact, we propose to pay that, not from the regular Army expenditure, but from Lend-Lease."

MR. WHITE: I don't know where that appears. I have no information on that score.

DOCTOR KUNG: You just read that.

MR. ADLER: He said, "If it hastens--"

H.M.JR: "Undertake through Lend-Lease--"

MR. CHI: That did hasten--

MR. ADLER: The commitment was made in the January 28 telegram, the specific commitment.

DOCTOR KUNG: When the January 28 telegram came, the Chengtu airport was an object which was settled before January 28.

H.M.JR: But if you are going to bring Lend-Lease into this matter, as far as I know, there is nothing in their record of any contract between Lend-Lease and the Chinese Government for the Chengtu airfields.

MR. WHITE: All the President meant was, if the funds weren't available he would get funds from Lend-Lease. But the Army said they made the fund available, and it gets down to whether our figures include the cost of Chengtu as the Army claims or whether they don't as Doctor Kung says.

H.M.JR: I am not questioning Doctor Kung any more than I am questioning the Army. But the Army takes one position, and Doctor Kung takes another. Now, the Army says you can pay one hundred and eighty-five million dollars for seven months for everything. That is all I can do. Now, it has taken a lot of Doctor Kung's time. I can't do anything more, and it seems to me that instead of dealing with a gentleman like myself it would be much more satisfactory for Doctor Kung to deal directly with the Army.

DOCTOR KUNG: You are not just any gentleman; you are the Secretary of the Treasury representing the American Government.

- 14 -

H.M.JR: Well, you know Ministers of Finance can come and go.

DOCTOR KUNG: Well, I am the Minister, but maybe next week I won't be the Minister.

H.M.JR: As I say, I feel very badly about this. I have tried my best to stretch every possible point. I feel that we have done everything within the spirit of the message from the President when we consider the fact that the Army consistently says that they are paying for these fields. As I say, I am the agent or the attorney - whatever you call it. Now, I haven't any Treasury people there. If I had my own people, then I could be held wholly responsible.

DOCTOR KUNG: Mr. Adler was there.

MR. ADLER: I would like to say that I did not participate in those negotiations. I was kept informed of them, but I was not a participant. The State Department and the Army were.

MR. WHITE: What the Secretary had in mind is that we don't have anything to do with the compilation of the figures.

H.M.JR: Or the contract. I mean, I never saw a contract negotiated like this. There is nothing in writing.

DOCTOR KUNG: The only writing is the President's telegram and his letter, and we just take that as orders.

H.M.JR: And the Army's answer to that is, "We have carried out the wishes of the President of the United States, and when we pay you one hundred and eighty-five million dollars, we are paying for all the work." Now, that is their answer.

Now, I can't say to General Marshall or Mr. Stimson, or to some other general who is in China, "You don't know what you are talking about," because I have nothing to

- 15 -

base it on. I have got to take what they say. I can't say to this general who is over there - whatever his name is--

MR. WHITE: General Hearn.

H.M.JR: I don't even know who the man is.

MR. WHITE: To say that their figures are five billion out of the way - we have asked them to check up again. They say that their figures include the Chengtu airfield.

DOCTOR KUNG: What is their total figure?

MR. ADLER: Thirteen point nine, gross.

DOCTOR KUNG: For the Chengtu airport?

MR. ADLER: Four billion, four hundred and sixty-four million.

DOCTOR KUNG: Four billion - our figure is six, three. Suppose there is a difference; we can leave that for further considerations. You can settle it either way if there is a discrepancy. But that four billion, six hundred million, you see--

MR. ADLER: That is included in the Army's figure of thirteen point nine billion. It is not separate. It is included in that figure.

MR. WHITE: The thirteen point nine billion includes the Chengtu airfields which they list as four billion plus.

DOCTOR KUNG: Well, we have given the detailed figure to you, and that figure was checked by your Army man. You have an Army man there. They must O.K. it.

MR. WHITE: That is what the Army says.

DOCTOR KUNG: Well, we can take that - suppose we take that thirteen billion--

- 16 -

MR. WHITE: From which the Army would like to deduct some taxes.

DOCTOR KUNG: No taxes. If there were taxes, all right, you can deduct that, too.

Chi, you have the figures. What are the figures?

MR. CHI: Thirteen point, what?

MR. ADLER: According to our Army figures, thirteen point nine billion, gross. That is up to June 30; and from June 30 to September 30, their figures are eight point five.

MR. WHITE: There is no difference between the figures. Your figures and the Army figures are approximately the same.

MR. CHI: For the next three months, yes.

DOCTOR KUNG: That figure of thirteen, nine is inclusive of the four billion, four.

MR. ADLER: Four, six, four. Yes.

DOCTOR KUNG: And then the Army offers to settle for one hundred and eighty-five million?

MR. ADLER: Up to September 30.

MR. WHITE: So you will have to add to that.

DOCTOR KUNG: Well, originally the settlement was from March to June, and then from June, another account. Well, now, from March to June we settled that; that is the four months according to what the President said, twenty-five each - that would be a hundred million. Then how much--

MR. WHITE: The one hundred and twenty-five million is supposed to cover the thirteen point nine, gross;

- 17 -

twenty-five you got, and a hundred million more you were going to get. It is one hundred and twenty-five million for the thirteen point nine, gross.

MR. CHI: That makes the total two hundred and ten; if we include that twenty-five million the total will be two hundred and ten.

MR. ADLER: Twenty-five million already paid.

DOCTOR KUNG: No, that is finished.

MR. WHITE: The thirteen point nine figure includes the one billion.

H.M.JR: The point is this, as I understand it; the thirteen point nine includes February, and therefore if you include February you have to include the twenty-five million we have already paid you.

DOCTOR KUNG: You can exclude that.

MR. PEI: In other words, we are offered one hundred and twenty-five million to settle the thirteen point nine.

MR. WHITE: That is right, or two, ten to settle the whole thing up to October 1st.

DOCTOR KUNG: Well, what does that represent for the payment of the airfields?

H.M.JR: What is the point, Dr. Kung?

DOCTOR KUNG: Well, Mr. Secretary, I think if we are going to check the account it will take a long time. I think the best thing would be, based on the conversations we had in Bretton Woods, and Clay then offered through you a certain amount, and he was willing to let the Chengtu airfield be credited to Lend-Lease - then you say now that February has been paid, deduct that, you are offering one hundred and eighty-five million.

- 18 -

H.M.JR: I am not quite clear, are you?

MR. WHITE: Yes, he is saying you offered one hundred and eighty-five up to October 1st, and General Clay said that they could put the Chengtu airfields on Lend-Lease in Reverse. You haven't answered that yet, but that is the statement he has made up to the moment.

H.M.JR: The point that was made was this, that the Army kept saying that the offer that we were making you at Bretton Woods included the Chengtu airfields.

DOCTOR KUNG: You have a record of what Clay said.

H.M.JR: Yes, we looked at it before you came in - and you gentlemen said it didn't. Then we said if you wanted to you would have the privilege of putting in a claim for the cost of the Chengtu airfield in Lend-Lease in Reverse. Is that correct?

MR. WHITE: They could put in a claim.

H.M.JR: But we were maintaining that when we paid you the hundred and twenty-five million dollars for the five months, that that paid for everything. That has been the Army's position right straight along.

MR. WHITE: That is, the claim, presumably, would be one based on re-examination of the figures. If the Army was wrong your claim might have some validity. If you were wrong - but that they were paying in full, but you could put in a claim for Lend-Lease in Reverse for the Chengtu airfields.

DOCTOR KUNG: Will you please get that record and read what Clay said?

H.M.JR: Yes.

MR. WHITE: May I read it, Mr. Secretary? (Hands record to Mr. Adler)

- 19 -

MR. ADLER: (Reading from Bretton Woods Conference of July 16) "Going back to what we have been discussing, in this view which you have just stated, if we paid you a gross of one hundred and twenty-five million now, that would leave remaining the food and lodging, and the four billion which you have spent on the Chengtu airfields from your own money. We would be willing to accept that with the understanding that the four billion dollars would be presented by you as a claim under Reverse Lend-Lease. It would have no effect on the twenty million dollars for the next three months, which would be paid in cash, and for which you would provide us with the yuan we need; that we would pay you the lump sum of a hundred million dollars immediately, and in any Reverse Lend-Lease agreement to be affected you could in addition to the food and lodging which you would put forward as a claim, include also this four billion dollars.

"DOCTOR KUNG: I wish I would to it, you know.

"H.M.JR: Excuse me - may I add one thing that we talked about, that in admitting this Chengtu four billion dollar claim we in no way prejudice or go back to the cable of the President which we term was all-inclusive - we claim that this telegram of the President's meant twenty-five million a month and included the construction of everything.

"Now, what we are saying, in view of what you have said, would not in any way go back on that. We still hold to this cable, that if you wish to put in a claim under Reverse Lend-Lease for four billion dollars, we would raise no objection. Do you mind my making that suggestion?

"GENERAL CLAY: That is right, sir."

DOCTOR KUNG: Well, all right. As far as you are concerned, you have paid this, but the four billion dollars includes food, lodging, everything; if I want to claim that in Reverse Lend-Lease, you have no objection.

H.M.JR: That is right.

- 20 -

MR. WHITE: Let's make it clear. The food and maintenance was a separate item which we were ready to pay at any time. The President said we would pay for that, and we were ready, and presumably are ready at any time to pay for it. But you indicated - your government indicated - that they preferred to have that in Lend-Lease in Reverse. That is a separate item.

Now, when it comes to the Chengtu airfield, what the Secretary says is that you can put in a claim, -- you know what a claim is. It means you say, according to your figures that is outside the Army figures, and that this amount of one hundred and eighty-five is a complete payment of all the items including the Chengtu airfields.

H.M.JR: May I just say this, what General Clay said, and what I said at Bretton Woods, which we have just read, of which you have a copy, I stand on that.

DOCTOR CLAIM: Well, we can leave that as a claim.

H.M.JR: I don't want to change a word. I gave you that; I said that. We stand on that position. We don't retract or withdraw from that position. That is perfectly clear.

DOCTOR KUNG: Well, Mr. Secretary, if that is the position, and we will just go back to the original Bretton Woods position, we will settle this and according to what you said and I said, leave that as a claim, and the Chinese Government will pay that by herself as a Lend-Lease, according to what was said.

All right, today, in order to facilitate the thing, we leave that as a claim.

H.M.JR: Now, let me see if I understand it correctly. If I understand what you are saying correctly, you accept what I said, and what General Clay said at Bretton Woods, that we have just read, of which you have a copy. I reaffirm that position now, and I take it that you are accepting that position as it was stated.

DOCTOR KUNG: Yes.

H.M.JR: Now let me see if I understand it correctly. You will accept how many months in payment, so we get that clear?

DOCTOR KUNG: To the end of September, October 1st, one hundred and eighty-five million.

H.M.JR: That you will take one hundred and eighty-five million dollars until October 1st. And that is in full payment with the understanding with respect to the claim. Is that right?

DOCTOR KUNG: Yes.

MR. CHI: In addition to that, the claim for the Chengtu air fields can be put in.

DR. WHITE: I want to make certain, Mr. Secretary, that you and Dr. Kung are in agreement. I presume that you are both using the word claim in the sense which we use it in the United States, namely, that the Chinese Government could advance the cost of the Chengtu air fields as a claim in mutual aid on the basis that such cost had not been included in the figures submitted to us by the Army. Whether that claim will be recognized or not is a matter to be determined by subsequent examination of the data. In other words, the word "claim" does not mean a charge but rather the right to claim that a charge should be made for credit to reciprocal aid.

H.M.JR: To go a step further so that there can be no misunderstanding - Mr. White is worrying, and I am glad he is worrying - when we pay over this \$185 million we will state that that is in full payment for all obligations incurred by the United States Army from the first of March to the first of October.

MR. PEI: I beg your pardon, Mr. Secretary--with the understanding that the Chinese Government will put in a claim.

- 22 -

H.M.JR: May put in a claim. But you understand, there will be on the check or in the letter of transmittal, somewhere will be stated that this is in full settlement of all obligations incurred by the United States Government during the period - 1st of March to the 1st of October.

Then another paragraph will say that if, subsequently, additional information comes to light, furnished either by our Army or by the Chinese Government, the Chinese Government may submit a claim as reciprocal aid.

I am trying to paraphrase what I said there.

MR. WHITE: The only side question is that I imagine that the February expenditures will never come up, because if they do, better add the twenty-five and include all expenditures.

H.M.JR: Now, wait a minute, Harry. Don't change the formula. The thing that we are really talking about is the 1st of February to the 1st of October, inclusive, for which I said we owed the Chinese Government two hundred and ten million dollars, of which we have paid twenty-five, which brings it to one hundred and eighty-five.

Is that right?

MR. CHI: Yes.

MR. PEI: That is right.

H.M.JR: Now, we have been over this so often.

MR. CHI: That is right.

H.M.JR: Now, be awfully sure. I will say it once more. From the 1st of February to the 1st of October, inclusive - that is eight months - we claim we owe you two hundred and ten million dollars. We have advanced you twenty-five.

- 23 -

MR. CHI: Yes. Beg your pardon, Mr. Secretary, maybe I am wrong - may I make a suggestion? In view of the fact that His Excellency will have to go to the hospital soon, and after that if there is any misunderstanding, would it be better for us to put something in writing right here?

H.M.JR: I tell you, I think we can phrase the thing. I will try to have the check drawn today, if possible. Now, I think the simplest way to do the thing would be to attach to this document that conversation of General Clay and myself at Bretton Woods; that will be attached to the document, and I will initial it.

DOCTOR KUNG: Yes, what Clay and you and I said.

MR. CHI: Yes, the few paragraphs Mr. Adler just read.

H.M.JR: And I will say this is a true copy of the conversation and Dr. Kung can initial it and say it is a true copy. That can be attached to the check.

MR. WHITE: Inasmuch as it is a settlement, Mr. Secretary, I gather it is a final settlement of the discussions and negotiations, couldn't it be a separate official document that could stand on its own feet without referring to any past? Dr. Chi and ourselves could draft a document and then see if it is acceptable to both of you, then it could be initialled, letting it stand on its own feet as an official document.

H.M.JR: I don't follow you.

MR. WHITE: I think we could draft a document which would be acceptable to both of you which would be an official document, winding this up, standing on its own feet.

DOCTOR KUNG: I think what the Secretary said is all right.

H.M.JR: No, I would like to have the conversation at Bretton Woods attached because that is what we are settling now. It can be an exchange of letters, but I want to refer to that conversation.

- 24 -

DOCTOR KUNG: Yes, I think we had better have that attached.

H.M.JR: Is there any reason why that can't be drawn?

MR. WHITE: No, we can draw that. We can make certain that the document itself, the exchange of letters, contains precisely what you have agreed this morning.

H.M.JR: I mean, can't the Army draw that check today?

MR. WHITE: I see no reason why they can't. I don't know what their routine is.

H.M.JR: I would have to ask if they have that much money in the bank.

DOCTOR KUNG: No, we want the money to be left here for future payment in America. That money won't leave America.

H.M.JR: Will you buy some bonds from me?

DOCTOR KUNG: All right, I will buy bonds from you! I will buy a hundred million dollars' worth of bonds from you.

H.M.JR: Sold! Well, Dr. Kung, nothing makes me happier than as the last official act as Minister that we should come to a successful agreement. I know that you will continue to play a very important part in the life and reconstruction of China, and I hope that when you do that there will be some little way that I can be of help to you.

DOCTOR KUNG: Thank you. You may be sure I will cooperate with you whether I am Minister of Finance or not.

H.M.JR: Well, I am sure you will play a much more important role.

- 25 -

DOCTOR KUNG: Well, I have to get rid of the ailment I have. When I go under the doctor's knife two or three times I don't know what may happen.

H.M.JR: Well, you will come out a stronger man, with a new life.

DOCTOR KUNG: Thank you.

H.M.JR: And as I say, I hope in the future that I can in some little way be helpful to you personally, or to your government.

DOCTOR KUNG: Thank you. You have been, and I appreciate that.

H.M.JR: Well, I have tried my best but I haven't been a free agent, and I think you understand that.

Original, verbatim, pp. 21 + 22 of 247
Kung conference of 11/25/44 -
11:15 a.m.

DOCTOR KUNG: Yes.

now let me see if I understand it correctly

H.M.JR: ~~And~~ will accept how many U.S. dollars for how many months in payment, so we get that clear?

DOCTOR KUNG: To the end of September, October 1st, one hundred and eighty-five million.

H.M.JR: That you will take one hundred and eighty-five million dollars until October 1st. And that is in full payment - ~~well, it is on the formula that is stated by Clay and myself.~~ Is that right?

with the understanding with respect to the claim: Is that right?

DOCTOR KUNG: Yes.

MR. CHI: In addition to that, the claim for the Chengtu airfield can be put in.

MR. WHITE: I want to make certain, Mr. Secretary, that you are in agreement. A claim for the Chengtu airfield, putting on Reverse Lend-Lease, I presume we are using the claim in the sense we use it in the United States, that they could advance that as a claim in the sense it was not included in the figures by the Army. Whether it is recognized as a claim or not is a matter for subsequent examination of the data. In other words, the claim is not an entry, but the claim to make the charge.

Substitute # A

H.M.JR: To go a step further, so there can be no misunderstanding - Mr. White is worrying, and I am glad he is worrying - I think there was some place where it was said - now, I will have to do my thinking out loud - that when we pay over this one hundred and eighty-five million dollars, the Army will say that this is in full payment for all obligations incurred by the United States Army from the 1st of March to the 1st of October.

Substitute # B + insert this phrase

MR. PEI: I beg your pardon, Mr. Secretary - ~~With~~ the understanding that the Chinese Government will put in a claim.

H.M.JR: May put in a claim. But you understand, there will be on the check or in the letter of transmittal, somewhere will be stated that this is in full settlement of all obligations incurred by the United States Government during the period - 1st of March to the 1st of October.

Then another paragraph will say that if, subsequently, additional information comes to light, furnished either by our Army or by the Chinese Government, the Chinese Government may submit a claim ~~through Lend Lease in Reverse~~ *as reciprocal aid*

I am trying to paraphrase what I said there.

MR. WHITE: The only side question is that I imagine that the February expenditures will never come up, because if they do, better add the twenty-five and include all expenditures.

H.M.JR: Now, wait a minute, Harry. Don't change the formula. The thing that we are really talking about is the 1st of February to the 1st of October, inclusive, for which I said we owed the Chinese Government two hundred and ten million dollars, of which we have paid twenty-five, which brings it to one hundred and eighty-five.

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Returned 12/15/44

249

11/25/44

MEMORANDUM FOR THE PRESIDENT

Subject: Settlement of our negotiations with China on our Army expenditures.

- I. I am happy to report that our negotiations with China on our Army expenditures in China have at last been successfully terminated. The War and State Departments in consultation with the Treasury first handled these negotiations which began last year but which Secretary Stimson asked me to take over on June 28. I finally got Dr. Kung to agree to the offer I made him on October 6 of \$185 million, in addition to the \$25 million already paid, in liquidation of our yuan obligations for U. S. Army expenditures in China. This offer of October 6 was substantially that we made to Dr. Kung at Bretton Woods on July 16 as reported in my appended cable to you of July 17, except that we added \$25 million to induce the Chinese to settle, as the American representatives at Bretton Woods had agreed among themselves we should do, should it turn out to be necessary.
- II. The text of the agreement is as follows:
 - (1) The War Department shall transfer to the account of the National Government of China or the account of such agency of the National Government of China as the National Government of China designates a sum of One Hundred and Eighty-five million U. S. dollars (US\$185 million), in addition to the Twenty-five million U. S. dollars (US\$25 million) already transferred, making a total of Two Hundred and Ten million U. S. dollars (US\$210 million), in settlement of all U.S. Army obligations incurred up to September 30, 1944.
 - (2) This settlement does not include the yuan expended by the Government of the Republic of China for

- 2 -

board and lodging of American armed forces in China. This sum will be credited to the National Government of China as reciprocal aid under Article VI of the Mutual Aid Agreement of June 2, 1942 at the request of the National Government of China.

- (3) As stated in paragraph (1) above, this settlement liquidates all our obligations for U. S. Army expenditures in China up to September 30, 1944 (with the exception of paragraph (2) above), with the understanding that as the appended minutes of conversations at Bretton Woods on July 16, 1944 and in Washington on November 25, 1944 indicate this settlement is without prejudice to the Chinese contention that the cost of the Chengtu airfields is not included in the amounts referred to in paragraph (1) but should be treated as an item of reciprocal aid under Article VI of the Mutual Aid Agreement of June 2, 1942.

III. We have always made it clear that our offer has included the cost of the Chengtu airfields, our commitment for which we have invariably acknowledged. The second paragraph of page 1 of Dr. Kung's letter to you of November 16, 1944, is thus an error on this issue. Our offer was in fact based on the figures supplied us by the Army, which it insists, include the cost of these airfields. But Dr. Kung stood out for a higher figure by consistently refusing to accept our position with respect to Chengtu. He based his case on your cable to the Generalissimo which was transmitted to him on January 28. Our interpretation of this cable gives Dr. Kung no ground for any additional demand except for payment for board and lodging of American troops in China - totalling about 3 billion yuan. We have stated our willingness to pay for this item in U. S. dollars but the Chinese indicated their preference for treating it as reverse lend-lease. They feel that the political advantage of having this item on the reverse lend-lease side of the ledger outweighs the gain from the dollars they would otherwise obtain. General Clay and I expressed our appreciation

- 3 -

of the position the Chinese have taken on this matter at Bretton Woods, and it is no longer a point at issue.

In order to facilitate settlement we informed Dr. Kung at Bretton Woods - and I repeated it on Saturday - that we have no objection to his putting in a claim for the cost of the Chengtu airfields on reverse lend-lease, making it clear, however, that we regarded the lump sum settlement we were offering as a final settlement of our outstanding obligations. Such claim as the Chinese would choose to make for credit to Reverse Lend-Lease would presumably be based on a re-examination of the figures bringing additional information to light showing, or purporting to show, that part or all of the cost of the Chengtu airfields had not been included in the figures submitted to us by the Army.

There are, in fact, some discrepancies between our Army figures and the Chinese figures. These are not substantial enough to have justified any revision in our offer. We asked the Army to check on the Chinese figures. They report back that they stick to their own figures, including their figures on the cost of the Chengtu airfields, adding that there is no satisfactory way of checking on the Chinese figures. as the Chinese have failed to fulfill their agreement to submit itemized lists of their expenditures for the Army's account.

(sgd) HENRY MORGENTHAU, JR.

Nov. 28, 1944.

TELEGRAM TO THE PRESIDENT

(1) We held lengthy discussions Sunday with Dr. Kung in an endeavor to reach agreement regarding payment for expenditures in China by and on behalf of U. S. Army. State was represented by Vincent, Chief of Division of Chinese Affairs, who accompanied Wallace on his recent trip to China, and Luthringer of the Financial Affairs Division, and War was represented by Major General Clay, Director of Materials, Army Service Forces, and Major General Carter, Fiscal Director.

(2) Clay offered cash settlement of US\$125 million (25 million of which has already been paid) for five-month period February-June covering outlay for that period of approximately 12-1/2 billion yuan. Clay also offered to pay for maintenance and housing construction costs of U.S. troops but Kung stated that Chinese Government would prefer to bear this cost because U. S. troops were "guests" in China.

(3) The figure of US\$25 million a month for 5 months (total \$125 million) is based upon your telegram of January 26 to Generalissimo Chiang in which you stated that "our Army expenditures in China during the next few months can be expected to be somewhere in the neighborhood of 25 million U. S. dollars each month." Without reference to the artificial rate of 20 to 1 and without endeavor to suggest a realistic rate of exchange, Clay argued that US\$125 million had a close

- 2 -

relation to what it would have cost our Army in the United States to obtain services and construction similar to those obtained in China.

(4) Disagreement arose over whether the figure of US\$25 million a month mentioned by you in your telegram to Chiang was intended to include construction costs of airfields (in particular those in the Chengtu area). We maintained that it did. Kung maintained that it did not, arguing that the 25 million mentioned by you was for "ordinary" Army expenditures. He mentioned your conversation with Chiang at Cairo in support of his position but presented no written evidence. We pointed out that we were not informed regarding those conversations but that your telegram to Chiang in January was subsequent to the Cairo meeting.

(5) Clay in conclusion, with my concurrence, suggested that Kung might wish to make a claim for airfield construction (Kung had mentioned the figure of Chinese 4 billion yuan) under reverse lend-lease if and when a reverse lend-lease agreement is reached with China. I pointed out that this suggestion, while agreeable to me as a generous gesture, did not prejudice our position that the lump sum offer of 125 million, according to our knowledge of the matter, should be considered as full

- 3 -

payment for all expenditures by and on behalf of the U. S. Army in China for the period February-June, exclusive of troop maintenance costs.

(6) Clay repeated his offer of a lump sum payment and also requested, as he had done earlier in the conversation, that the Chinese Government agree to a payment of US\$20 million per month for the period July-September to cover all expenditures for and on behalf of the Army for that period exclusive of troop maintenance costs.

(7) Kung said he would have to refer the matter to the Generalissimo.

(8) We feel that the terms offered are more than fair, are generous in fact, and we recommend a firm stand. We do not feel that there will be political repercussions in China which would warrant material deviation from the stand we have taken.

Excerpt From Minute of Conversation at Bretton Woods on July 16, 1944:

"General Clay: Well, Doctor, going back to what we have been discussing, and this view which you have just stated, if we paid you a gross of one hundred and twenty-five million now - a lump sum of a hundred million with twenty-five million having been paid - that would leave remaining the food and lodging and the four billion dollars would be presented by you as a claim under Reverse Lend-Lease. It would have no effect on the twenty million dollars for the next three months, which would be paid in cash, and for which you would provide us with the yuan that we need and would not prejudice that arrangement in any way; that we would pay you the lump sum of a hundred million dollars immediately, and in any Reverse Lend-Lease agreement to be effected, you could, in addition to the food and lodging which you would put forward as a claim, include also this four billion dollars.

"Dr. Kung: I wish I could do it, you know.

"H.M.Jr.: Excuse me. May I add one thing that we talked about, that in admitting this Chengtu four billion dollars, the claim, we in no way prejudice or go back on the cable of the President, which we interpret was all inclusive. I would like to make that clear.

I mean, we claim that this telegram of the President's meant twenty-five million a month, and included the construction of everything.

Now, what we are saying in view of what you have said - but not in any way going back on that - we still hold to this cable. But if you wish to put that claim under Reverse Lend-Lease for four billion dollars, we would raise no objection. Do you mind my making that suggestion?

"General Clay: That is right, sir. And we would do it in the interest of harmonious relations and appreciation of the co-operation which you have given to us."

Excerpt from Minute of Conversation in
Secretary Morgenthau's office, Treasury Department
November 25, 1944

Secretary Morgenthau: Now let me see if I understand it correctly. You will accept how many U.S. dollars for how many months in payment, so we get that clear?

Dr. Kung: To the end of September, October first, 185 million.

Secretary Morgenthau: That you will take \$185 million until October first. And that is in full payment with the understanding with respect to the claim. Is that right?

Dr. Kung: Yes.

Mr. Chi: In addition to that the claim for the Chengtu air fields can be put in.

Mr. White: I want to make certain, Mr. Secretary, that you and Dr. Kung are in agreement. I presume that you are both using the word claim in the sense which we use it in the United States, namely, that the Chinese Government could advance the cost of the Chengtu air fields as a claim in mutual aid on the basis that such cost had not been included in the figures submitted to us by the Army. Whether that claim will be recognized or not is a matter to be determined by subsequent examination of the data. In other words, the word "claim" does not mean a charge but rather the right to claim that a charge should be made for credit to reciprocal aid.

Secretary Morgenthau: To go a step further so that there can be no misunderstanding - when we pay over this \$185 million we will state that that is in full payment for all obligations incurred by the United States Army from the first of March to the first of October.

Mr. Pei: I beg your pardon, Mr. Secretary. With the understanding that the Chinese Government will put in a claim.

Secretary Morgenthau: May put in a claim ... That if subsequently additional information comes to light, furnished either by our Army or the Chinese Government, the Chinese Government may submit a claim as reciprocal aid.

EXECUTIVE YUAN
National Government of China

November 16, 1944.

President Franklin D. Roosevelt
The White House
Washington, D. C.

Dear Mr. President:

I wish to thank you most sincerely for the interview this noon. It made me very happy to see you look so well. I am reporting to President Chiang your concern over China's difficulties and your sincere desire to help her.

I am glad that, in the course of our conversation, we touched upon the question of U.S. Army expenditures in China and you confirmed that the Chengtu airfields, which were specially built for the use of the Superfortresses (B-29), constitute a separate project and that the advances which China have made to cover the cost for their construction will be paid separately as stated in your telegram of January 12th. These airfields are now being made good use of by the U.S. 20th Air Force to bomb Japan which task they have carried out successfully from time to time.

As for the U.S.\$25 million per month estimate for the general maintenance and construction expenses of the U.S. Army in China, which we referred to in our conversation, I wish to call your attention to the fact that the estimate was made in order to limit your burden of general military expenditures in China, because in the month of February alone U.S. Army expenditures in China had already reached U.S.\$59 million, if calculated at the official rate. Of this sum, the equivalent of U.S.\$9 million in Chinese currency was secured by selling it to the Central Bank at the official rate. For the rest of U.S. Army needs for Chinese currency in that one month, that is, CN\$1 billion, the Central Bank of China advanced it and accepted US\$25 million for its repayment, which is at the rate of 40 to 1.

Since then, the National Treasury and the Central Bank have advanced all the funds needed to cover expenditures of the U.S. Army in China. Secretary Morgenthau has been very sympathetic and helpful in the negotiations for the settlement of the question but he said the scope of possibilities

- 2 -

for the settlement has been limited by the estimate of U.S. \$25 million per month which you have indicated. The monthly advances for U.S. Army expenditures, however, has been increasing since June. I shall leave it to your generosity to settle this question in any way you deem fair.

I wish also to take pleasure to inform you that China has paid for the food and lodging of U.S. armed forces in China for which no claim for repayment will be made. Had China's financial condition permit, we would be glad to pay all the expenditures of the U.S. Army in China without having to bother you for repayment. Unfortunately, inflation has already gone so far in China that to continue to issue notes without strengthening our reserves would threaten to break China's battle line at the economic front and weaken our common war effort. A satisfactory settlement of this question would strength China's currency reserve and contribute to hasten our victory.

With warmest personal regards,

Sincerely yours,

(Signed) H. H. Kung

H. H. Kung

November 25, 1944
12:56 p.m.

Harry
White:

I've just had two long conversations: One with Cox and one with Acheson. They're not together yet, and apparently on this particular point, Hopkins is in on it, and agrees, I gather, with the State, and so Acheson is going to get a hold of Cox right now and see if they can't fettle it out, and he'll let me know the minute they can. He says he thinks he can iron it out in ten minutes.

HMJr: But what is the point?

W: (Laughs) It's this: Crowley wants to say that there'll be no change in the export policy before V-E Day

HMJr: Yeah.

W: and the State Department wants to add that after V-E Day the British, among other things, will be allowed to re-export goods purchased for cash in the United States, and manufactures of them. Crowley's taking the position that they had not agreed to what they'll do after V-E Day at this time; that that was the final decision. And Acheson's taking the position that Britain on the 29th is going to come out with a statement that there's going to, after V-E Day, be some relaxation, and he's afraid that the President will say, "What I -- I thought -- there was -- nothing was said about that in the memorandum to me," and -- ah -- that's where they are.

HMJr: Where does -- where does Ache -- Hopkins

W: Hopkins seemed to feel that the President would be satisfied to have the British make this statement, that they can after V-E Day re-export goods for cash in the United States; that that would not disturb the President.

HMJr: Well, I -- I don't see how -- how we can help but let them make that statement.

W: Oh, we can't. Well, if -- if they can make that statement, then -- well, Cox' position is, sure they can make it; they're making it unilaterally -- they're not making it with out approval; that's all right; let them make it. But they're not in the position of having said they approved it, now, and

HMJr: Are you with Acheson on this?

W: Well, honestly, I don't care which way they come out. I don't -- I don't

HMJr: How about

W: but I should rather that they can get in agreement, we'll agree to anything.

HMJr: How about the part that Crowley said that between now and V-E Day

W: Yeah, that's in. They agreed to have that.

HMJr: I think that that's the most important part.

W: Yeah, that's in.

HMJr: Well, then I

W: There's -- there's no disagreement there.

HMJr: Having said that, I don't think the other thing's important.

W: Well, I don't think it's important, and I told Dean that, and Oscar seemed

HMJr: How -- how can we help them re-exporting things that they paid for in cash?

W: Well, because that would be a change in the policy. Because even though they paid cash, if goods are in short supply, they -- they're not supposed to re-export them now.

HMJr: I see.

W: That would be a modification that we agreed we'd make after V-E Day.

HMJr: I see.

W: And Crowley objects to saying he's made any change now. He wants to be in a position to say that we didn't make any arrangements now, and Dean Acheson says, well, there must be -- they must say it now,

- 3 -

W:
Cont'd. because the British are going to say it, and if the President reads about it without this preliminary statement, he'll -- he might get sore.

HMJr: Well

W: So that....

HMJr: it's being battled now by ...

W: It's being battled and the trouble is, we wouldn't care except that if we've got to get their signatures, they've got to agree or they won't sign the same document.

HMJr: Well

W: So, he thinks they can iron it out now that Hopkins is in on it. I gather -- I don't know who brought him in. I think it was Cox. So that they may settle it within the next hour or so.

HMJr: Good.

W: And it will only take a few minutes to type it. If they do, the minute they will, he said they'll let me know, and the minute I know, I'll let your office know and have it typed.

HMJr: Thank you.

W: All right. Hello?

HMJr: Yes.

W: I'd like to give you today if I can the -- or talk to you about this book. It's in the shape now where the next move is yours, and we've been talking it over and we don't think any time ought to be lost now, for several reasons, because one of the things we'd like to put up to you is we don't think it needs

(Remainder of conversation not recorded.)

November 25, 1944
2:18 p.m.

HMJr: Hello.

Operator: Mayor LaGuardia.

HMJr: Hello.

Mayor
LaGuardia: Hello, Henry.

HMJr: How are you?

L: Fine. I didn't ring up earlier. I was tied up with this Polish Delegation.

HMJr: Yeah. Well, now, look, I spoke to Dean Acheson last night

L: Yes.

HMJr: and he in turn talked to Lovett

L: Yes.

HMJr: and they had heard this rumor and there is nothing to it.

L: Good.

HMJr: If you want to know more information about it, Lovett can bring you right up to the minute.

L: Yes. I got it from Colonel Harrison this morning, through Lovett.

HMJr: Oh, you did? But I

L: Yes.

HMJr: last night got Acheson

L: Thanks a lot.

HMJr: and there's nothing to it.

L: Fine, and

HMJr: I think they got either a promise of five or ten planes for the whole of the year out of Ceylon or some place like that.

- 2 -

L: That's fine, and -- and nothing will happen in the next few days.

HMJr: There's nothing on the cards, as I know it.

L: That's fine, Henry. Thank you very much.

HMJr: Not at all. Thank you.

November 25, 1944
5:16 p.m.

HMJr: Hello.

Operator: Lord Keynes.

HMJr: Hello. Hello.

Lord
Keynes: Yes, Mr. Secretary.

HMJr: Morgenthau speaking.

K: Yes, sir.

HMJr: As we say here "everything's in the bag".

K: It's all right?

HMJr: It's all right.

K: Thank you very much.

HMJr: I gather there are a couple of black eyes in town. I didn't receive one. I didn't give one. I sit on the sidelines.

K: Good. Well, does that mean that -- that reference to that can be made in the statement?

HMJr: Well, don't quote me, but I don't know who's working with you on that -- but I, personally, should think so.

K: Yes.

HMJr: But I wanted you to know, because you told me if you got that it

K: Yes.

HMJr: I wonder who will tell it to you officially. Will you be

K: Who will tell me officially, do you think?

HMJr: Ah

K: Well, in a sense, I've come to this information already. I mean this -- this okay is the position that it was -- I left your room on the other day.

HMJr: Pardon?

K: On Wednesday, wasn't it?

HMJr: Yes, I don't

K: It was ? on that position, so I'm going to forget about what I heard in the meantime, isn't that it?

HMJr: Well, I -- that's clever. Yes, in other words, it was as it -- the -- the Wednesday when -- you were here Wednesday, it was just like it was.

K: Yes.

HMJr: And -- if anybody asks you, or I don't -- the question comes up, you can say you saw me, and I just confirmed that. You asked me had there been any change, and I told you "no".

K: Yes.

HMJr: How's that?

K: Yes.

HMJr: What?

K: I think that's right.

HMJr: And then whoever you're dealing with -- who are you dealing with on the statement? Cox?

K: Oscar, yes.

HMJr: Yeah. I might give a little advice. I'd wait, if you could, until tomorrow.

K: Yes.

HMJr: I think he's been shoved around a little bit.

K: Yes.

HMJr: Pushed around a little bit.

K: Well, I'm sending him -- the ? I'm sending him tonight, and he's going to phone tomorrow, if there is anything to talk about. ?

HMJr: Well, I -- that's fine, and I'll -- I'll be available all day tomorrow. Hello?

K: Yes.

HMJr: I mean, I'll be down at the hospital, but the Treasury will know where they can get me within an hour or two.

K: Yes.

HMJr: And -- well, I'm awfully happy about this. I say I'm very happy.

K: Thanks very much.

HMJr: Right.

K: Good-bye.

267
Delivered to Mr. Searles at the White
House at 9:00 Sunday morning - by SS Agent
Walker.

November 25, 1944

My dear Mr. President:

I am very happy to be able to forward to you a memorandum pertaining to British Lend-Lease following the defeat of Germany.

I think it would be useful to you to read this memorandum before you see Lord Keynes.

This memorandum was shown to Admiral Leahy, and he made several very constructive suggestions which have been incorporated therein.

Yours sincerely,

Henry Morgenthau, Jr.

The President,
The White House.

MEMORANDUM FOR THE PRESIDENT

Subject: The British Requests for Lend-Lease Aid
During the Period Following the Defeat
of Germany.

In accordance with your instructions following your conversations in Quebec with Mr. Churchill last September, Mr. Crowley, Mr. Stettinius and I, together with the appropriate officials of Army, Navy, FEA, State, Treasury and other agencies, have been meeting with the British representatives to examine their requests for lend-lease assistance for the first year following the defeat of Germany (and prior to the defeat of Japan).

1. The lend-lease requirements presented by the British for the U.K. and the Empire consisted of approximately \$3.2 billion for munitions, \$3 billion for non-munitions and some \$800 million of special military and non-military items or an aggregate of \$7 billion. After screening these requests on the basis of anticipated war strategy, availability of supplies and other needs, the agencies concluded that they could recommend to you as part of the program for budgetary and production planning the following: Approximately \$2.7 billion for munitions; \$2.8 billion for non-munitions or a total of \$5 1/2 billion. This represents roughly a 50 percent cut from the 1944 level of lend-lease aid to the British Empire.

This program which we recommend for your consideration would not constitute any commitment. All schedules, both munitions and non-munitions, are subject to the changing demands of strategy as well as to supply considerations and the usual considerations of procurement and allocation.

2. This lend-lease program consists of articles and services which either cannot be produced at all in the United Kingdom in time for war needs or which, as a result of past decisions about specialization, can be more effectively produced in the United States. However, this program, coupled with decreased munitions and manpower requirements in Stage II, will make it possible for Britain and the United States, to release some manpower and resources for reconversion, easement of living standards and a partial revival of exports.

3. We have considered the British proposal to modify their export policy, and we are prepared to recommend that:

a. No change in the present export policy be made until V-E Day, and thereafter:

- 1' The Eden White Paper of 1941 continue to prohibit the re-export of goods delivered under Lend-Lease;
- 2' The British be allowed to re-export goods purchased for cash in the United States, and manufactures of them;
- 3' The British reserve exclusively for war purposes any stocks built up by Lend-Lease shipments.

b. Mr. Crowley should advise the appropriate Committees of Congress about the foregoing principles which will apply after V-E Day.

Mr. Crowley has stated that he will go as far as practically possible to make such administrative arrangements, under the terms of the White Paper, as will not hinder unduly certain minor British exports prior to V-E Day.

The British also wished to be able after V-E Day to sell munitions of British manufacture for cash to the Allies. The American group could not see its way clear to recommending such action to you and the matter has been dropped for the time being.

4. Assurances have been received from the British and the Dominions that the flow of supplies and services to the United States and its military forces as mutual aid will be continued as in the past. Detailed arrangements are still under consideration.
5. Though discussions are still going forward with the British at the operating level which may slightly modify the estimates given in 1 above, the American members of this committee consider that the task assigned to it at Quebec is completed with the presentation to you of this memorandum of recommendations. Unless we hear from you to the contrary we will consider the committee dissolved.

Henry Morgenthau, Jr.

Leo T. Crowley

E. A. Lottman, Jr.

Mar. 25, 1944 -

November 25, 1944

My dear Mr. President:

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I think it would be useful to you to read this memorandum before you see Lord Keynes.

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Yours sincerely,

Henry Morgenthau, Jr.

The President,

The White House.

November 25, 1944

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Yours sincerely,

Henry Morgenthau, Jr.

The President,

The White House.



DEPARTMENT OF STATE
WASHINGTON

273 ✓
Copy to Mrs.
Holt - 12/1/44 -

SECRET

November 25, 1944.

My dear Mr. Secretary:

In accordance with your request at the combined meeting with the British group on lend-lease matters of November 22, 1944, there took place in my office the same afternoon a meeting to resolve the problem of reciprocal lend-lease aid to our armed forces from the British Dominions. There were present at the meeting, among others, Lord Keynes and Mr. Brand representing the United Kingdom, Senator Keane and Messrs. Moore and Dunk representing Australia, Mr. Reid of New Zealand, Mr. Symon representing the Government of India, Lt. Gen. Styer and representatives of the State and Treasury Departments and the Foreign Economic Administration.

Senator Keane and the other Australian representatives presented forcefully their position as already set forth in their memorandum of November 20 which has been circulated in mimeograph form. Mr. Reid of New Zealand expressed himself as concurring fully with the position taken by his Australian colleagues and indicating that within the limits of the supply possibilities of New Zealand his Government would certainly make available materials to our armed forces as in the past with no serious problem of geographical destination. Mr. Simons read instructions from the Government of India indicating its intention to continue reciprocal lend-lease aid to the utmost, limited only by the very pressing supply and transport problem which now exists in India.

General Styer expressed himself as very pleased with the actual performance under reciprocal lend-lease, especially in the case of Australia to which the meeting was primarily devoted, but stated that as the scene of

operations

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

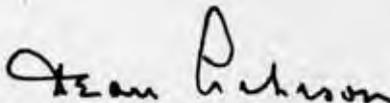


-2-

operations moves out of the South and Southwest Pacific areas the Army was desirous of obtaining assurances that the reverse lend-lease aid would continue. The Army therefore continued to press for a new understanding on this point in writing.

Subsequent discussions brought out that the Australian position as indicated in the document referred to above would in fact solve at least 99 per cent if not 100 per cent of the problem and at my request the representatives of Australia, New Zealand, and the Government of India agreed to furnish signed memoranda reiterating their positions (copies of these memoranda are attached). In view of these entirely satisfactory assurances from Australia, New Zealand, and the Government of India I indicated that I would recommend to your Committee their acceptance, and the elimination as a condition to lend-lease aid of paragraph 10 of the Joint Report on Army Ground Items and the parallel paragraph 11 of the Joint Report on Air Items.

Sincerely yours,



Dean Acheson
Assistant Secretary

Enclosures:

Memoranda from representatives
of Australia, New Zealand, and
Government of India.

COPY

INDIA SUPPLY MISSION

635 F STREET, N.W.

WASHINGTON, D. C.

24th November 1944.

TELEPHONE - EX 5484

Dear Mr. Acheson,

In accordance with the request which you made during the discussion in your room on 22nd November, I write to confirm that the Government of India will continue to furnish Reciprocal Aid during Stage II on the same basis as hitherto. It will be appreciated, however, that the actual extent of such aid will depend on a number of factors including the availability of supplies and the strength of the military forces located in or near India.

I should also like to emphasise the view of the Government of India that India's real resources (labour, food, transportation, coal, raw materials, etc.) are already over-mortgaged and that in consequence deliveries against existing supply programmes are already behind.

The quantum of Reciprocal Aid which can be made available hereafter must necessarily be conditioned by these factors. Nevertheless, as stated above, within the limits of India's resources the Government of India will continue to furnish the requirements of the United States under Reciprocal Aid on the basis already in force and subject to similar conditions as to availability of supply and transport.

Your sincerely,

ACB SYMON

Mr. Dean Acheson,
Department of State,
Washington, D.C.

ACBS/df

COPY

TOP SECRET.

NEW ZEALAND LEGATION

WASHINGTON 8, D. C.

24th October, 1944.

Dear Mr. Acheson,

Confirming the discussions on Reciprocal Aid in
Encl. Stage II in your office this week, I enclose a note
setting out New Zealand's attitude on this subject.

Yours sincerely,

JOHN S. REID
First Secretary

Dean Acheson, Esq.,
Assistant Secretary of State,
WASHINGTON, D. C.

TOP SECRET

RECIPROCAL AID - NEW ZEALAND

In terms of a note of 3rd September, 1942, and an exchange of letters of 15th December, 1943, the Government of New Zealand undertook to provide supplies to the Armed Forces of the United States in the South Pacific area by way of Reciprocal Aid. Provision was made in these documents for special conditions to apply to supplies made available for areas outside the South Pacific, but no such conditions have in fact been imposed, and though in the past New Zealand supplies have generally been confined to the South Pacific area, in actual practice substantial quantities of foodstuffs and other supplies have been provided for other areas. So long as New Zealand continues to be the most practical source of supply for foodstuffs and other appropriate commodities, the New Zealand Government will continue to further the common war effort, by accepting requisitions for supplies for United States forces in any part of the Pacific or in adjacent areas involved in the war against Japan.

It will be understood that the ability of New Zealand to meet such requisitions is dependent upon its capacity to do so and in particular upon (a) its obligations and responsibilities in other areas; for example, the provision of foodstuffs for the United Kingdom, and (b) upon the continued availability of Lend-Lease supplies from the United States to an extent essential to the maintenance of production without undue straining of the Dominion's resources.

TOP SECRETNOTE ON AUSTRALIAN RECIPROCAL AID

1. The U.S. Authorities have requested that Australia should undertake to supply goods and services as reciprocal aid without geographical limitation.
2. The present position is that the Reciprocal Aid Agreement of 3rd September, 1942 between the Australian and United States Governments provides that Australia will furnish assistance, on reciprocal aid terms, to the U.S. forces in Australia or its territories. Notwithstanding the terms of this Agreement, the Australian Government have not, in practice, confined their reciprocal aid within this geographical limit: they have from time to time furnished considerable reciprocal aid to U.S. forces outside Australian territory, particularly to those in the South Pacific and latterly in Hollandia.
3. Australia is providing, as reciprocal aid to the U.S. forces, goods and services to the value of about 20% of her current war expenditure, with heavy consequential sacrifices to the population. These burdens, additional to those imposed by Australia's own war effort, have been spontaneously and willingly accepted, and the U.S. Theatre Commander in the area has expressed himself as being well satisfied with the scale of the reciprocal aid.
4. The Australian Government do not feel able to agree that the terms of their existing reciprocal aid undertakings to the U.S. Government should be revised in such a manner as to impose no limitation upon the amount or upon the area of such aid. They are, however, prepared, within the terms of their reciprocal aid undertakings, to continue to supply to the U.S. forces as reciprocal aid, within locally accepted programmes, the categories of goods and services which they now furnish. They would also agree that, where for strategic reasons it is necessary to transfer to other theatres supplies which have already been provided to the local U.S. Command, no objection should be raised to the transfer.

5. In addition, the Australian Government are willing, as at present, to examine any further requests, including those for additional areas, which may be made by the U.S. authorities, having full regard to the availability of supplies and to their responsibilities in other directions. They suggest that requests for the provision of supplies, on reciprocal aid terms, for areas outside their existing undertakings, should continue to be referred to them for consideration. They do not, however, think it appropriate that the U.K. Government should be called upon to undertake responsibility for the provision of reciprocal aid throughout the British Commonwealth. They accordingly propose, with the concurrence of the U.K. representatives in Washington, that in cases where the Australian Government feel unable to meet such requests, the question of the financial responsibility be jointly discussed between the Australian, the U.S. and the U.K. authorities.

6. If these proposals are acceptable to the U.S. authorities, it is suggested that the detailed arrangements should be settled by joint discussions between representatives of the Governments concerned.

Washington, D.C.

20th November, 1944.

TOP SECRETCCLL
U.S. No. 59COPY NO. 3

THE BRITISH SUPPLY COUNCIL IN NORTH AMERICA

Office of the
Cabinet Minister
Resident in Washington
For SupplyBox 680
Benjamin Franklin Station
Washington, D. C.

25th November, 1944.

My dear Mr. Crowley,

I understand that it is proposed that a paragraph on the subject of Reciprocal Aid from the United Kingdom should be included in the letter which you will address to Mr. Morgenthau on the subject of the British non-munitions programme for the first year of Stage II.

In this connection I write to confirm that the United Kingdom Government undertakes to continue throughout the first year of Stage II the supply on Reciprocal Aid of non-munitions items at present provided under Reciprocal Aid, subject to the availability of supply and transport and to end use.

I remain

Yours sincerely,

Signed/ Ben Smith

L. T. Crowley, Esq.,
Foreign Economic Administration,
Room 414,
National Press Building,
Washington, D. C.

TOP SECRETCCLL
U.S. No. 57COPY NO. 3

COPY

20th November, 1944.

Dear Mr. Secretary,

At the meeting on Friday I made a statement about the principles on which we work the Sterling Area dollar pool, which I promised to incorporate in a letter if that was your wish. I believe that a copy of the statement has been affixed to the Minutes. All the same, you may like to have it duly confirmed in a letter. I attach a copy, therefore, to this paper.

Sincerely yours,

KEYNES.

Attachment

The Hon. Henry Morgenthau, Jr.

CCL
U.S. No. 57 (Attachment)

TOP SECRET

ANNEX B

Statement by Lord Keynes

As shown in our Main Statement, we do not at present anticipate that any significant surplus of dollars is likely to accrue to the Sterling Area dollar pool during 1945 after meeting essential needs. But I can certainly affirm without qualification that any supply of dollars which may accrue to the pool in the coming year will be administered, in so far as it depends on London, so as to allow as much freedom as possible to importers' choice, and so as to provide as good a solution as possible for particularly difficult cases. We are in fact engaged at this very time in considering along what lines the Sterling Area system can gradually evolve to meet changing circumstances in the fairest and most convenient manner to all concerned. As it happens, we have just concluded some conversations with Mr. Landis in relation to one of the most troublesome spots in this context, namely, Egypt, and have reached, I understand, a satisfactory understanding. We shall hope for the same opportunity of discussion and for the same success in other cases. None can be more anxious than the British Exchange Control to operate this difficult system which circumstances have forced upon us so as to cause the least possible friction.

The basic trouble is, of course, the shortage of dollars in many parts of the world. That is something which perhaps you can remedy, but which we, of our own motion, certainly cannot. We can only promise, so far as it depends on us, to administer any dollars which accrue fairly and to the best mutual advantage, and above all, not to use this shortage as an excuse or as a cover to obtain trade advantages for the United Kingdom in the rest of the Sterling Area, by seeking to exclude particular applicants for import licences from a reasonable share in the limited allocation of exchange. I have no need to refer back to London to give

you that assurance. Import licences and exchange control on current transactions are for us undesired contrivances forced on us by circumstances and operated, not with a view to obtaining special or unfair advantages, but as the only means open to us to avoid chaotic conditions and an insufficiency of resources for essential purposes.

Perhaps I may take this opportunity to express a hope that at the earliest convenient opportunity purchases of raw materials from the Sterling Area will be returned to private channels of purchase so as to restore this source of earning power. A contributory cause of the difficulties under discussion is that the wide extension of Reciprocal Aid has removed a part of the normal earning power remaining to the Sterling Area after allowing for losses of trade through enemy occupation, shipping shortages, and the like. We believe that Reciprocal Aid has done so much to foster a sense of common effort and mutual dependence that there will be no move on our side to curtail it. Nevertheless, neither of our Groups must overlook the fact, as we gradually approach more normal conditions, that any curtailment of the dollar earning power of the rest of the world inevitably aggravates the problem of finding the dollars to finance that large volume of American exports which the rest of the world, including ourselves not least, would like to buy, if we could pay for them.

In expressing my appreciation of the arrangements outlined in the rest of the paper, I should like to emphasise what perhaps needs no emphasis, that we in the United Kingdom seek exports only as a means of paying for the imports which we greatly desire. It is a truism and not a paradox to say that any means which can be adopted for the recovery of British exports is by the same token a means for the expansion of American exports. We want, Mr. Secretary, not only to acquire American goods, but also to pay for them. The recovery of our export trade, now and hereafter, is our only possible means of doing so.

I should be very happy, Mr. Secretary, to embody the substance of this statement in a letter, if that would meet your wishes.

NOV 25 1944

Dear Mr. Gehle;

I would like to thank you for a most pleasant day spent with you and your associates last Monday.

I thought everything went off very well, and I came away with the feeling that you had gotten the important state of New York off to an excellent start for this momentous Sixth War Loan.

I have read since my return, with interest, the emphasis that you are placing on the sale of E bonds, as well as other securities to individuals. This is further evidence of your determination to not only get the money, but to get it from the right sources. This, of course, is as it should be.

Please let us know if we can be of further help to you from here.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Frederick W. Gehle
Chairman
New York War Finance Committee
1270 Sixth Avenue
New York, 20, New York

TRG:RFP
11/25/44

200

NOV 25 1944

Dear Mr. Sherer:

I wish to thank you for a very pleasant visit in Chicago in connection with the launching of your campaign last Saturday.

If all the excitement I witnessed was any evidence of what Illinois will do in the Sixth War Loan drive, then I'm sure it will be your best performance to date.

Please extend to your co-workers my thanks and appreciation for all they have done.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Renslow P. Sherer
Chairman
Illinois War Finance
Committee
105 West Adams Street
Chicago, 3, Illinois

TRG:RPP
11/25/44

TRG

NOV 25 1944

Dear Charles Luckman:

I wish to acknowledge your thoughtful letter of November 20, and to assure you that I enjoyed my visit there quite as much as yourself and Bob Hope.

I thought everything went off very well, and I've had numerous good comments on the radio show. Our War Finance people here thought it was one of the best programs we had in support of launching the Drive.

I know how hard you have personally worked in cooperation with our people in Illinois, and I wish to take this occasion to officially thank you for the help you have given us.

With all good wishes, I am

Sincerely,

(Signed) Henry Morgenthau, Jr.

Mr. Charles Luckman
Pepsodent
Division of Lever Brothers
Company
141 West Jackson Boulevard
Chicago, 4, Illinois

TRG:RPP
11/25/44



Pepsodent

DIVISION OF LEVER BROTHERS COMPANY

November 20, 1944.

PRESIDENT

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

Dear Mr. Secretary:

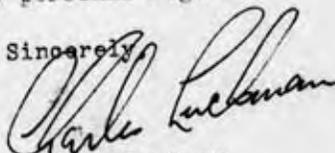
I can't possibly tell you how much Bob and I appreciate what you did for us Saturday. We are fully aware that you had many good and sufficient reasons for the position that you took at luncheon on Saturday. We, therefore, value doubly your decision to make a last minute appearance.

I am sure that it was a new experience for you to find yourself sitting in a corner of a large room writing out a few notes for a nation-wide radio speech. I also hasten to assure you that it was a novel experience for me to sit beside a member of the President's Cabinet while he did so.

I have just secured a preliminary report from the various committees and from the banks, and it appears that the Saturday night program has enabled at least this area to get off to a good start.

In closing may I also compliment you on the outstanding program from Washington yesterday which formally opened the Sixth War Loan Drive. May I also convey to you my personal regards.

Sincerely


Charles Luckman

CL:em

*Ad from
Main chamber
11/20/44 - 11/24/44*

NOV 25 1944

My dear General Marshall:

I am greatly pleased to have the autographed photograph which you were so good as to send me. It will be a reminder in the future of a working companionship and most pleasant personal relations during a momentous period.

Accept my sincere thanks.

Faithfully,

(Signed) Henry Morgenthau, Jr.

General George C. Marshall, U.S.A.
Chief of Staff
Department of War
Washington, D. C.

HEG:aja

envelope marked Personal

NOV 25 1944

Personal

Dear Harry:

I thank you for your confidential letter of November 17 expressing your opinion that the campaign criticism of me by Governor Dewey was without basis.

That was my opinion also and it is reassuring to have your support of it. It is not a very pleasant experience to listen to the charge that one has been responsible for prolonging the war and for the deaths of American boys, even though it is apparent that the charge is baseless and made for political effect.

Sincerely,

(Signed) Henry

Honorable Henry L. Stimson
Secretary of War
Washington, D. C.

HEG:aja

WAR DEPARTMENT
WASHINGTON

289

copy to Mrs. M. -
+ Mrs. Jackson
11/25/44

November 17, 1944.

Personal and Confidential

My dear Henry:

I have received your letter of November 11th. As I have told you, I think that there is no basis whatever for such a criticism of you as that made by Governor Dewey.

At the time when the rumors as to the Treasury plan became public, the rapid advances of the Allied armies through France had already reached their finish. The German retreat had already reached the Siegfried Line and the Germans had begun to make their stiff defense behind those fortifications which has lasted substantially ever since.

I do not think that the use of the rumor by the Nazi propagandists made any substantial change in the situation whatever. I am very sorry that you should have been troubled by such a criticism.

Very sincerely yours,

Henry L. Stimson

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

(not sent)



THE SECRETARY OF THE TREASURY
WASHINGTON

11-25-40

MEMORANDUM FOR THE PRESIDENT

The disposal of war surplus goods is a function that does not in my opinion belong in the Treasury Department and I most respectfully urge that you permit us to divest ourselves of that part of it we are now handling. The appointment of a Surplus Property Board under the Surplus Property Disposal Act and the reorganization of policies and machinery which will necessarily occur offer an appropriate opportunity for doing this.

We were drawn into the surplus disposal field because the Procurement Division has the responsibility in peace time of getting rid of government property that becomes surplus for one reason or another. But the disposal of war surpluses of so-called "consumer goods", including all automotive equipment, is a horse of an entirely different color. It dwarfs the buying activities of the Procurement Division and requires the enlistment of many men of very different talents from the business world. We have made some progress in building such an organization, but the man who has been in charge, Mr. Olrich, is now leaving us. His organization could readily be taken over by another agency. Also, as I indicated above, the Surplus Disposal Act creates a situation that compels reorganization and makes it highly appropriate that surplus disposal be taken out of the Treasury now. One of the factors in the situation is the requirement of the law that preferential opportunities to purchase be given to veterans, farmers, small business and units of government. This changes the character of the whole problem from being a straight business enterprise, although of a difficult emergency nature, to one of complicated negotiations, a widely expanded organization and inevitable bickering and delay. None of this will have anything to do with the Treasury's fiscal responsibilities but it will be a serious embarrassment to us, no matter how well we run it.



- 2 -

I think the creation of this Board by the Act and the existence of these preferences, which must be followed in all divisions of the work, make it highly desirable that surplus disposal be handled by a single agency directly responsible to the Board instead of being subject to a crossfire of differences, inconsistencies and divided responsibilities due to its being scattered among several agencies.

I hope most sincerely that you will take the necessary steps to consolidate the work, at least to get it out of the Treasury, where I don't think it belongs.

not sent



THE SECRETARY OF THE TREASURY
WASHINGTON

(not sent)

MEMORANDUM FOR THE PRESIDENT

Under the Surplus Property Disposal Act there appears to be a definite need for establishing one agency to deal with the problem of disposing of all surplus property rather than using segments of already existing organizations to perform the merchandising tasks incident to surplus property disposal.

The present legislation, as pointed out in my proposed veto message prepared for your use before this bill was enacted into law, presents a number of very difficult operating problems, not the least of which is the treatment of preferential purchasers established categorically in the language of the legislation. The necessity for uniform handling of this problem is obvious. All preferential purchasers must receive the same treatment regardless of the commodity they desire to buy. Only through the medium of one central agency can this standardized treatment be assured.

The presence of a policy board will not serve to relieve Cabinet members of their respective operating responsibilities and may result in unnecessarily complicating the orderly disposal of surplus property by reason of the existence of two lines of authority running to the officials directly charged with the merchandising function, one to the parent agency head and the other to the Surplus Property Board.

For the foregoing reasons, and since the program is not related in any way to Treasury fiscal policy, it is recommended that the Treasury be relieved of responsibility for disposing of surplus property.





THE SECRETARY OF THE TREASURY
WASHINGTON

(rest of)

Copy to Byrnes

MEMORANDUM FOR THE PRESIDENT

Under the Surplus Property Disposal Act there appears to be a definite need for establishing one agency to deal with the problem of disposing of all surplus property rather than using segments of already existing organizations to perform the merchandising tasks incident to surplus property disposal.

Of the agencies that have already worked on this program, Treasury Procurement is perhaps typical of what may be expected by way of organizational development. For all practical purposes we have created an entire new organization to sell surplus property. We discovered that we had neither the staff nor operating facilities to perform the task of disposing of property in our existing Procurement organization, whose purpose heretofore was that of buying rather than selling. If this is true in each of the other disposal agencies, it appears to be timely to establish one unit for disposing of property rather than to create new units functionally more related to each other than to their parent agencies.

The present legislation, as pointed out in my proposed veto message prepared for your use before this bill was enacted into law, presents a number of very difficult operating problems, not the least of which is the treatment of preferential purchasers established categorically in the language of the legislation. The necessity for uniform handling of this problem is obvious. All preferential purchasers must receive the same treatment regardless of the commodity they desire to buy. Only through the medium of one central agency can this standardized treatment be assured.



- 2 -

The presence of a policy board will not serve to relieve Cabinet members of their respective operating responsibilities and may result in unnecessarily complicating the orderly disposal of surplus property by reason of the existence of two lines of authority running to the officials directly charged with the merchandising function, one to the parent agency head and the other to the Surplus Property Board.

For the foregoing reasons, and since the program is not related in any way to Treasury fiscal policy, it is my hope that the Treasury Department will be relieved of its responsibility for a unit operating under the policies and regulations of the Surplus Property Board.

AA
295

November 25, 1944

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

(For your information; no action required)

Attached is a brief summary of a social insurance program recently proposed by the British Government. The program is compared with the Beveridge plan.

This memorandum is preliminary since it is based on newspaper accounts and material furnished by the British Information Services and not on the official White Paper which at the time when the memorandum was prepared was not available here.

RIB

Attachment

The British White Paper on Social Insurance

The British government's social security plans are embodied in three White Papers, one on a National Health Service to provide medical care, another on compulsory social insurance for cash benefits, and a third on workmen's compensation. The second of these is briefly summarized in this memorandum and compared with the Beveridge plan to which it bears a close similarity. 1/

The entire population is grouped into six classes, each of which is entitled to a different combination of benefits. The six classes are I, employees; II, self-employed; III, housewives; IV, other adults of working age; V, children below working age; VI, people above working age. Contributions are required of those in classes I, II, and IV. These are in flat amounts and differ for each of the classes. The Beveridge plan contained an identical classification and called for somewhat higher contributions and benefits.

A. Cost of program

In contrast with an estimated cost in 1945 of \$1.7 billion for the present British social security schemes, the social insurance program presented in the White Paper is estimated to cost \$2.6 billion in 1945 and to increase in cost to approximately \$3.3 billion by 1975. 2/ By way of comparison, it may be noted that net national income in Great Britain was officially estimated at \$32.7 billion for 1943, and central government expenditures at \$23.1 billion. Expenditures in 1939 are estimated at \$5.9 billion.

The estimated cost of the government's social security plan is a little less than the estimated cost of the Beveridge plan as is shown in the following table:

	<u>White Paper</u>	<u>Beveridge plan</u> <u>3/</u>
1945	\$2.6	\$2.8
1955	2.9	3.1
1965	3.2	3.4

1/ The summary is based on newspaper accounts and material furnished the British Information Services. The White Paper, entitled "Social Insurance in Britain" (Cmd. 6550), was published September 25, 1944 and will be available here in November.

2/ Conversion rate, \$4. The dollar amounts given in this memorandum should not be thought of as equivalent in goods and services to the same amounts in the United States, because there are substantial differences in wage and price levels.

3/ Includes the cost of medical services. The estimates for the White Paper probably include a similar charge.

- 2 -

Although the government's plan would increase social insurance costs in 1945 by approximately \$900 million, the net increase in burden on general revenues would rise by \$340 million from its present level of about \$1 billion. The balance would be obtained by increasing social security contributions. The portion of the aggregate costs to be borne by the government from general revenues is more than one-half in the initial year, increasing to about two-thirds after twenty years. A similar division of costs was suggested by Beveridge. At present, the government bears about 60 percent of the cost of the social security program.

The allocation to the government and to contributors of the costs of the program is based upon a division of the costs of the constituent elements of the plan. The cost of unemployment compensation is divided equally among employees, employers, and the government, the same arrangement as at present. The cost of the other main benefits is to be shared five-sixths by the insured (and his employer, if he has one) and one-sixth by the government. In addition, the government is to bear the cost of admitting persons of all ages to the same benefits as a person who becomes insured at the age of 16 and pays contributions throughout his working life. ^{1/} A similar division of costs was provided for under the Beveridge plan.

The ~~same~~ division of the required contribution between employees and employers, with respect to the benefits payable to persons in class I is based, in the Beveridge plan, upon the division under the existing law. At present the contributions for pensions, health insurance, and unemployment compensation are shared equally between employees and employers. The White Paper apparently has also preserved this relationship for these benefits. However, employees would contribute more than employers because they are to bear the full cost of the other benefits to the extent that the cost is allocated to contributors.

B. Contribution rates

The British government's plan would require weekly contributions of 77 cents from employees, 83 cents from the self-employed, and 67 cents from adults of working age other than housewives. In addition, employers would contribute 62 cents for each employee, making the aggregate contribution on behalf of employees \$1.39 per week. These rates apply only with respect to men; lower rates apply to women. There is also a differential

^{1/} Thus the contribution rates are those which would be necessary on an actuarial basis to provide the specified benefits to insured persons who entered the system at the age of 16, less the proportion of the benefits which the government undertakes to finance out of general revenues.

- 3 -

in favor of those below the age of 18, the percentage differential being greater for males than for females. ^{1/} The standard rate for women in class I is 60 cents (including the employer contribution, \$1.08), in class II, 70 cents, and class IV, 53 cents.

The proposed contribution rates are, in most cases, somewhat less (about 90 percent) than those suggested in the Beveridge report. ^{2/} A comparison of the standard weekly contribution rates for adult men under the White Paper, the Beveridge proposals, and the present British law, is presented in the following table:

	<u>White Paper</u>	<u>Beveridge plan</u>	<u>Present law</u>
Class I (employed persons)			
Employee	\$.77	\$.85	\$.37
Employer	.62	.65	.37
Total	1.39	1.50	.74
Class II (self-employed)	.83	.85	^{3/}
Class IV (others of working age)	.67	.75	^{2/}

Aggregate contributions at ten year intervals are estimated as follows for the two schemes (in millions):

	<u>1945</u>	<u>1955</u>	<u>1965</u>
White Paper	\$1,132	\$1,112	\$1,100
Beveridge plan ^{4/}	1,300	1,304	1,276

Collections from the insured (including employer contributions) would represent a smaller proportion of total social security costs under the White Paper than under the Beveridge plan. Under the White Paper, contributions would represent about 43 percent of the costs in the initial year, and the percentage would gradually decline until in 1965 contributions

- ^{1/} The Beveridge plan provides a reduced rate for persons between the age of 18 and 21, and a still lower rate for those between 16 and 18.
- ^{2/} Both proposals would exempt from contributions certain persons with annual incomes of less than \$300. Such individuals would lose the right to certain benefits.
- ^{3/} No comparable class. Provision is made, however, for voluntary insurance against certain risks.
- ^{4/} Excludes employer contributions for workmen's compensation. It is not clear whether the figures for the White Paper reflect a similar exclusion.

- 4 -

would represent slightly more than one-third of the social security expenditures. Contributions under the present program have been estimated at about \$600 million for 1945, and this would represent about 35 percent of the cost of the program.

C. Benefit provisions

The benefit provisions of the White Paper cover virtually the same contingencies as the Beveridge plan. However, the major benefits, family allowances, retirement pensions, unemployment compensation, and disability benefits would be less liberal under the White Paper.^{1/} On the other hand, the government proposes to pay weekly benefits in two situations not covered by the Beveridge plan, i. e., widows without dependent children, and maternity cases involving women who are not gainfully employed. The major benefit provisions of the two plans are given in the attached tabulation.

^{1/} Retirement benefits under the Beveridge plan would approach the full rate (shown in the tabulation below) over a 20-year transition period. Until about 1960, therefore, the White Paper would be more liberal.

<u>Type of Benefit</u>	<u>White Paper</u>	<u>Beveridge Plan</u>
Family allowances	\$1 for each child when parent receives a benefit, and for each child except the first in other cases. ^{1/}	Average of \$1.60 for each child when parent receives a benefit, and for each child except the first in other cases.
Retirement	\$7 for married couple; \$4 for single person. Retiring age 60 for women and 65 for men. Joint pension payable even if wife is below 60.	\$8 for married couple, \$4.80 for single person. Other provisions same as in White Paper.
Unemployment and retraining	\$8 for married man; \$4.80 for a single person. Maximum duration 30 weeks. Details on training benefits not available.	Same as White Paper, except that duration is unlimited, provided recipient attends a work or training center.
Sickness or disability	Benefits same as for unemployment. Maximum duration, varying with number of contributions, is 3 years. After 3 years a disability benefit is payable at the same rate as retirement pension. Four-week waiting period for self-employed.	Same as for unemployment; duration unlimited if contributions number 156. Thirteen-week waiting period for self-employed.
Maternity	\$16 grant; plus \$7.20 for 13 weeks for women gainfully occupied, or \$4 per week for 4 weeks for other women.	Same as White Paper, except that women not gainfully occupied would receive only the grant.

^{1/} In addition, school meals and milk would be furnished free.

<u>Type of Benefit</u>	<u>White Paper</u>	<u>Beveridge Plan</u>
Widows	\$7.20 for 13 weeks; \$4.80 thereafter as long as there are dependent children; \$4 per week when children cease to be dependent, or if over 50 when widowed, if she had been married for ten years.	Same as White Paper, except that benefits after the first 13 weeks would be paid only if there are dependent children.
Orphans	\$2.40 per week.	No special provision.
Funeral	Grant of \$24 to \$30, depending on age of decedent.	Same as White Paper.

- 6 -

MVA-803
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (SECRET O)

Paris

Dated November 25, 1944

Rec'd 2:15 p.m., 26th

Secretary of State,
Washington.

678, November 25, 5 p.m.

PERSONAL FOR SECRETARY MORGENTHAU FROM HOFFMANN.

Rene Pleven, the new Minister of Finance, has
requested me to advise you of the following:

Pleven is currently making a personal survey of
all French regions with a view to determining to his
own satisfaction the present economic condition of the
French people.

As one result of this survey Pleven plans to fur-
nish you with a statement of the effects of the war and
occupation on France. He also plans to decide on
important fiscal measures on the basis of his findings
in the course of this first-hand survey of France.
Pleven is anxious that you should understand his desire
to give you the best possible information on these
matters. He is not willing to reply merely on reports
of others

-2- #678, November 25, 5 p.m. from Paris.

of others and statistics. He is interviewing local committees of liberation workers, employers, farmers and others in every part of the country. He hopes soon to be prepared as a result of this survey to give you his official evaluation of the present condition of France and of the effects of the war on France.

We will keep you advised of any information received from the Ministry of Finance relating to these matters.

CAFFERY

JT

PARAPHRASE OF TELEGRAM RECEIVED

304

FROM: American Mission, New Delhi via Army
TO: Secretary of State, Washington
DATED: November 25, 1944
NO.: 886

SECRET

The message which follows is from Friedman for the Secretary of the Treasury.

Reference is made to Department's message of November 8, No. 1457.

If we wish it, Deshmuck and Raisman have agreed to cover all United States rupee requirements for gold sales from our account. Although we would prefer to continue to utilize the channels being used at present, it is clearly indicated that the rupee value of Bank of England or the Treasury of the United Kingdom is not essential.

I told Raisman, after consulting with the United States Army in Delhi, that approximately 250,000,000 rupees would probably be needed during the coming six months. Deshmuck and Raisman feel sure that this amount, and more than this, could be raised at the prevailing price of gold; in order to offset a probably decline in demand during the ensuing three months, they want permission to sell more than the current needs during the next three months; with regard to such matters as amounts to be offered and the selling price, would be glad to consult often with the representative of the United States Treasury in the area.

At the present time there are no sales of gold for the British account. Unless the price of gold rises to an appreciable degree it is the belief of Raisman that the British will not resume sales; should they resume sales, the ability to raise United States requirements would not be affected, though the price might be depressed a few points by sales for the British account.

It is my plan to depart from India about the 26th or 27th of November, and it is requested that my wife be informed of this.

LANE

DCR:LCW:MLM
11-27-44

CABLE TO AMERICAN LEGATION, CAIRO, FROM WAR REFUGEE BOARD.

Please deliver the following message to Baron Georges Menasce, Ovadia, Salem, Presidents, Pidion Chebouyin, Cairo, from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE GRATEFUL YOUR CABLE WHICH WE RELAYED TO JOSEPH SCHWARTZ IN LONDON FOR IMMEDIATE ACTION. YOU WILL HEAR FROM HIM SOONEST. WE ANXIOUS BE OF UTMOST HELP THIS EMERGENCY. HAPPY KNOW EGYPTIAN JEWS PREPARED PARTICIPATE. UNQUOTE

12:00 noon
November 25, 1944

Secretary of State

Washington

10398, November 25, 3 p.m.

FOR PEHLE FROM LANN

The following message is for Moses Leavitt of the JDC from Joseph Schwartz.

"Following received from Judah Magnes: "We sent New York two lengthy cables dealing with Polish relief and with need for Middle East office Jerusalem to which we feel it important you give all your time or if that not possible Passman as director until director from America. Various aspects Balkans, Poland, Teheran very urgent. Moreover requests for JDC financial participation emigration from Rumania, Bulgaria beginning as some astronomic proportions and clear cut policy absolutely essential. Therefore we urge you come here at once irrespective our proposals Middle East office."

Have replied as follows: "Your 21 regret impossible present time proceed Jerusalem although recognize fully importance problems you indicate. Expect leave next days for France and Switzerland from where hope be able deal with critical situation Jews in Hungary, Slovakia, also make some arrangements concerning Rumania. Meanwhile completely satisfactory Passman act as Middle East director until such time as other more permanent arrangements can be made. Sincerely hope Passman will be able proceed to Bucharest with Katzki connection which have undertaken all necessary steps Washington. Upon my return here hope proceed Moscow and liberated Poland and will make every effort see you enroute." Trying discuss with Jewish Colonization Association availability Passman next six months and will advise."

WIN:NT

EEC

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

CABLE TO AMPOLAD, CASERTA, FOR KIRK FROM WAR REFUGEE BOARD

Please accept Board's thanks for information forwarded your 1388 November 18 midnight and for your offer to pursue matter vigorously. We will appreciate further periodic advice from you on progress made either in evacuations or in supplying relief to these people.

11:00 a.m.
November 25, 1944

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

LAckermann:hd 11/23/44

November 25, 1944

9 p.m.

AMPOLAD

CASERTA

424

The following for Kirk is from War Refugee Board.

Please accept Board's thanks for information forwarded your 1388 November 18 midnight and for your offer to pursue matter vigorously. We will appreciate further periodic advice from you on progress made either in evacuations or in supplying relief to these people.

STETTINIUS
ACTING
(GLW)

WRB:BMV:KG
11/25/44

SE

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

CABLE TO AMERICAN DELEGATE, ROME, FROM WAR REFUGEE BOARD.

Please deliver following message to Max Perlman, Rome, from M. A. Leavitt,
of American Jewish Joint Distribution Committee:

QUOTE AUTHORIZE YOU NEGOTIATE WITH UNRRA FOR USE IN ITALY OUR
PERSONNEL UNTIL NEEDED BY UNRRA FOR THEIR MISSION. UNQUOTE

12:00 noon
November 25, 1944

FROM: Secretary of State, Washington
 TO: AMERICAN LEGATION, STOCKHOLM
 DATED: November 25, 1944
 NUMBER: 2372

SECRET

The following is a text of a cable to Bern which is repeated for your information.

Amcross shipping on S.S. Saivo to Gothenburg within next ten days 37,388 cases containing 224,328 three-kilo WRB food parcels for consignment to Intercross for distribution to unassimilated persons in camps. Shipment to Swedish port being made due to lack of shipping facilities Marseille. All three-kilo parcels, in accordance with Intercross instructions, are unmarked cartons. Outer shipping cartons (each containing 6 three-kilo parcels) are marked on each of two ends as follows: To International Red Cross Committee, at the top; lower left: Weight 43 lbs; lower right: Cubic feet: 1.32. In the center portion of each of the two ends and on two sides will appear a circle substituted for the Red Cross emblem (at Amcross suggestion). That portion of the shipment containing a Kosher meat product (39,324 three-kilo parcels packed in 6,554 shipping cartons) will be distinguished by the letter "K" appearing in the center of the four circles. Parcels so packed do not contain receipt cards and are for distribution by Intercross as outlined in paragraph 4, your 6263, September 21. Balance of 30,834 shipping cartons containing 185,004 three-kilo parcels includes receipt card as per wirephoto, September 22. All parcels contain items mentioned our 5859, September 6. Remaining 60,672 three-kilo parcels will go forward sometime in December.

For your information, Board has secured authorization from MEW to make provision for the shipment of an additional 300,000 three-kilo parcels to go forward beginning the latter half of December.

MEW has approved and Amcross is prepared to ship for World Jewish Congress here 10,000 pounds of clothing for Intercross distribution to unassimilated persons Bergenbolsen and other camps. Shipment will be made sometime in December when space becomes available. Will you informally clear this matter with appropriate Swedish officials with a view to obtaining their approval for the offloading of this shipment at Gothenburg.

THIS IS WRB STOCKHOLM CABLE NO.254.

STETTINIUS
 (Acting)

Miss Chauncey (for the Sec'y) Abrahamson, Ackermann, Alcin, Cohn, Drury, DuBois, Friedman, Gaston Hodel, Lesser, Marks, Mannon, McGorkack,

Reference your 7542 of November 15 and 7668 of November 21.

As indicated in Department's 3255 of September 21, item 3, the Board is of the view that the transmission by the Protecting Power of messages regarding the mistreatment of victims of enemy persecution serves a useful purpose regardless of whether the enemy government QUOTE accepts UNQUOTE the message in any formal sense. Accordingly, it would be appreciated if notes based on the four points contained in Department's 3648 of October 26 and on Department's 3769 of November 4 were transmitted by Switzerland to the German Government.

In view of this Government's stand regarding holders of documents issued in the names of American Republics, which is shared by the Inter-American Advisory Committee for Political Defense, no distinction can be countenanced in communications to enemy governments relating to the treatment to be accorded such persons between claimants to American nationalities on the theory that some may be bona fide while others may not. To do otherwise would deprive the latter of whatever minimum security they may still enjoy, without in any way adding to the security of the former. This Government, of course, has a special interest in citizens and claimants to citizenship of the United States, and you are authorized to word your requests to Swiss authorities accordingly. Department's 3852 of November 11 is an example of such special emphasis.

German failure at this late date to recognize interest of this Government in claimants to nationality of American republics and its right to make representations concerning their treatment is not (repeat not) understood since many such representations have been made by us and discussed by German authorities with Swiss officials in the past. You may point out to Swiss authorities that acceptance of German view now expressed would leave unfortunate victims of unprecedented persecution without such slight protection as our repeated representations may afford them. The Board is confident that Swiss authorities do not wish this result. Moreover, German attitude, in the light of your 7616 of November 18, is not likely to prove inflexible.

Department and Board appreciate the solicitude of Swiss officials for this Government's interests (reference penultimate paragraph of your 7542 of November 15) with regard to the possible misinterpretation of the course of action suggested in your 7163 of October 28 and approved by this Government (reference Department's 3769 of November 4). However, this Government, as repeatedly indicated in various communications to you, believes that technical niceties cannot be allowed to stand in the way of saving human lives. Any misconception regarding the American attitude toward the present regime in Slovakia can be avoided if you refer in your communication to the Swiss to QUOTE Dr. Tiso and his associates UNQUOTE or QUOTE The present regime in Slovakia UNQUOTE.

THIS IS WRB BERN CABLE NO. 294.

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

10:30 a.m.
November 25, 1944

BA:LSL:ar 11/24/44

The following is substantially the text of a message from Amembassy
Quito:

QUOTE 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 UNQUOTE

In view of Swiss reply to Ecuador reported in your 6469 of September 29, Ecuadoran request of October 31 was made at our suggestion. Consequently, Board would appreciate clarification of Swiss attitude and any information you may obtain as to Swiss reasons for their reply to Ecuador.

THIS IS WRB BERN CABLE NO. 295.

11:00 a.m.
November 25, 1944

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

BAKzin:LSLesser:tmh 11-23-44

November 25, 1944

Midnight

AMLEGATION

BERN

4003

The cable below for McClelland is WRB 295.

The following is substantially the text of a message from Amembassy Quito:

QUOTE 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. UNQUOTE

In view of Swiss reply to Ecuador reported in your 6469 of September 29, Ecuadoran request of October 31 was made at our suggestion. Consequently, Board would appreciate clarification of Swiss attitude and any information you may obtain as to Swiss reasons for their reply to Ecuador.

STETTINIUS
ACTING
GLW

WRB:MMV:KG
11/25/44

WE

NWC

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

November 25, 1944

Midnight

AMLEGATION

BERLN
4001

The following for McClelland is WRB 291.

Amcross shipping on SS Saivo to Gothenburg within next ten days 37,388 cases containing 224,328 three-kilo WRB food parcels for consignment to Intercross for distribution to unassimilated persons in camps. Shipment to Swedish port being made due to lack of shipping facilities Marseille. All three-kilo parcels, in accordance with Intercross instructions, are unmarked cartons. Outer shipping cartons (each containing 6 three-kilo parcels) are marked on each of two ends as follows: To International Red Cross Committee, at the top; lower left: Weight 43 lbs; lower right: Cubic Feet: 1.32. In the center portion of each of the two ends and on two sides will appear a circle substituted for the Red Cross emblem (at Amcross suggestion). That portion of the shipment containing a Kosher meat product (39,324 three-kilo parcels packed in 6,554 shipping cartons) will be distinguished by the letter "K" appearing in the center of the four circles. Parcels so packed do not contain receipt cards and are for distribution by Intercross as outlined in paragraph 4, your 6263, September 21. Balance of 30,834 shipping cartons containing 183,004 three-kilo parcels includes receipt card as per wirephoto, September 22. All parcels contain items mentioned our 5859, September 6. Remaining 60,672 three-kilo parcels will go forward sometime in December.

For your information, the Board has secured authorization from MSW to make provision for the shipment of an additional 300,000 three-kilo parcels to go forward beginning the latter half of December.

The foregoing has been repeated to Stockholm.

MSW has approved and Amcross is prepared to ship for world Jewish Congress here a total of 10,000 pounds of clothing for distribution to unassimilated persons in Bergenbelsen and other camps. Shipment will be made to Gothenburg sometime in December when shipping space becomes available. However, Amcross has asked Board to obtain assurance from Intercross that Intercross is prepared to receive and distribute this clothing. You are requested to obtain such assurance and advise Board.

Reference Bergenbelsen and point No. 3 your 6265 September 2, Board would appreciate definition of "number A internees in Bergenbelsen Germany."

WRB:MSV:ED
11/24/44STETTINIUS
ACTING

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

PLAIN
Bern
Undated
Rec'd November 25, 1944
8:47 a.m.

Secretary of State,

Washington.

7740

FOR WRB FROM MCCLELLAND

Reference second paragraph WRB's 264, there are in Switzerland as of November 1 some 42,000 civilian emigrants (those who entered country prior to August 1, 1942) and refugees (those who entered mainly illegally after that date) exclusive of military internees numbering roughly 40,000 (two main groups being 20,000 Italians and 10,000 Poles). In addition to these two principal categories there are some 13,000 recently admitted French and Italian refugee children from Belfort region and Val Dossola respectively total therefore about 95,000.

Civilian emigrants and refugees are made up of following major groups: 9720 former Germans and Austrians (almost all stateless) 6700 Poles (majority stateless). 85 percent of these two groups are Jews in addition there are about 500 former Czechs and 200 former Hungarians who are Jewish and stateless another 500 persons of various ex-nationalities should be added to this category of largely unrepatriables then come following repatriable groups possessing nationalities; 9800 Italians 5332 French (including Alsations) 1295 Dutch 1200 Yugoslavs (80 percent Jews) 580 Belgians 480 Hungarians 500 Czechs plus about 5,000 of various other nationalities.

About 230 persons at present in Switzerland hold valid Palestine certificates of which 1,000 more will shortly be allotted to Switzerland mainly for children and adolescents.

Only negligible number of isolated cases possess valid visas for overseas emigration mainly South America.

HUDDLE

RR

DSH-535

Bern

Dated November 25, 1944

Rec'd 1:51 p.m.

Secretary of State,
Washington.

7754, November 25, 11 a.m.

FOR PEHLE OF WRB FROM MCCLELLAND.

Department's 3923, November 18. WRBs 279.

Received 428,816.47 Swiss francs on November 24.

I am preparing confidential statement for you of WRB expenditures during initial six months period May 1 through October 31 which will be dispatched shortly by pouch. Up to October 31 had received total of 1,112,242.73 Swiss francs, spent 733,935.50, leaving unspent balance of 378,307.23. I still have unpaid commitments outstanding of approximately 40,000 francs plus cost of 54,756 kilos of salvaged cristina goods for which Ancross Geneva has not yet collected. This last item probably represents close to 250,000 francs.

HUDDLE

JMB

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

Dated November 25, 1944

Rec'd 6:56 p.m.

Secretary of State,

Washington.

7762, November 25, 2 p.m.

FOR WRB FROM MCCLELLAND. DEPARTMENT'S 3903,
November 16. FOR KUBOWITZKI OF WORLD JEWISH CONGRESS
FROM REIGNER

In reply your cable concerning Marianka we have following information. Mid-September after rupture negotiations with Jewish council on emigration from Slovakia arrests of Jews started suddenly in Bratislava and were continued throughout Slovakia. Most of remaining Slovakian Jews were brought to camps of Sered and Marianka. 4,000 Jews from Bratislava alone were crowded into Sered while Marianka in reported to have housed about 1,000 Jews with American and Latin-American documents. Camp of Sered was emptied middle October with exception 300 people. Trains departed northwards probably to Auschwitz. According report received here November 15 rest of Jews in Sered and Marianka have in meantime all been deported. Legally no Jews remain in German occupied Slovakia.

HUDDLE

BB

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

November 25, 1944

2 p.m.

AMBASSY

ANKARA

1082

The following for Katski is WRB 130.

News item date marked Istanbul November 15 appearing in New York Jewish Morning Journal is in substance as follows:

QUOTE The Turkish Consul in Budapest attempted to save 1450 Jews from the Budapest ghetto in danger of deportation to Germany, by making them Turkish citizens, but his government did not permit it.

The Consul endeavored to follow the example of the Swedish representative in Budapest who had already done so. The Turkish Government, however, advised the Hungarian Minister of the Interior that the passports which the Consul issued were not legal and that the Consul was not empowered to issue the passports. UNQUOTE

The Board would appreciate any information you may be able to gather with respect to the truth of the foregoing particularly as to whether the Turkish Government disavowed any passports which a Turkish Consul may have issued in an effort to save lives. Please consult with Ambassador Steinhardt regarding methods whereby this information may be obtained.

STETTINIUS
ACTING
(OLW)

WRB:MMV:KG
11/25/44

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

SECRETNOT TO BE RE-TRANSMITTEDOPTEL No. 382

Information received up to 10 A.M. 25th November 1944.

1. MILITARY

Western Front German counter attacks have driven French from ENSISHEIM, 6 miles north MULHOUSE. French and U.S. troops are making good progress along the roads leading over the VOSGES towards COLMAR and STRASBOURG. Elements of 2nd French Armoured Division in STRASBOURG. have crossed the RHINE bridge East of the city. U.S. troops are exploiting north and East of SAVERNE. Very heavy fighting continued east of AIX LA CHAPPELLE. U.S. troops made slight gains east of ESCHWEILER but N.E. of GEILENKIRCHEN were forced to yield some ground. British troops have occupied more ground west of MEUSE between VENRAI and the river. Little progress opposite VENLO.

Italy Rapid Progress by 46th Division south of Highway 9 where out forward troops have advanced about 4 miles reaching eastern outskirts of FAENZA but are not yet across River LAMONE. Further south armour and infantry have broken across the river. Other formations have also gained ground and generally the front has moved forward everywhere except in the coastal sector.

Russia Russians have now completely cleared the Germans from Island of OESSEL. In the southern sector they have captured several more places West of COP and N.E. of BUDAPEST.

2. AIR OPERATIONS

Western Front 24th. Bad weather restricted offensive operations to 20 fighter sorties over the battle area.

24th/25th. 58 Mosquitoes sent to BERLINE and six to GOTTINGEN; all returned safely; 75 tons on BERLIN through complete cloud. 13 Halifaxes sent to lay sea mines; reports not yet received.

Mediterranean 22nd/23rd. 54 heavy and medium bombers (5 missing) dropped 111 tons on SZOMBATELY Railway Centre, HUNGARY, with unobserved results. Fighter bombers set fire to a 3,000 ton tanker near VENICE.

23rd. 154 heavy and medium bombers (one missing) and 48 fighter bombers attacked objectives YUGOSLAVIA including towns ROGATICA and UZICE 192 tons and bridges at BROD, DOBOJ, ZENICA, and MACLAJ 233 tons. 228 fighter bombers and fighters attacked military objectives near FAENZA and elsewhere in Northern ITALY. Other aircraft attacked communications and positions YUGOSLAVIA. During all these operations several bridges and many vehicles destroyed or damaged.

4. HOME SECURITY

to 7 A.M. 25th: 24th 5 rockets reported 24th/25th. one rocket incident. Seven flying bombs plotted between 4:45 and 5:15 A.M.