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November 26, 1944¹
11:05 p.m.

HMJr: All right, get me Lord Keynes.

Operator: All right, sir.

HMJr: Hello.

Operator: Lord Keynes.

HMJr: Hello.

Lord
Keynes: Mr. Morgenthau.

HMJr: Speaking.

K: Keynes, here. I was wondering if I could report
to you rather early tomorrow morning.

HMJr: Yes.

K: I've got a date with Harry White at a quarter to
ten.

HMJr: Yes.

K: Would you be available before that?

HMJr: Surely.

K: About a quarter past nine if I looked in?

HMJr: Surely, a quarter past nine.

K: A quarter past nine in your office.

HMJr: Right.

K: I'll be with you then and I'll tell you what
happened to me today.

HMJr: I hope -- happened to you?

K: Yes. Quite, quite good and a very nice thing --
I had a very -- I had a very, very agreeable
hour with the President.

HMJr: Good.

K: And I'd like to tell you about it.
HMJr: I'd love to hear about it.
K: Yes.
HMJr: A quarter past nine.
K: Quarter past nine.
HMJr: Thank you so much.
K: Right. Good night.

SECRET

OPTEL No. 383

Information received up to 10 a.m., 26th November, 1944.

1. NAVAL

ANTWERP. Dredging of the entrance to the lock system has been completed to admit ships of 30 foot draught. First coastal convoy is due today. Balloon barrage now in operation on the Scheldt. On 24th ships of an escort group in conjunction with aircraft probably sank a U-boat 100 miles north of Cape Wrath.

2. MILITARY

WESTERN FRONT. On First Army front Germans hold Kembs and west bank of Rhine, thence to Swiss frontier. French troops north of Kembs have been counter-attacked and driven back to Hadsheim. Elsewhere on this front a 7 mile westward advance towards Thann.

On Seventh United States Army front, U.S. troops have advanced up to 10 miles to within 2 miles of Ste. Marie Aux Mines and have taken Schirmeck and Milsheim. At Strasbourg French have cleared the city and hold west end of Rhine bridge only. North of Strasbourg United States troops have taken Buchweiler and Brumeth and are 5 miles west and south of Hagenau. Northeast of Saarsbourg United States troops have advanced 5 miles northwards on a 12 mile front.

On Third United States Army front gains of up to 2 miles made south of Puttenlange. Slight local gains only on fronts of First and Ninth United States Armies. German resistance still very stubborn.

Local advances by British northwest of Venlo and patrols established on the Maas. Germans, still resisting at Blerick, blew Maas bridge joining this town to Venlo at 4 p.m. 25th.

ITALY. Eighth Army troops continued mopping up east of River Lamone and made progress northeast of Faenza. Positions in front of Faenza consolidated and bridgehead over River Marzeno enlarged. Brazilian troops from Fifth Army supported by United States troops have improved their positions around Gaggio.

3. AIR

WESTERN FRONT. 26th. 930 United States heavy bombers attacked Leuna oil plant - 1581 tons, and Bingen railway centre - 663, both through cloud, employing Pathfinder technique. No German air opposition. 1,067 fighters scored 9, 0, 8 on the ground and successfully attacked rail and road traffic. 63 bombers and 19 fighters missing, but many believed landed in Allied territory. 58 medium bombers (1 missing) attacked railways Munchen-Gladbach area and 129 U.S. medium bombers (1 missing) dropped 166 tons on supply depots Kaiserslautern and Landau areas. 1,403 fighters supported ground forces and attacked communications. 198 tons dropped and German casualties 11, 0, 7 in action. Ours - 13 fighters missing. 30 locomotives, 278 railway wagons, 109 M.T. and 36 gun positions destroyed or damaged.

25th/26th. 171 Mosquitoes sent out (2 missing);
Nuremburg - 68, Bomber support - 74, other tasks - 29.

MEDITERRANEAN. Bad weather restricted operations to 475 sorties. 236 aircraft effectively attacked communications and strong points Faenza area and fighters attacked road traffic Yugoslavia.

4. HOME SECURITY

To 7 a.m. 26th. Yesterday morning 5 rocket incidents reported. This morning 1 rocket incident.

4
November 27, 1944
9:55 a.m.

HMJr: Hello.

Operator: Mr. Crowley.

HMJr: Hello.

Operator: Go ahead.

HMJr: Leo.

Leo
Crowley: Hello. How are you?

HMJr: I'm pretty good. Are you so you can talk to me
alone a couple of minutes?

C: You bet.

HMJr: Now, I want to tell you exactly what's happened,
Leo, and it

C: Yeah.

HMJr: will take two or three minutes. Yesterday
Oscar called me up about this statement that Keynes
is proposing to make.

C: Yeah.

HMJr: Not he, but his Government, you see?

C: Yeah.

HMJr: And couldn't I get word to the President to go
easy or -- and so forth -- I said, well, I wasn't
going to bother the President Sunday afternoon,
and (2) I'd leave it to his common sense.

C: That's right.

HMJr: Now, Keynes came over here and he did not show
the President the statement.

C: Uh huh.

HMJr: But he did show it, individually, to Harry Hopkins
and to Acheson and to Stettinius.

C: Uh huh.

HMJr: And this morning he read it to me. So I said, "Look, Keynes, I want to be very frank with you. Up to now we've worked collectively and you're working on us each separately and I'm not going to agree to it."

C: Uh huh.

HMJr: "And I think it's a mistake." And he said, "Well, how could I have gotten it to you collectively?" I said, "Well, you could have asked to present it to us at one time and it's important enough, I think we could have gotten together Sunday afternoon, if necessary."

C: That's right.

HMJr: So I said, "There are things in here, and," I said, "for the American public to get this information about this meeting from the House of Commons, you can't do anything which will torpedo the work we've been doing for the eight weeks any faster."

C: That's right.

HMJr: I said, "The American public should hear it from an American and not from an English House of Commons."

C: That's right.

HMJr: Now, I said, "There are certain things in there which from first reading I certainly couldn't go along, but," I said, "all I can say at this moment is: I certainly can't informally or formally, officially or unofficially consent to be any part of that statement. Now," I said, "I can't help it if you've shown it to the others and they've agreed." But I said, "I'm going to call up Mr. Crowley and talk to him and find out whether he wants to get a group together this afternoon and discuss it collectively and"

C: I think this, Henry, I think that what we ought to do, if you have a few minutes time

HMJr: Yeah.

C: that we shouldn't have Keynes there. We should just have our own fellows there.

HMJr: That's right.

C: And not too many of them.

HMJr: That's right.

C: And let us sit down and discuss it together.

HMJr: That's right.

C: And then tell him what we're going to do -- not have him going around and calling on each one individually.

HMJr: Well, you see we wrote the President -- I got it to him at nine yesterday morning.

C: Yeah.

HMJr: And I felt if you wanted to get together with any of us, I'm available.

C: Well, now, let's do this, Henry....

HMJr: Yes.

C: What time have you got open this afternoon?

HMJr: Three o'clock.

C: Well, why don't we do this -- why don't we get hold of Ed and Acheson and you and I and Oscar and Lauch and Harry? Now, that's enough.

HMJr: Well, I think Hopkins ought to be here as long as he's been in on it.

C: Well, that's all right with me.

HMJr: Yeah.

C: Of course, you know that Dean and Ed -- now, they're so agreeable with those fellows, they'd agree to anything.

HMJr: Yes.

C: And had we have gone along with these fellows, I think the President would have been sunk long before.

HMJr: Well, I think up to now everything has been fine.

C: Yes, I think so, too, and these fellows, Henry, if Lord Keynes and Churchill and these fellows have any conception of our public opinion here, they're not going to help themselves by making some statement that's going to embarrass the President.

HMJr: Well, it isn't -- it isn't so much the President. I told Lord Keynes if this statement was made, coming the way it is, and nothing from this country, it would completely ruin everything that we've done.

C: I think that's correct.

HMJr: Now, I told him that and looked him right in the eye.

C: Well, now, will you -- will you call a meeting of those fellows for three o'clock?

HMJr: If you want me to.

C: Fine. I think -- I think so -- that you're the logical person. You've been chairman of the committee, now, and I think this would finish the thing up and

HMJr: Well, I didn't want to do it unless it was entirely agreeable to you.

C: Oh, very -- and then -- and now, you understand that I agree with you wholeheartedly.

HMJr: Well, I know how

C: We're in complete agreement. Oscar telephoned me and I'm in complete agreement with you.

HMJr: Well, it's -- it's -- I've only seen the thing and I just can't understand the stupidity of agreeing to it unless somebody want to -- is -- doesn't want to help England. If they don't want to help England, then let this statement go.

C: That's right. I agree with that.

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HMJr: Well, I'll call the others. I think I'd better call them myself, but I'm doing it now with the understanding that this is something that you want.

C: That's correct. That's correct.

HMJr: See?

C: And if there's any -- and if there's any change in it, will you have your secretary call me?

HMJr: Right. Now, you're going to bring who?

C: Just bring Lauch and Oscar.

HMJr: You don't want to bring Frank Coe?

C: I'll bring Frank if you want because he's the secretary of the meeting anyhow.

HMJr: Well, he -- yes, and he's been very helpful on this.

C: Fine, I'll bring Frank.

HMJr: And I'll keep it in my own shop down to White and myself.

C: Fine and dandy.

HMJr: And if there's nothing to the contrary, I'll look to seeing you at three o'clock.

C: Thank you.

November 27, 1944
10:06 a.m.

Operator: Mr. Stettinius is in a meeting until 10:30 and I have Mr. Hopkins.

HMJr: Right.

Operator: Go ahead.

HMJr: Harry:

Harry Hopkins: Hello, Henry.

HMJr: Have you got a couple of minutes?

H: Sure I've got a couple of minutes.

HMJr: Well, I need about five.

H: Yeah.

HMJr: Now, I'll tell you what happened this morning. Keynes came over to see me to tell me what he's been doing with the President.

H: Yeah.

HMJr: Now, he said just before going in to see the President, he saw you.

H: Right.

HMJr: And showed you this proposed statement.

H: Yeah.

HMJr: Which he's going to make, you see?

H: Yeah.

HMJr: And that you approved it.

H: Oh, I criticized it a lot.

HMJr: No, well, he said that you approved their doing it.

H: Yeah.

HMJr: Well, and then he'd shown it to Stettinius and Acheson

H: Yeah.

HMJr: and he was over here to show it to me. So I said this: "Look, Keynes, let's be frank with each other." I said, "Up to now you've been working with an American Committee. Now, you've been going around and seeing these people individually." And I said, "I think it's wrong." And I said -- after he read it to me -- I said, "For the American public to learn about this Conference stemming out of Quebec -- eight weeks work here -- from the House of Commons"

H: Uh huh.

HMJr: ".... I don't know any better way to ruin the whole lend-lease effort."

H: And I said, "There are certain things in there with which I can't go along." And I said, "There's got to be an American statement first." I think there should be a statement.

H: Uh huh.

HMJr: But there must be an American statement preceding the English -- "Because," I said, "we're giving the lend-lease."

H: Uh huh.

HMJr: Now, I said, "I'm going to call up Mr. Crowley and ask him what he'd like."

H: Uh huh.

HMJr: And I did and Crowley said he'd like very much if I would call a meeting at three o'clock this afternoon where we could sit down -- just the Americans -- and talk it over.

H: Uh huh.

HMJr: And I said, "Leo, this is something you want?" And he said, "I'd very much appreciate it if you would do it."

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H: Uh huh.

HMJr: So, I'm in the process of doing it now.

H: Uh huh.

HMJr: And in as much as you've seen it, I do hope that you can come.

H: Yeah. Well, I will come if you want me to.

HMJr: Very much.

H: All right. Three o'clock?

HMJr: At three o'clock.

H: All right.

HMJr: I'll appreciate it.

H: I'll be there, Henry.

HMJr: Thank you.

H: Now, wait a minute.

HMJr: Yes.

H: Tell me how Elinor is.

HMJr: Elinor is getting along amazingly well.

H: Good.

HMJr: And evidently this doctor here is a very clever fellow.

H: Yeah.

HMJr: And she's going home Wednesday.

H: Oh, isn't that fine?

HMJr: Yeah.

H: That's grand.

HMJr: Right.
H: All right. Bye.
HMJr: Bye.
H: Three o'clock?
HMJr: Right.

13
November 27, 1944
10:13 a.m.

HMJr: Hello.

Operator: Admiral Leahy.

HMJr: Hello. Admiral

Admiral
Leahy's
Operator: Just a moment, Mr. Secretary.

HMJr: Admiral.

Admiral
Leahy: Admiral Leahy.

HMJr: Morgenthau speaking.

L: Yes, Mr. Secretary.

HMJr: Have you got a couple of minutes?

L: Yes, sir.

HMJr: Are you alone?

L: Yep.

HMJr: Good. Look, Admiral, this is what's happened on this English business. I want to bring you up to date.

L: Yeah.

HMJr: Yesterday afternoon, evidently, Keynes prepared a statement which was going to be delivered in the House of Parliament on the 29th telling about what had been done here in the last eight weeks.

L: Yes.

HMJr: And contrary to what he has done before, instead of putting it up to us as a committee, he went around and saw Hopkins, separately, and Acheson and Stettinius; and they all told him they approved it. So when he came over here this morning, I told him that I thought he had made a great mistake going around and seeing the people separately, and for the American public to get their information

HMJr:
Cont'd.

from the House of Commons -- I didn't know a better way to torpedo any aid of lend-lease -- any further aid than to do it that way.

L: Yeah.

HMJr: And if there's going to be a statement, there had to be one from America first.

L: Yeah.

HMJr: Then let us -- our own people hear from American sources about this thing.

L: Yes.

HMJr: And I just couldn't approve it. Well, he said he wasn't showing it to us for our approval. Well, I called up Crowley, and he asked me whether I wouldn't please call a meeting for three o'clock this afternoon and he'd very much like to have it discussed in my office, and I said I would, as long as he wanted it. And I called up Harry Hopkins and talked to him, and asked him to come over, and he said he would. I'm trying to get hold of Stettinius; he's in a meeting. He'll be out in fifteen minutes.

L: Yeah.

HMJr: Now, you've been so helpful in this thing, if you could bear with me a little bit longer, I'd love to have you come over.

L: Well, what time is it? Three o'clock this afternoon?

HMJr: Yep.

L: Well, when is he going to issue the thing?

HMJr: On the 29th.

L: 29th of this month. That's day after tomorrow.

HMJr: Yep.

L: Yeah. Well, I'll tell you. I'm going to see the President and I'll tell him this story

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HMJr: Good.

L: and I'll ask -- I'll say you've asked me to come over. Now, as a matter of fact, the only thing I could do would be to listen attentively, because I haven't a glimmering idea on it. I think that you're absolutely right.

HMJr: Well

L: And, personally, I don't care a damn if they release it and don't get any lend-lease as a result thereof.

HMJr: Well, what I said to Crowley was this: I said if some diabolical person wants to plan it so that the British don't get any relief, this is the way to do it.

L: Well, that's what I'm thinking. It might be -- let 'em do it. They're -- they're going to do it, I guess, from what he told you.

HMJr: No. No.

L: You think not?

HMJr: No.

L: No.

HMJr: Now -- and for Stettinius and Acheson and Hopkins to give him a -- the green light on this, -- I just talked right -- I said, "Hopkins, I think it's terrible".

L: Yeah.

HMJr: And, you see -- so I'd be very glad -- I mean, to have you tell the President that I am stepping in, but I wanted to make sure that Crowley wanted me to.

L: Yeah. Well, Crowley does.

HMJr: Crowley urged me to have this meeting.

L: Yes, Crowley urged the meeting.

HMJr: So, I said all right, and Crowley agrees with me a hundred per cent.

L: Uh huh.

HMJr: And the reason -- one of the main reasons I want you is that this statement -- proposed statement -- it goes quite contrary to what the President said, and you were present.

L: Yes.

HMJr: You see?

L: Yes.

HMJr: Now, you've borne with me so long, if you'd bear with me one more meeting.

L: Well, I'd like to help all I can, as you know, Mr. Secretary. I -- I'll do anything I can, because I've done that throughout as well as I could. Of course, I'm pretty ignorant, so I couldn't help you much.

HMJr: Well, in writing the President yesterday and in forwarding this memorandum, I said, "My dear Mr. President, I am forwarding you this memorandum of this Committee." I said Admiral Leahy has seen it and made several valuable suggestions which have been incorporated in this memorandum.

L: Well, I'll see the President this morning, and

HMJr: And you tell him that I'm just -- that I know that this, from our conversation with him, this would be just contrary to what he wanted.

L: Yeah.

HMJr: Now, I do think this: I think there should be a statement made in America right away which would precede by one or two days what the English are going to say.

L: Uh huh.

HMJr: See?

L: Well, I don't know whether the President will want to make any statement or not.

HMJr: No -- no. I think Crowley should make it.

L: Well, I wonder if the President would want him to. Does Crowley want to do it?

HMJr: I think he'd be willing to do it, yes.

L: I don't see anything the matter with that draft -- that report that you've put in, but, of course, the British want -- want to nail down a commitment of some kind, and I dare say, this publicity is for that -- with that purpose.

HMJr: Yes. The English have not seen the report I made to the President.

L: Yes.

HMJr: No, I had no idea of the President making it, but I thought that Crowley could, because after all the columnists all know that this meeting has been going on for eight weeks.

L: Yes.

HMJr: Krock and the rest of them have all run it.

L: Yes.

HMJr: Now, in the interest of unity and everything else -- and I don't think that we could keep some of the radicals in England from heckling Churchill.

L: Yes.

HMJr: And I think if -- if we said "no", Churchill would take it as an unfriendly act, and he's on the spot.

L: Yeah.

HMJr: Now, Roosevelt told Churchill he was going to help him

L: Yeah.

HMJr: Now, let Crowley or somebody make an innocuous statement, see?

L: Fine.

HMJr: And then two days later something would come out of England, and I think it would help the Roosevelt-Churchill relation, because Roosevelt did go pretty far at Quebec.

L: I know he did. Too far.

HMJr: And -- so -- I'm for letting Crowley do it.

L: Well, I'll tell the President, Mr. Secretary, and I'll let you know what he says.

HMJr: Will you?

L: All right, then, I'll be over there at three, if I can.

HMJr: Right. Good bye.

L: Right.

November 27, 1944
10:49 a.m.

19

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Henry L.
Stimson: Hello, Henry.

HMJr: How are you?

S: I've just learned that there was some quite striking announcement put out as to the atrocities yesterday by the Committee

HMJr: Yes.

S: on Refugees.

HMJr: Yes.

S: Well, it must have been done without anybody showing it to me so I was rather mortified by not knowing anything about it.

HMJr: Well, I

S: I don't think Pehle ought to do that.

HMJr: Well, I was under the impression, but I know he showed it to me.

S: I know -- I'm thoroughly -- I'll probably be in thorough sympathy with any such announcement. I think it's important to get it out, but as long as I'm one of the Committee, I think I ought to know about it....

HMJr: I

S: particularly when you and I are the only two members of the committee....

HMJr: That's right.

S: in the sickness of Hull.

HMJr: Have you asked McCloy whether he saw it?

S: McCloy was the man who told me that it had come out. He didn't see it himself.

HMJr: Well, I was under the impression

S: He heard of it through a row by Elmer Davis who was annoyed that it hadn't been cleared through him. It hadn't been submitted to anyone here that I know of at all.

HMJr: Well, that's wrong because I told Pehle to show it to McCloy. Now, I don't know

S: Well, I know, but he ought to show it to me. It's important enough -- It's important enough. I had no

HMJr: I agree. I agree. I'll talk to Pehle. I don't know -- I'd like to hear his side of the story.

S: Yes, yes. I only just -- McCloy is the one who brought it up as a thing which I ought to stop if possible.

HMJr: Well

S: It hadn't been -- he knew nothing about it.

HMJr: Well, that's wrong. What time could you see Pehle?

S: Well, it's done now. It's done now. I'll look -- I'll read the thing through. I didn't happen to see it myself, and I'll find that out. No need to -- I'm not seeking for an apology, Henry, at all. I'm just trying to correct the future.

HMJr: Well, I think you're entitled to an apology and I'm very much disturbed.

S: Don't -- don't do that, but you tell Pehle that I want to be considered a member of the Committee still, particularly since Hull is off. I think we ought to keep -- it's a duty that I ought to keep in. I'm very much interested in the subject -- on the whole subject of the punishment of those fellows.

HMJr: Well, I will get in touch with Pehle at once. I -- after all, I also am a member of the Committee, but I know he's got joint responsibility to you as he has to me and I just don't know what his side of the story is. That's all.

S: That's all right. I just thought I'd call you up rather than Pehle.

HMJr: Well, I'm awfully glad you did.

S: Yes.

HMJr: I'm awfully glad you did.

S: All right. I started to call on the telephone to him but

HMJr: No.

S: I thought I'd tell you about it, because I can

HMJr: I'm awfully glad you did.

S: talk more frankly to you than I would do with him.

HMJr: And I think you're wholly within your rights.

S: All right.

HMJr: Thank you.

November 27, 1944
12:15 p.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Admiral Leahy: Hello, Mr. Secretary. This is Admiral Leahy.

HMJr: Yes, sir.

L: I just had a talk, and the Boss is in -- quite in favor of our making a statement in advance, as suggested by you, and he's going to have lunch with the Acting Secretary of State today, and he's going to tell him.

HMJr: Wonderful.

L: So I think it will work out all right.

HMJr: Are you coming over?

L: I'll be over, yes, unless something interferes that I can't get away from.

HMJr: Well, I'll be looking forward to it. But he is in favor of our making a statement?

L: Yes, he said that -- the first thing he said when I was talking to him, he said, "Why don't we make a statement?" And I said, "Well, that's exactly what the Secretary of the Treasury wants to do." "Well," he said, "that's fine."

HMJr: And you explained that I stepped in at the last minute this way?

L: Yes, I did. I told him the story as you told it to me.

HMJr: What was his reaction?

L: Well, he said, "That's right." He said, "Let us make a statement."

HMJr: Yeah.

L: I don't know -- he didn't seem to be very much excited about it but he said that we ought to make it first.

HMJr: Fair enough.

L: Fine. I think it's all right, sir. I'll be over at three if I can make it. Shall I come in your door?

HMJr: Come in at my door.

L: Thank you very much.

HMJr: Bye.

L: Bye, sir.

November 27, 1944
12:44 p.m.

HMJr: Hello.

Operator: Mr. Crowley.

HMJr: Hello.

Leo
Crowley: Hello.

HMJr: Leo.

C: Yeah.

HMJr: Admiral Leahy called me and said he saw the President and told him what I said and the President said he wants us to get out a statement first.

C: Good.

HMJr: Now, I thought it would save a lot of time when you came over at three if you might have a draft.

C: Yep. I'll have something worked out.

HMJr: Will you do that?

C: Yeah. I'll get hold of Oscar and Lauch right away.

HMJr: Don't you think it would be good?

C: Yes, I think it's a good thing to do.

HMJr: Well, I think we're back on the track.

C: Fine and dandy.

HMJr: Thank you.

November 27, 1944
2:55 p.m.

Joe
Davies: That's good.

HMJr: Thank you.

D: I just want to say to you that I've gone over that matter and -- very carefully.

HMJr: Yes.

D: There's not a thing in it. It's as clean as a hound's tooth in every respect.

HMJr: Good.

D: And not only that but it was a manifestation of exceptionally good judgment and courage and initiative in doing what he did do.

HMJr: Good.

D: And the matter is in excellent shape.

HMJr: Good.

D: I talked the matter over with -- well, a member of my family.

HMJr: You mean a member of your legal family?

D: Well, a member of my personal family, too.

HMJr: Oh.

D: Who knows some of the people involved.

HMJr: Oh.

D: You can probably guess who it is. And he's been very helpful, too. I asked him as a personal matter for me and also as a matter of fairness.

HMJr: I see.

D: And he went to town on it and the matter is in excellent shape.

HMJr: I'm a little dumb, Joe.

- 2 -

D: Oh, it was Millard.

HMJr: Oh, Millard.

D: Yes.

HMJr: Oh, yes.

D: And he knows -- he knows two members of that sub-committee very well.

HMJr: Oh, yeah.

D: I got him busy on them as to the unfairness of it.

HMJr: Oh, yes.

D: And the result is that one has gone out of town and the other is going to be with us.

HMJr: (Laughs) That's what you call fifty-fifty.

D: And I think that it's all right and I think the third man will be content with just a statement which will be fine. And the statement is being prepared this afternoon so that it gets out.

HMJr: The only man I was worried about was Reynolds.

D: Well, he's all right.

HMJr: Oh, did he leave town?

D: No, the other fellow, Happy.

HMJr: Who?

D: Happy.

HMJr: Happy, he left town?

D: But the Reynolds fellow -- I got Max Gardner on him.

HMJr: You did?

D: I got Max Gardner and this man -- this man from North Carolina -- this General Kenneth Royal is a star.

HMJr: Is he?

D: Oh, he's a star.

HMJr: I see.

D: And he went right to town. He came around here yesterday and Meacham and Landa, my partner

HMJr: Yes.

D: and myself.

HMJr: Yes.

D: And we went over the whole thing. And I satisfied myself thoroughly on those two points.

HMJr: Good.

D: First, that it's as clean as a hound's tooth and you can quote me at any time to that effect.

HMJr: Yes.

D: And second, that it is not only the best of good judgment but it took courageous judgment and initiative to do what he did. He did the right thing.

HMJr: Tell me, is the hearing tomorrow?

D: The hearing is tomorrow morning -- it's in the morning.

HMJr: And when you say, "Get out a statement" what does that mean, for the press?

D: Well, when he gets on the -- when he gets on the stand

HMJr: Oh, I see.

D: If there's any discussion at all

HMJr: Yes.

D: I suggested that we have a terse statement

HMJr: Oh, yes.

D: which will be in short composition -- not more than two or three hundred words which can be put in the record and which will go into the press as our side of the case if there's any controversy.

HMJr: Wonderful!

D: See?

HMJr: Wonderful!

D: And if Downey had gotten into the case, too, and had done splendidly -- and it is their judgment that he ought not to have counsel and I agree with that.

HMJr: Good.

D: So, it's in good shape and I just wanted you to know it.

HMJr: Well, I haven't seen him since he's seen you.

D: Uh huh.

HMJr: So -- he was to have come around yesterday and didn't. He was to have come around today and didn't.

D: Well, he's been pretty busy.

HMJr: Well....

D: (Laughs)

HMJr: Don't you like him?

D: I like him very much.

HMJr: Yeah.

D: I like him very much and I thought it would relieve your mind to know

HMJr: It does.

D: I'm telling you judicially now just what I think, Henry.

HMJr: Well, I -- well, I'm ever so much obliged.

- 5 -

D: Well, all right, old fellow.

HMJr: Once in a while I get a good idea and I've got a good one when I send it to you.

D: (Laughs) Well, I'm delighted.

HMJr: Do you know what my wife said?

D: (Laughs)

HMJr: She said, "Why don't you ever get Joe to help you? You don't ever ask him for yourself."

D: (Laughs) Well, you don't need it.

HMJr: Well, I don't know.

D: And you'd have it anyhow.

HMJr: Thank you.

D: (Laughs)

HMJr: Ever so much obliged.

D: Not at all, Henry.

HMJr: Bye.

TOP SECRETCOPY NO. 37C.S.L.L.(44)7th and Final MeetingCOMBINED SUB-COMMITTEE ON MUTUAL
LEND-LEASE AID BETWEEN THE U.S. AND U.K.

Minutes of a Sub-Committee meeting held in Mr. Crowley's
room at the Federal Deposit Insurance Corporation on the
27th November

P R E S E N T

Mr. Crowley (In the Chair)

U.S. Representatives

Mr. Currie
Mr. Cox
Mr. Griffin
Mr. Angell

U.K. representative

Lord Keynes

Mr. Lee)
Mr. Coe) Joint Secretaries

1. PROPOSED STATEMENTS BY U.S. AND U.K. GOVERNMENTS

MR. CROWLEY referred briefly to the position in this matter; and it was agreed that Messrs. Cox and Currie should discuss separately with Lord Keynes, in anticipation of a meeting of the U.S. group later in the afternoon, possible modifications in the proposed statement to be made by U.K. ministers.

2. CHAPTER III ITEMS

MR. CROWLEY said that, in the light of further consideration, F.E.A. had now come to the conclusion that they could recommend the acceptance of the items given on a list handed to the U.K. representatives and attached as an Annex to these minutes; these were apart from those claims which were the concern of the U.S. Treasury. He added that F.E.A. was prepared to begin at once the Lend-Lease arrangements on receipt of the necessary requisitions from U.K. missions--i.e. without waiting for Stage II. This would include the programme for the provision of temporary emergency houses, equipment and raw materials needed for the replacement and repair of bombed-out houses. LORD KEYNES said that he was bound to say that the list was a disappointing one. Not only were there familiar disappointments such as the absence of tobacco and sugar, but he was particularly concerned to see that retrospective items in the case of shipping and oil had been excluded. MR. CROWLEY emphasised the political difficulties in the way of the restoration of tobacco and sugar to Lend-Lease, but did not exclude the possibility of further consideration. MR. COX said that it had been found that there were insuperable legal difficulties in the way of restoring items to Lend-Lease with retrospective effect. It was not possible to use current Lend-Lease appropriations to meet claims in respect of an earlier fiscal year, while equally it was not possible to create a new claim for the past use of funds during the current fiscal year when in fact no legal basis for that claim existed.

LORD KEYNES said that he wished to draw attention to three ways in which, he hoped, F.E.A. would be prepared to give further assistance in order to strengthen the U.K. position.

(a) Colonial requirements

He agreed that the West Indies were in a special position, and he would not press a claim in respect of their

civilian needs. He was glad to hear that F.E.A. were prepared to continue to give Lend-Lease to Ceylon. But it seemed to him that the claims of East and West Africa, as full participants in the war, (with troops fighting gallantly in Burma) were very strong, and he urged further consideration in their case.

(b) Freight on Government non-Lend-Lease cargoes

He urged that the principle hitherto followed whereby freight was only Lend-Leased if the goods carried were Lend-Leased should be abandoned in favour of a ruling which would give Lend-Lease in respect of all Government-owned cargoes carried in U.S.-controlled vessels. This would be particularly valuable if it could be given in respect of tobacco and sugar, where freight charges might amount to \$10 million in 1945. He thought that the proposed new ruling would be fully justified having regard to (1) the fact that Government-owned cargoes were confined to essentials (ii) the U.K. could not avoid dollar charges when considerations of shipping efficiency made it desirable to employ American, rather than British ships, on a given service.

(c) Removal of certain items from Reciprocal Aid

He wondered whether consideration had been given to the possibility of reverting to private purchase in respect of, say, cocoa and tea imported into the U.S., a course which would involve the removal of these commodities from the scope of reciprocal aid, and would increase the dollar earnings of the sterling area by perhaps \$m. 35-40 over a year.

3. MR. CROWLEY said that F.E.A. had done their best to think of ways and means by which, consistently with the avoidance of acute political or legal difficulties, the U.K. position could be assisted. He said that the first two proposals to which Lord Keynes had drawn attention had already received consideration in F.E.A. but would now be further reviewed in the light of Lord Keynes's observations. He would also arrange for consideration to be given to the third proposal which, he thought, was new, but which would be fully and sympathetically examined.

Washington, D.C.
11th December, 1944

ANNEXREVISED CHAPTER III FIGURES (F.E.A. ITEMS)

	<u>\$m.</u>	
1. <u>Oil</u>		
Crude	22	
Royalties	11	
Adjustments* on R/A	<u>15</u>	48
* Not involving L/L appropriation.		
2. <u>Ocean Freights</u>		
Non Lend-Lease cargoes	.5	
Canadian loadings	5	
Services and supplies	4	
Norwegian vessels	2.5	
Freights on) NAAFI items)	<u>2</u>	14
3. <u>Food and NAAFI</u>		
Extra food items	7.1	
NAAFI food	7	
Other NAAFI	<u>7.3</u>	21.4
4. <u>Bomb damage</u>		
Equipment	10	
Houses	<u>50</u>	60
5. <u>Miscellaneous</u>		
Suez Canal dues	1.3	
Pre R/A rubber	<u>11.8</u>	13.1
		<hr/>
	Total	156.5

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

Minutes of Meeting in Secretary Morgenthau's
Office on November 27, 1944 at 3:00 P.M.

Present

Secretary Morgenthau, Chairman

Admiral Leahy

Mr. Hopkins

Mr. Acheson

Mr. White

Mr. Crowley

Mr. Currie

Mr. Cox

Mr. Davidson

Mr. Coe, Secretary

Public Release

MR. CROWLEY asked the group to read a proposed release prepared by FEA concerning the discussions which had been going on for some weeks. After discussion of the release and of the Report to the President, it was decided that the release was satisfactory, with the addition of a statement that Lend-Lease for the British in Stage II would be about one-half of the 1944 level.

There was discussion of the proposed statement for the British Government which had been prepared by Lord Keynes. There was general agreement that it was unsatisfactory in many respects and that these defects should be called to the attention of the British.

Copy to case - 34 ✓
11/30/44

November 27, 1944
3:00 p.m.

RELEASE ON BRITISH LEND-LEASE NEGOTIATIONS

Present: Mr. Hopkins
Admiral Leahy
Mr. Acheson
Mr. Crowley
Mr. Cox
Mr. Currie
Mr. Coe
Mr. White
Mrs. Klotz

H.M.JR: Lord Keynes came in here this morning. I will just review the thing for a moment. He gave me the impression that he had been around with this statement of his and had not shown it to the President, but had shown it to Mr. Hopkins and Mr. Acheson and Mr. Stettinius, and had gotten their approval and wanted mine. I told him I was very sorry that I couldn't give it to him. I wanted to work with the group.

At any rate, I thought if the American public was going to learn about it for the first time, they should learn it from an American and not from a Member of Parliament.

I called up Mr. Crowley and told him this, and asked what he wanted done. He asked if I wouldn't call this meeting.

MR. CROWLEY: That is right.

H.M.JR: Then I got in touch with Admiral Leahy and he has had the last word with the President, so far as I know, on this subject.

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ADMIRAL LEAHY: You would like to have my information in regard to that?

H.M.JR: If you don't mind.

ADMIRAL LEAHY: When the Secretary of the Treasury called me I took the first opportunity I had to see the President and I told the story as it has been related by the Secretary here, and the President said, "Why not have the statement made in America?"

I said that I understood that that was the idea the Secretary of the Treasury had.

That is all.

H.M.JR: All right. Well, this is the Keynes statement. (Distributes copies of attached photostat)

MR. CROWLEY: Mr. Secretary, Oscar has been working with Keynes and while we are discussing this, Lauch says there is a new draft that Keynes and Oscar are working on right now that ought to be here in a few minutes.

H.M.JR: For Keynes?

MR. CURRIE: Keynes agreed up to one o'clock on certain changes on this draft.

H.M.JR: Well, this is the way it was at ten o'clock this morning.

MR. CURRIE: We met with them and pointed out some things between twelve and one on which he agreed with us and undertook to make certain textual changes in this. Oscar has the draft.

MR. CROWLEY: Can you tell them what he agreed to?

MR. CURRIE: Yes, I pointed out to Keynes, who was rather excited over all this - he said he got clearance

- 3 -

with it all and now we are upsetting it again. But I pointed out to him that what he was doing, in effect, was dropping out the Japanese war from this, and making a four-point program; this Lend-Lease program being a four-point program consisting of points of easement, improving the living standard, rebuilding, housing from this country, exports - nothing at all of the war against Japan.

I said if he could make these same points, I thought, but put it as a by-product of the basic decision that we both devote the same proportion of our resources to the war against Japan, so both America and Britain will be able to engage in some easements, that might meet our requirements.

He said he was perfectly agreeable to doing that, and was redrafting it along those lines. We broke up for lunch and I suspect Oscar is checking back with him now.

H.M.JR: While we are waiting, does Mr. Crowley have a suggestion that might be made on behalf of the American Government?

MR. ACHESON: Henry, may I interrupt Leo for one minute? So far as any clearance with us is concerned, Keynes gave me a copy of this thing on Saturday afternoon when I went in to say good bye to him. I read it about half way through and told him I was sure it was going to cause a great deal of difficulty, and put it in my pocket and went off. I didn't clear it and hadn't any authority to clear it, and didn't even finish reading it.

(Mr. Cox enters the conference)

H.M.JR: Dean, I am only repeating what he said, and Mr. White was present. He said he had a clearance from Hopkins, had a clearance from you, and had a clearance from Stettinius.

MR. ACHESON: I don't know about Ed at all.

- 4 -

H.M.JR: And Stettinius said he saw him for ten minutes and only took a minute and a half to read this thing, and he said he was clearing it largely to back you up. Stettinius said you told him it had been cleared and he thought it was his job to back you up.

MR. ACHESON: He was mistaken about that.

H.M.JR: Anyway, am I reporting it correctly?

MR. WHITE: I thought he said that Keynes told him that Dean had cleared it and he was backing Dean up because he assumed that Keynes' statement was correct.

MR. HOPKINS: I have no doubt that you are quoting Keynes correctly, but Keynes isn't saying anything that is true so far as I know. It certainly isn't about myself.

H.M.JR: Were you present?

MRS. KLOTZ: Yes.

MR. HOPKINS: I don't care what Keynes said. The question is, did I say to him this was approved. The answer is no!

MR. ACHESON: That is what I was trying to bring out.

MR. HOPKINS: In fact, I was critical of the statement and named about nineteen things in it that I was sure this Committee would never approve. I told him to go and see you if he wanted to get this thing cleared.

MR. WHITE: That is not the impression that he left.

MR. HOPKINS: Well, I don't care about the impression. I don't like foreigners. If it is the word of a foreigner against mine--

MR. WHITE: Not questioning your statement; merely indicating what he had said -- I mean, merely suggesting how he is not to be trusted in repeating what others say.

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H.M.JR: I am not questioning you or Acheson or Stettinius. I am just reporting what he said. He made the sweeping statement that the three of you cleared the thing, and I asked if it was brought up to the President, and he said no, that the President wasn't in a reading mood and would I clear it. I said no.

MR. COX: He made the statement this morning after he had seen Mr. Crowley that this had been cleared all around the Administration.

MR. CROWLEY: No, he said the President didn't read this.

MR. COX: But after you left, Leo, and we were sitting down, he said this had been cleared by the American Administration.

MR. WHITE: Do you have the new draft?

MR. COX: No.

H.M.JR: Do you want Davidson in here?

MR. CROWLEY: I have no objection if you want him in here. He has been Chairman of that Committee all along. He could be helpful to us. I think he would be all right.

Mr. Secretary, let me give you our point of view on this thing. First I think that we ought to make our own release as we understand this conference, in what we agreed to, and I think the franker we make it, in keeping with what we believe, the better we will be off with the American people and with the Hill.

In so far as Lord Keynes is concerned, and the British statement, I told him this morning that if he expected us to get appropriations and extension of the Lend-Lease Act in order to help them in the mutual aid of this war, that he would have to be careful not to make some statement over in Britain that would embarrass us to a point that

- 6 -

we couldn't carry on this mutual aid, and that I recognized that he likely had to tell his people something, but he would have to talk in somewhat general terms, that if our people got the idea that this was not a military Lend-Lease, that this was something to rehabilitate England economically, that it would be very harmful to us, and indirectly be very harmful to them.

Now, we have prepared a rough draft of a statement that we would like to submit to this Committee and if we could submit that to the Committee first, and then consider the Lord Keynes statement afterwards, I think it would be in order.

H.M.JR: Unless somebody objects, it is in order.

May I just say again, so there will be no misunderstanding, I was just trying to state what happened this morning; I wasn't questioning anybody's statement. I looked Keynes right in the eye and said, "Look, Lord Keynes, the whole idea of this thing was that you would meet with the Americans as a group and not go around and see them as individuals, and I can't work that way. So this is the advantage of meeting together."

(Mr. Davidson enters the conference)

(Mr. Cox distributes copies of Mr. Crowley's statement, attached)

MR. CROWLEY: Did you give one to the Secretary?

MR. COX:; Yes, sir.

MR. CROWLEY: On this statement I changed the names around there. That is a mistake. I didn't intend that - the names of the Committee!

H.M.JR: Just shows your crowd is partial to you, that is all.

Go ahead, Leo, read it, will you please?

MR. CROWLEY: Al, you are a better reader than I am.

(Mr. Davidson reads FEA statement)

- 7 -

H.M. JR: What do you think, Admiral?

ADMIRAL LEAHY: I can't find any fault with it, whatever. It doesn't tell the unsuspecting public very much.

MR. CROWLEY: You mean very much as far as the dollars and cents? It tells them this, that there is going to be no change in what Lend Lease is going to be used for, and of course, what all of the gossipers have said - that we were going to use it for economic rehabilitation--

ADMIRAL LEAHY: I was thinking vaguely again, I fear. Knowing little about this, I am not qualified to speak, but if it may be helpful, it occurred to me that the publication of the first part of that committee report to the President would be interesting to the people, and it might be very useful to the Congress. This is splendid, I think. (Refers to attached copy of Committee's report to the President)

(The Secretary holds a telephone conversation with Mr. Stettinius, as follows:)

November 27, 1944
3:16 p.m.

HMJr: Hello.

Operator: Go ahead.

Edward R.
Stettinius: Hello.

HMJr: Yes, Ed.

S: Henry.

HMJr: Yes.

S: Returning your call.

HMJr: Pardon?

S: You just called me.

HMJr: No, no.

S: You called me from the White House.

HMJr: Oh, yes.

S: You got me over at the White House.

HMJr: Yes.

S: Okay. I just -- when I got back to my own office, they said you were trying to get me again.

HMJr: No, no. Are you coming over?

S: No, Henry, I can't, boy.

HMJr: That's all right.

S: I just -- I just left the President.

HMJr: Yes.

S: And it's -- the nomination has gone up.

HMJr: Has it?

S: Yeah.

HMJr: Oh, marvelous.

S: So I am in action on a thousand fronts.

HMJr: Oh, my very heartiest.

S: Thank you, boy.

HMJr: My very heartiest.

S: Thank you, boy.

HMJr: Has it gone up?

S: Yeah. It will be better not to say anything about it. It's on the way up now.

HMJr: Oh, okay.

S: I mean, the boy is on the way, you see?

HMJr: I see.

S: Okay.

HMJr: Wonderful!

S: Righto.

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MR. HOPKINS: I have this criticism to make. In the last paragraph in one sentence you say, "Foreign trade throughout the world did not enter into review of these programs."

In other words, you didn't discuss them. Then you go on to say, in the same paragraph, "Some of these problems have been discussed separately, but only on an exploratory basis."

I am wondering if you need that sentence at all. Either you discussed them or you didn't. You say in one sentence you didn't discuss them--

MR. COX: Take out "some of these problems."

MR. WHITE: The sentence prior to that isn't strictly accurate. The issue of increasing their balances was related to the question of what their post-war position would be. Why mention it at all?

MR. HOPKINS: The whole business.

MR. WHITE: Yes.

MR. COX: The only point is, you will get a lot of questions on it, and the issue is whether you want to speak in advance instead of answering it afterwards. I think if you take that sentence out - "some of these problems have been discussed separately"--

MR. WHITE: Would it be satisfactory if you said, "Since Reverse Lend-Lease is concerned solely with war supply, problems of mutually profitable foreign trade"--

MR. DAVIDSON: "Post-war problems."

MR. WHITE: "...problems of post-war foreign trade did not enter into" - that might be more accurate. If you don't care about the accuracy of it, it is all right.

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H.M.JR: I want to read you all a little secret from the U.S. press. "President Roosevelt nominated Ed Stettinius to succeed Hull as Secretary of State."

I am personally very happy.

MR. COX: Harry said it would be more accurate if we crossed out "post-war economic reconstruction."

H.M.JR: When you gentlemen are all through I want to say a little something.

MR. WHITE: If the time comes, as I presume it doubtless will, when defense will have to be made of some of these transactions, in our thinking and talking it has been exclusively on the basis of maintaining a financial position for Britain which will permit them to go on.

Now, sometime that will certainly be a matter for discussion before some Committee; if, in the light of that discussion that takes place, they referred to this and they said, "Why did you do that if you didn't have in mind our economic post-war economic structure" - we have to keep them in that financial position in order to keep them in the war.

MR. COX: Yes.

MR. WHITE: Possibly you could say that.

ADMIRAL LEAHY: Why not avoid all of those subjects at the moment by publishing the first two paragraphs of the report made by the Committee to the President, which nobody can very well take objection to?

MR. CURRIE: Did the first two paragraphs state the dollar amounts?

ADMIRAL LEAHY: Yes.

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H.M.JR: What Admiral Leahy is saying - I don't know who is going to see the press on this, but certainly there have been enough leaks on this thing so that they have a pretty good idea what the dollar amount is. I think the more we can tell them the less suspicion there is around this transaction.

ADMIRAL LEAHY: I have the same feeling, Mr. Secretary, and of course the British are probably going to do something which will not be advantageous to our prospects before the Congress. Now, if we give the Congress exactly what the Committee told the President, there it is.

MR. HOPKINS: Was the whole document such that you could give it to them?

ADMIRAL LEAHY: I don't think so.

H.M.JR: Which part do you mean?

MR. ACHESON: I think that would be highly desirable if that is all right with the President.

H.M.JR: We have two of the President's closest advisers here.

ADMIRAL LEAHY: I should say the first page, Mr. Secretary. Harry will do it. I am not in on Lend-Lease.

H.M.JR: May I read Number 4? "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."

ADMIRAL LEAHY: I see no objection to publishing that.

H.M.JR: I think that will be useful.

MR. WHITE: You don't need the last phrase.

H.M.JR: Yes, the last sentence ought to be left off.

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MR. HOPKINS: I think some of these sentences such as, "Mr. Crowley should advise the appropriate Committees of Congress about the foregoing principles which will apply after V-E Day" - the only difficulty I see is that this is a report you have signed, and then if you delete any of it for any reason whatever--

MR. CROWLEY: You don't care whether it is the same report? You mean we should take some of the contents out of this?

ADMIRAL LEAHY: Give the facts on the first page, and if the Secretary of the Treasury considers the paragraph on the following page interesting, that also can go into it.

It doesn't have to be a copy of the report, but my thought was if we stated to the press correctly what the report was, in so far as Lend-Lease goes, then it could not be questioned. That is the report. It is a correct statement of what the Committee submitted to the President, and I see nothing in it that the Congress shouldn't have or the people shouldn't have. There may be something. Mr. Crowley is the expert. I don't like to suggest anything he is not in full agreement with.

MR. HOPKINS: If it could be done - it seems to me there is nothing secret about this document, really.

H.M.JR: It wouldn't stay secret very long, anyway.

MR. HOPKINS: I am just wondering if that doesn't answer the whole business.

H.M.JR: The whole thing?

MR. HOPKINS: Yes. I think it is awfully risky to delete any paragraph of that thing, even though it is about the Congress. I don't think that is too bad. If you are going to release it, I wouldn't delete a line of it. If it shouldn't go out that way, then I wouldn't release it at all.

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MR. COX: Isn't there another way? Paragraph one really states the guts of it. Suppose you paraphrased and didn't use the language of paragraph one in the body of this thing - because that gives them the figures - the basis on which the figures were adjusted, and what the adjustment is, and what the considerations are.

MR. WHITE: There is this thing, too; although this purports to be, and is, a report from a committee to the President, the moment you publish it, it ceases to be a mere report from a committee to a president. What it becomes in the public mind is that that is what the President has approved of. So I would think, particularly in the line of what the President said, that it was not wise to mention any of these figures, even though it would be informative, if anybody should mention it--

H.M.JR: No dollar figures?

MR. WHITE: Nothing, because this recommendation has been made to the President, and the fact that you are leaving it out, as an official release, is tantamount to saying you expect that to be approved.

MR. CROWLEY: But, Harry, if you leave your figures out - first, if the Secretary was to have a press conference any time, they are going to ask about the figures; if then he was going to go to the Hill, the first thing he would be asked is about the figures; and if we don't go to the Hill, we are going to get a letter asking about the figures.

MR. WHITE: Then I think we should let the President answer it.

H.M.JR: There is another thing about this. After all, the President made it very clear that he wanted to proceed as we had in the past. Well, this is simply a report. If we give out all the figures - I am just arguing for a minute - and then the President shouldn't want to do it, we put him on the spot.

I am just thinking, supposing he doesn't like it?

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MR. CROWLEY: Well, you can't talk to any of the Committees on the Hill without giving them the figures.

MR. HOPKINS: The President hasn't said to you, "I approve this"?

H.M.JR: No. He received it at nine o'clock yesterday morning. I have had no comment from him whatsoever as to what his reaction is.

MR. WHITE: I think even a statement by you before a committee as to what you recommended to the President has a very definite status - more than a press release which purports to give the statement.

I rather like this statement. I think with rather slight changes it seems to me it might meet the bill, although it isn't informative; but it will satisfy many of the questions they will be asking. "Are they complete? What change has been made in the export policy?" That is what they are mostly interested in.

H.M.JR: Leo, are you going to handle the press?

MR. CROWLEY: No, I don't want to handle the press. In the first place, if I had anything to do with it - I thought that all three members of the committee would agree to something and let it be handed out. Now, if you have a press conference - I don't want to have one - but if you have one, you are going to get a lot of questions and it is going to be embarrassing, and we are better off to agree on a statement and let the Treasury hand it out and let it go at that, than we are to try to have a press conference and get everybody asking a lot of questions.

The thing I think about this thing, from our own point of view at home, we ought to bring out very definitely that we have recommended such things to the President; that the Lend-Lease appropriation or the aid we gave to England in the years of '43 and '44 was so much money; the amount that we are recommending to them now is so

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much less than that - and put in the figure; and that there is no change in the White Paper, and there is no change in the export policy - and go on with the rest of your program.

Now, the thing that the people will get mostly is that you have reduced the amount of your aid by so much under 1943 and 1944.

MR. CURRIE: Cut in half.

MR. CROWLEY: Now, that is where you will get your publicity.

MR. WHITE: They are saying that.

MR. CROWLEY: But it will come better if we say it, won't it, Oscar?

MR. COX: Yes.

MR. WHITE: I think it would be more appropriate, Mr. Secretary, if any publicity of this kind came from Mr. Crowley's office. If it comes from the Treasury it seems as though it is a matter that is concerned with financial arrangements. It takes on a different character as compared with previous negotiations. I think it will be likely to cause less speculation if it comes from the agency which is most concerned with this - which is the Lend-Lease agency - and particularly since it deals with exports.

MR. CROWLEY: But what about the Committee, Harry?

MR. WHITE: I was having reference merely to who would handle the press.

MR. CROWLEY: What I meant was that - I don't have press conferences, and for me to have a press conference for this would be a great mistake, because everyone and his uncle would want to ask a lot of questions, and I don't think I should do that.

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H.M. JR: Well, look, you and I can settle it between us as to how we handle it. We needn't bother these people. But the thing that is bothering me is this, I may be wobbling all over the place, but I am thinking in terms of what the President wanted.

I have kind of switched back again to this original statement that you people brought in, without the figures.

MR. WHITE: They could even say somewhere here, if they haven't already, that the Lend-Lease aid will be greatly curtailed, without citing the amount.

MR. CROWLEY: What is your objection to the figures, Harry?

MR. WHITE: Well, it appears to me that this is a most unusual procedure in this sense: Here is a very important, a very high Committee reporting to the President on this matter; they are making their report public; everybody would seem to recognize that that would not have been made public unless it had the approval of the Administration and the President. So you are, in effect, announcing to the country a decision. Now, that might be all right under normal circumstances, but I gather the impression that that is very definitely what the President did not want. If what you say comes out in a committee meeting, Congress has the right to get information from you; it is expected that you will make various reports to the President which the President may or may not approve, but it doesn't have the status that a public release of three men of that high rank would have - or so it seems to me.

MR. CROWLEY: The thing that you want to get, as I view it - you want to get the benefit in the American public's mind that this Committee made a review of this thing and they made a recommendation. Now, if you want the benefit of that, you have got to tell them something, Harry. You just can't give them the ring around the rosy, because these commentators will go into it; they will never be satisfied unless you do give them some facts to write about.

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H.M.JR: May I get in on this a minute? The Admiral can check me. What the President said was he wanted this to follow the same procedure it had before. Now, heretofore, the only difference - different Lend-Lease people and the Army and Navy all would meet separately with the English, and then this thing would be collected and somebody would go up on the Hill - Lend-Lease - and present the thing to the Committee at that time. Now, we have met, but as an American group, and received these things, and then sent our findings to the President. Then at the time you appear before Congress would be the time to release the findings.

The Admiral was there. I just want him to check me if that is what he thinks the President had in mind.

ADMIRAL LEAHY: I think that is the impression I got, Mr. Secretary.

H.M.JR: The time to release the figures is when the Lend-Lease people go on the Hill to present them.

ADMIRAL LEAHY: I should think so. That was the impression I got. I still don't see why Mr. Crowley's suggestion, that we state in this release that the amount of Lend-Lease to Great Britain in the year under discussion here will, in the opinion of the Committee, be radically reduced, or reduced about fifty percent, or something of that kind - which I understood to be Mr. Crowley's suggestion--

H.M.JR: If I may argue just a minute and state the other position, that is the only thing we give; then it looks as though we were cutting down on the English. Now, certainly in my own mind the purpose of this meeting was to help get England started back on its feet after VE-Day, and the thing goes from this country to England and to her people and her soldiers, that the only thing we have done is to give them half as much. That isn't very helpful to Mr. Churchill in handling his political situation, looking at it from his standpoint.

Am I right or wrong, Harry Hopkins?

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MR. HOPKINS: I think this statement does say something about this export business, and everybody is going to read that who knows anything about it. They are going to read it very carefully. Everybody in Great Britain is going to read it. In view of the fact that we published all these dollar figures, the 1944 figures will be published before long - about the dollar aid to Great Britain - I can't see any objection, and I think the American people would like it, and I don't think the British are going to get unhappy about it. They know their Lend-Lease aid is going to be less with the war with Germany over. I think the American people would like it.

I am inclined to agree with Leo, it would be a good thing to put the dollar figure in here.

H.M.JR: The dollar figure, or say half as much?

MR. COX: Either way. We have a sentence here on the bottom of Page 2, "The program for Lend-Lease aid to be furnished by the U.S., to the Commonwealth of Great Britain for 1945, or the first year of Stage II, will constitute about one half of the Lend-Lease aid furnished to Britain in 1944."

MR. CROWLEY: You understand, Mr. Secretary, as far as England is concerned, even though we cut their aid by fifty percent, that with the German end of the war over, they may be better off economically with our reduction than they were when they were carrying on the German phase of the war and getting the full amount. I think Keynes recognizes that.

H.M.JR: Where do we stand now as to this statement? Is it going to be this statement? Are we going to have just that reference and not have this part of the report to the President? Is that the way we stand now?

MR. WHITE: With the inclusion of some such statement as Oscar read.

H.M.JR: But not all these figures?

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MR. WHITE: No.

H.M.JR: Admiral, what do you think, on second thought?

ADMIRAL LEAHY: All right. I think it is a good statement.

H.M.JR: (To Mr. Hopkins) What about you?

MR. HOPKINS: I come back to this original statement.

H.M.JR: Plus that thing that Oscar just read.

MR. HOPKINS: Yes. I don't like to see you use a word like this on top of Page 3 - "After defeat of Germany, the United Kingdom may"--

MR. WHITE: It sounds as though we are giving them permission.

MR. HOPKINS: That is right, and no government likes to be treated that way.

MR. WHITE: "Probably will."

MR. CROWLEY: Would you say this will "enable them to," or something like that?

MR. HOPKINS: Well, it is qualified.

H.M.JR: Might I suggest that these very able people rewrite this thing and submit it to the rest of us before it finally goes out - show it to Admiral Leahy and Mr. Hopkins and the rest of us? But work some more on it this afternoon and this evening, because I want these people to come back again and not say they got stuck in Morgenthau's office all afternoon.

MR. CROWLEY: Fine, sure.

H.M.JR: Now, what about the redraft of the Keynes thing?

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ADMIRAL LEAHY: If I may ask, why do we have to express any opinion about what Lord Keynes says to his Parliament?

MR. WHITE: Suppose he makes a statement such as he does here, that "some release of manpower," and so forth, "and above all, a serious and concerted effort to recover the export trade which we deliberately gave up in the extremity of our emergency" - I mean, he is putting in that statement which it seems to me would give us a lot of trouble.

ADMIRAL LEAHY: If our statement gets out first, antedates his, our statement would be our statement, and there is no telling what they are going to say in London if he goes back without something better than this that we are proposing to get out. He probably would never go back!

MR. HOPKINS: Oscar, we understood before you came in that Keynes was working on a redraft of this statement and it was going to be ready in a few minutes.

MR. COX: That may be the substantial point. After he saw Mr. Crowley we sat down and he wondered if there were any word changes that could be made, and I said I would go back and try my hand at it. We weren't in a position of telling him what the British Government could say, but if he wanted our informal comments, and the Committee agreed, then we would take word changes and suggest them.

I think the difficulty we are in is that you can't have us making a statement and having them make a different statement. You will just get an international situation if the two governments don't jibe. And I think, to the extent that we can persuasively persuade them that the language ought to jibe, the better off we will both be.

What I got up - I don't know whether we need bother you fellows, but I think the technical fellows can sit down and go over the changes and see if they are all agreed with us, and then put them up to Keynes.

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MR. HOPKINS: This is in the exact form that I saw the thing yesterday and he made no changes. I started right with the first sentence, including that thing - I said the British Government can't make a statement like Harry just read.

H.M.JR: This is just the way you saw it? (Refers to Lord Keynes' statement)

MR. HOPKINS: Exactly. It shows how good my criticism is. If that language is in there that Harry just read--

MR. WHITE: That is in there.

MR. HOPKINS: He was making a lot of notes as I was talking, but I don't see them here.

MR. CURRIE: He was making certain changes in it this morning.

H.M.JR: I couldn't read his handwriting and I had a copy made.

MR. CROWLEY: Why don't we agree here, one-two-three-four, what we agreed to; give Mr. Keynes the short analysis of what we agreed to, one-two-three-four; and let him make his speech any damn way he wants to as long as we give him the ground rules as to what he has to abide by so far as what we agreed to? Let him take care of himself.

H.M.JR: You mean show him our report to the President?

MR. CROWLEY: Either that, or give him this one-two-three-four thing here.

MR. HOPKINS: What about giving the report? That is the story, isn't it?

MR. CROWLEY: Keynes is in the position that he is representing one country and we are representing another, and you just can't write his speech for him and have him take it back and get the effect that he wants; and if he knows what we have agreed to, then he has got to stay within it, hasn't he?

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MR. WHITE: But, Leo, there is nothing in his statement that is out of accord with anything we have agreed to; it is just the twist he has given it. For example, "Decisions reached at Quebec between the Prime Minister" - he is announcing what those decisions were at Quebec. I didn't know that those decisions were reached at Quebec. That has a quite different concept. Then this matter of exports, and the question of housing--

MR. CROWLEY: We talked about the housing this morning and we told him if he put that in he likely would lose the sixty million dollars we agreed to give him.

MR. WHITE: On the other hand, he can very well take the position it is not out of accord with what he has said. But what he is doing is filling in some of the spare bones in a manner which will give us trouble.

MR. CROWLEY: In the last analysis, though, if he does that England is going to be the one that is going to be out.

H.M.JR: May I just make this statement - I am trying to save people's time - if Oscar and Harry and Dean can volunteer some suggestions to Keynes as to what we think might be objectionable in this country, I think it would be fine. He can take them or leave them. Is that all right, Leo?

MR. CROWLEY: Sure.

H.M.JR: All we can say is, "We think this would be harmful to the project from the American viewpoint; now, you can do as you want."

MR. ACHESON: I think that is the answer. I think the main thing is to give him what Leo and you are going to put out; get the statement in shape and say, "This is what we are going to say." And then if you think you can let him see what you have reported to the President and say, "Now, those are your sailing orders"--

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MR. WHITE: I think we ought not to give it to him for this reason, Dean. At this late stage in the game it wouldn't help; they are going away thinking that everything is fine - everything is agreed upon. We don't know what they will get out of this document and how much it will tie them up. They may think they haven't got any place at all.

MR. ACHESON: All right, but at least give them what we are going to say, and then tell them what we think is wrong with what they are going to say, and then call it a day.

MR. HOPKINS: I would like to add one more word. In my opinion Keynes is not in any sense the last word on what the British Government will say in Parliament; that if he will show one of you the final cable that he sends to Great Britain and says, "This is what I am recommending that whoever is going to say this, says," then I think we on our part can take such action directly with Churchill or anybody else if we think it is a bad statement. And I think we have to be careful they don't issue a bad statement. I think they ought to issue a statement that we will back up and say yes. My God, if he says something in Parliament and we say, "Why, no, there was no such business as that ever went on here," that will start a terrible business.

ADMIRAL LEAHY: There is one point that occurs to me; this proposed statement of Lord Keynes starts out by saying, "The decisions reached at Quebec between the Prime Minister and the President" - now, so far as I know, nobody knows that any decisions were reached by the Prime Minister and the President.

H.M.JR: Just to refresh your memory, what the President and Mr. Churchill did was agree to appoint a committee which would study this thing.

ADMIRAL LEAHY: If he said that, it would be all right, but that isn't the sense you get there.

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H.M.JR: That is right. And then this Committee has made a study and has made a report to the President of the United States of its study, and that is all.

MR. HOPKINS: I would just cut that top sentence right out of there.

H.M.JR: Without trying to impose too much on the good nature of the Admiral and Mr. Hopkins, what I would like to do - when the American statement is ready, I would like you to take the time to look at it once more; if we can do something with Mr. Keynes and get him to change it, I would like to impose on your good nature to look at it.

ADMIRAL LEAHY: Fine.

MR. HOPKINS: Fine.

Photostat of Lord Keynes Stmt on Lend-Lease
given to Secretary 11/27/44

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The decisions reached at Quebec between the Prime Minister and the President set the pattern for the first year of the second stage of the war with Japan which will follow the defeat of Germany. Our discussions in Washington have been occupied for the past few weeks in examining with the American Administration the manner in which the continuation of the war into this further stage is likely to affect the best use of our joint resources and, in particular, the changes in the programme of the supplies which the American Administration feel that it is proper and right for us to have in accordance with the terms of the Lend-Lease Act, - an Act which, we must remember, is for the defence of the United States and is strictly limited to what is necessary for the most effective prosecution of the war by the United States and its Allies.

The end of the war with Germany will make possible a large reduction of some of our requirements. We are asking altogether for a programme at a rate not much more than half of what we have been receiving during 1944. In certain other directions, however, the prolongation of the war into what will be for us the sixth and seventh years means that certain ^{improvements} ~~essentials~~ are essential if our national economy is to be as fully effective as it is capable of being. Fatigue and ^{distress} ~~exhaustion~~, carried too far and endured too long, can impede the effectiveness of a people at least as much as more sensational forms of privation. Some release of manpower to increase the supplies available for civilian consumption must now be accepted as essential; ^{in due course} some improvement in the standards and variety of the national diet, some diversion of current resources to the provision of ~~immediate~~ emergency housing, and above all a serious and concerted effort to recover the ^{depleted} ~~lost~~ trade which we ~~threw away~~ ^{gave up} in the extremity of our emergency but

without which we cannot live in the future. These are forms of sacrifice which it is both possible and right to make for a limited period, but become self-defeating if they are continued too long.

All these matters, both military and economic, have been jointly examined, supported with a wealth of detail by our representatives in Washington and the heads of the American Departments concerned. We have put at their disposal every particular and every relevant fact in our possession. Some part of the relevant material, which can safely be published, has, moreover, been made available to the public, here and in the U.S., in the White Paper published a few days ago. During the recent brief recess, our representatives in Washington have been in a position to make a full report to us of the outcome. I take this opportunity to express our very great appreciation of the practical sympathy with which the realities of the position have been examined and of the results which have been achieved.

Let me remind the House that it is no part of the purpose of the Lend-Lease Act to provide general relief or to prepare for post-war reconstruction or to aid our export trade. That great Act has stood up and the world at large in good stead and we have neither asked nor expected any assistance which is not strictly within its terms and provisions, as they have been administered hitherto by the Foreign Economic Administration under the general direction of the President and Congress of the United States. Nevertheless, as ^{the war proceeds} time goes on, the nature of the aid which forwards ^{the} prosecution of ~~the war~~ most effectively, though unchanged in the major matters, ^{gradually} generally changes in detail. Accordingly so that we can play our full part in the continuing struggle, a programme of Lend-Lease aid ^{against Japan} covering ~~the first year of Stage II~~ ^{after the defeat of Germany} has now been agreed with the American Administration to our full satisfaction, which will help us in four main directions.

We shall be able to release some of our own manpower to produce somewhat more for civilian consumption.

Some improvement in the variety of the civilian's diet will be made possible. ~~in so far as the provision of finance is involved, though the possibilities of physical supply are not yet so clear.~~

It is a matter of particular satisfaction to be able to report that the ~~possibility of a contribution~~^{aid} from American sources to the needs of temporary and emergency houses, not only raw materials and equipment but also complete houses, is being closely examined with the help of experts sent out by the Ministry of Works and Buildings. It is too soon to say on what scale the possibility of physical production and of shipping will allow this most generous offer of help to be realized in practice. It is not too soon to say that the principle is recognized that the ~~time has come when to provide~~^{provision of} emergency shelter ~~is an essential~~^{for bombed-out workers} condition of a fully effective contribution to final victory ~~from the~~^{and therefore} ~~sorely tried workshouses of London and many other places.~~^{a way need to, with for less-keen assistance}

~~Finally~~^{Finally} Above all, we have been able to ~~arrange~~^{reduce} the Lend-Lease ~~programmes along lines which will no longer interfere~~^{be no interference to} with the efforts which we ourselves must begin at once and intensify after the defeat of Germany to increase the export trade which will be absolutely vital to us when, at the termination of the war, the present system of Lend-Lease assistance necessarily and properly comes to an end. This is a matter which, I am well aware, members are anxious to hear in some detail what the position will now be. Before the President of the Board of Trade comes to this, I should like to add one word.

The White Paper on Reciprocal Aid lately published and the President's last Lend-Lease Report provide vivid evidence of the extent to which community and interdependence of effort between the two great Atlantic communities has now proceeded. However, I think, has there been

a more thorough understanding of the facts of the economic position and problems of the British Commonwealth of Nations and the United States of America on both sides than we have now been able to reach. If men of good will start out from the same premises of agreed fact, they do not find it difficult to reach the same conclusion.

25th November 1944.

Copie of retyped Keynes' stmt.

11/22/47

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11/2/44

The decisions reached at Quebec between the Prime Minister and the President set the pattern for the first year of the second stage of the war with Japan which will follow the defeat of Germany. Our Missions in Washington have been occupied for the past few weeks in examining with the American Administration the manner in which the continuation of the war into this further stage is likely to affect the best use of our joint resources and, in particular, the changes in the programme of the supplies which the American Administration feel that it is proper and right for us to have in accordance with the terms of the Lend-Lease Act, - an Act which, we must remember, is for the defence of the United States and is strictly limited to what is necessary for the most effective prosecution of the war by the United States and its Allies.

The end of the war with Germany will make possible large reductions of some of our requirements. We are asking altogether for a programme at a rate not much more than half of what we have been receiving during 1944. In certain other directions, however, the prolongation of the war into what will be for us the sixth and seventh years means that certain improvements are essential if our national economy is to be as fully effective as it is capable of being. Fatigue and abstinence, carried too far and endured too long, can impede the effectiveness of a people at least as much as more sensational forms of Qvation. Some release of manpower to increase the supplies available

for civilian consumption must be accepted as essential in due course; some improvement in the standards and variety of the national diet, some devotion of current resources to the provision of emergency housing, and above all a serious and concerted effort to recover the export trade which we deliberately gave up in the extremity of our emergency but without which we cannot live in the future. These are forms of sacrifice which it is both possible and right to make for a limited period, but become self-defeating if they are continued too long.

All these matters, both military and economic, have been jointly examined, supported with a wealth of detail by our representatives in Washington with the heads of the American Departments concerned. We have put at their disposal every particular and every relevant fact in our possession. Some part of the relevant material, which can safely be published, has, moreover, been made available to the public, here and in the U.S., in the White Paper published a few days ago. During the recent brief recess, our representatives in Washington have been in a position to make a full report to us of the outcome. I take this opportunity to express our very great appreciation of the practical sympathy with which the realities of the position have been examined and of the results which have been achieved.

Let me remind the House that it is no part of the purpose of the Lend-Lease Act to provide general relief or to prepare for post-war reconstruction or to aid our export trade. That great Act

has stood us and our Allies in good stead and in the recent conversations we have neither asked nor expected any assistance which is not strictly within its terms and provisions. Nevertheless, as the war proceeds, the nature of the aid which forwards its prosecution most effectively, though unchanged in the major matters, gradually changes in detail. Accordingly, so that we can play our full part in the continuing struggle, a programme of Lend-Lease aid against Japan after the defeat of Germany has now been agreed with the American Administration to our full satisfaction, which will help us in four main directions.

We shall be able to release some of our own manpower to produce somewhat more for civilian consumption.

Some improvement in the variety of the civilian's diet will be made possible.

It is a matter of particular satisfaction to be able to report that aid from American sources to the needs of temporary and emergency houses, not only raw materials and equipment but also complete houses, is being closely examined with the help of experts sent out by the Ministry of Works and Buildings. It is too soon to say on what scale the possibility of physical production and of shipping will allow this most generous offer of help to be realised in practice. It is not too soon to say that the principle is recognised that the provision of emergency shelter for bombed-out workers is an essential condition

of a fully effective contribution to final victory and therefore a war need eligible for Lend-Lease assistance.

Finally, we have been able to reduce the Lend-Lease programme so that there will be no objection to the efforts which we ourselves must begin at once and intensify after the defeat of Germany to increase the export trade which will be absolutely vital to us when, at the termination of the war, the present system of Lend-Lease assistance necessarily and properly comes to an end. This is a matter on which, I am well aware, members are anxious to hear in some detail what the position will now be. Before the President of the Board of Trade comes to this, I should like to add one word.

The White Paper on Reciprocal Aid lately published and the President's last Lend-Lease Report provide vivid evidence of the extent to which community and interdependence of effort between the two great Atlantic communities has now proceeded. Never, I think, has there been a more thorough understanding of the facts of the economic position and problems of the British Commonwealth of Nations and the United States of America on both sides than we have now been able to reach. If men of good will start out from the same premises of agreed fact, they do not find it difficult to reach the same conclusion.

25th November 1944.

November 27, 1944

Leo T. Crowley, Foreign Economic Administrator, Henry Morgenthau, Jr., Secretary of the Treasury, and Edward R. Stettinius, Jr., Acting Secretary of State, acting as a special Committee of the Government on lend-lease and reverse lend-lease discussions with the British following up the Quebec Conference, made the following statement today:

Throughout the war the lend-lease and reverse lend-lease requirements of the United Nations have been reviewed from time to time in the light of the military strategy for the war against Germany and Japan.

Such a review has been carried out in discussions now concluded between the appropriate military, naval, air and civilian representatives of the United States and United Kingdom Governments. These discussions concerned the lend-lease and reverse lend-lease aid required to enable the carrying out of the strategic decisions made at Quebec for winning victory over both Germany and Japan at the earliest possible moment.

The programs of lend-lease and reverse lend-lease aid will be continued and adjusted from time to time in accordance with the fundamental principle laid down by the President that: "We should not permit any weakening of this system of combined war supply to delay final victory a single day or to cost unnecessarily the life of one American boy. Until the unconditional surrender of both Japan and Germany, we should continue the lend-lease program on whatever scale is necessary to make the combined striking power of all the United Nations against our enemies as overwhelming and as effective as we can make it."

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The amounts and types of supplies required continue to be subject, as always, to adjustment from time to time in accordance with the changing conditions of the war. When finished munitions are produced and available for delivery, they are assigned by the Munitions Assignments Board under directives of the Combined Chiefs of Staff in the light of the strategic considerations prevailing at the time of the assignment. Similar procedures are and will continue to be in effect for other war supplies that each country may make available to the other.

From the beginning of the lend-lease program in March 1941, lend-lease aid has been extended for one purpose--and for one purpose only--the defense of the United States and to enable our allies to bring the full weight of their men and resources to bear against our common enemies. That policy will be continued without change.

Since lend-lease aid is made available to our allies only when it contributes directly to the winning of the war, lend-lease articles have from the beginning not been available for reexport commercially. That policy will also be continued without change. There will be no change in the principles as laid down by the Government of the United Kingdom in its White Paper of September 1941 that no articles received under lend-lease from the United States shall be exported commercially. As in the past, the United States and the United Kingdom will both endeavor to insure to the extent practicable that neither United States nor United Kingdom exporters receive undue competitive advantage over the other as a result of the war situation.

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After the defeat of Germany, the United Kingdom may, to the extent that war conditions permit, export articles which are taken off lend-lease and are obtained out of their own production or purchased from this country for cash.

To some degree lend-lease aid for the United Kingdom can be reduced even before the defeat of Germany. It is now expected that some raw and semi-fabricated materials, such as iron and steel, will no longer be provided by the United States to the United Kingdom under lend-lease after January 1, 1945. This will have the effect, under the terms of the White Paper itself, of removing products made from such materials from limitations that will continue to apply to articles received under lend-lease. Such materials no longer obtained under lend-lease will, of course, be available to the United Kingdom in commercial exports only after the overriding considerations of war supply and war shipping are met.

Since lend-lease and reverse lend-lease are concerned solely with war supply, problems of post-war economic reconstruction and the post-war expansion of mutually profitable foreign trade throughout the world did not enter into the review of these programs. Economic and financial action by all the United Nations in many different forms will be required to meet these separate post-war problems. Some of these problems have been discussed separately, but only on an exploratory basis. Effective measures in this field will require both international action and national action by the respective governments, including, in many cases, legislative action.

November 24, 1944

Leo T. Crowley, Foreign Economic Administrator, made the following statement today:

Throughout the war the lend-lease and reverse lend-lease requirements of the United Nations have been reviewed from time to time in the light of the military strategy for the war against Germany and Japan.

Such a review has been carried out in discussions now concluded between the appropriate military, naval, air and civilian representatives of the United States and United Kingdom governments. These discussions concerned the Lend-Lease and Reverse Lend-Lease Aid required to enable the carrying out of the strategic decisions made at Quebec for winning victory over both Germany and Japan at the earliest possible moment.

The programs of lend-lease and reverse lend-lease aid will be continued and adjusted from time to time in accordance with the fundamental principle laid down by the President that: "We should not permit any weakening of this system of combined war supply to delay final victory a single day or to cost unnecessarily the life of one American boy. Until the unconditional surrender of both Japan and Germany, we should continue the lend-lease program on whatever scale is necessary to make the combined striking power of all the United Nations against our enemies as overwhelming and as effective as we can make it."

The amounts and types of supplies required continue to be subject, as always, to adjustment from time to time in accordance with the changing conditions of the war. When finished munitions are produced and available for delivery, they are assigned by the Munitions Assignments Board under directives of the Combined Chiefs of Staff in the light of the strategic

considerations prevailing at the time of the assignment. Similar provisions are and will continue to be in effect for other war supplies that each country may make available to the other.

From the beginning of the Lend-Lease program in March 1941, Lend-Lease aid has been extended for one purpose—and for one purpose only—the defense of the United States and to enable our allies to bring the full weight of their men and resources to bear against our common enemies. That policy will be continued without change.

Since Lend-Lease aid is made available to our allies only when it contributes directly to the winning of the war, Lend-Lease articles have from the beginning not been available for re-export commercially. That policy will also be continued without change. There will be no change in the principles as laid down by the Government of the United Kingdom in its White Paper of September 1941 that no articles received under Lend-Lease from the United States shall be exported commercially or used in such a way as to enable British exporters to extend their trade at the expense of the United States.

To some degree the reduced amounts of Lend-Lease aid for the United Kingdom that will be required after the defeat of Germany will come into effect on January 1, 1945. It is now expected that some war and semi-war-related materials, such as iron and steel, will no longer be provided by the United States to the United Kingdom under Lend-Lease after January 1, 1945. ^{Fact 2/25} This will have the effect, under the terms of the White Paper itself, of removing products made from such materials from limitations that will continue to apply to articles received under Lend-Lease. Such materials no longer obtained under Lend-Lease will, of course, be available to the United Kingdom in commercial exports only after the prevailing considerations of war supply and war shipping are met.

Possible Addition to Statement

Since lend-lease and reverse lend-lease are concerned solely with war supply, problems of post-war economic reconstruction and the expansion of mutually profitable foreign trade throughout the world did not enter into the review of these programs. Economic and financial action by all the United Nations in many different forms will be required to meet these separate post-war problems. Some of these problems have been discussed separately and on an exploratory basis. No decisions have been or could yet be reached. Effective measures in this field will require both international action and national action by the respective governments, including, in many cases, legislative action.

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 practicably 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.

November 27, 1944
4:40 p.m.

Ted
Gamble: I'm going out to Chicago to talk to the I.B.A.
tomorrow. I'd not planned to fly up until tomorrow
but the planes are all grounded.

HMJr: Yeah.

G: So I'm going out on the night train. I wondered
if there was anything that I can do further for you
on this Arizona thing before I left.

HMJr: No, that's terribly kind of you. That telegram that
came was -- if I communicate -- I communicate, I take
it, directly with the ranch.

G: Yes, you can do that or Vinson is a charming fellow
and you'd like to say "hello" to him and have him
drive you out there. He's that kind of a fellow and
you can either do that or have Bob Coyne contact him
for you.

HMJr: Well, I haven't -- I haven't made up my own mind yet.

G: Fine. Well, I'll be back here Wednesday afternoon.

HMJr: Fine.

G: Probably before you go but I think you ought to go.
I think it would be good for you.

HMJr: I do too.

G: And things are in good shape, Mr. Secretary. We're
dragging our heels a little bit on the "Es" but in
the first five days of this drive against the first
five days in the last drive, there's only \$2 Million
differential on it. And it's -- she'll start to --
as I told you the other day, we're two hundred odd
million dollars over the beam on the over-all and
that looks very good.

HMJr: \$200 Million behind

G: \$253 Million.

HMJr: How much -- now, how much are we behind on the "Es"?

G: On the "Es" we're running at the present time about \$65 Million behind but we have no Army or Navy money or anything in as yet and it's not indicative at all.

HMJr: Behind the beam or behind the last time?

G: Behind the beam. We've sold -- we've sold -- there's two million dollars difference in E Bond sales in the five reporting days of the two Drives so far.

HMJr: All right. Thank you.

G: All right, sir.

HMJr: Thank you.

G: Bye.

November 27, 1944
4:55 p.m.

HMJr: Hello.

Operator: Lord Keynes. Go ahead.

HMJr: Hello.

Lord Keynes: Keynes here, Mr. Secretary.

HMJr: Right.

K: Have you any news for me?

HMJr: Well, in what way? What sort of news?

K: Have -- you were having a meeting at three o'clock about this statement.

HMJr: Right.

K: And what I want to know is whether I shall release my speech. You see this is almost the last working hour I've got.

HMJr: Well, now, just a minute. White is here. Let me ask him. Will you please?

K: Yes.

HMJr: (Talks aside.) Hello.

K: Yes.

HMJr: We're working on an American statement.

K: Yes.

HMJr: We're almost through with it.

K: Yes.

HMJr: And which, I'm sure, will be quite acceptable to you.

K: I'm sure it will.

HMJr: And we would like to show it to you. It's not quite finished. We've got the men back in White's office now working and when they told me you were

HMJr:
Cont'd.

calling, I asked them to step out so I could find out what

K: You see my point is: will you want any changes in ours?

HMJr: Yes, we do.

K: Well, what shall I do now? This is almost my last hour. I'm almost exhausted now. I must go back soon. This is my last hour for working at them. Who can tell me what they are?

HMJr: Well, the people in White's room are Oscar Cox and Dean Acheson, Lauch Currie -- they're all back there -- the technical committee -- and they've got the parts marked right now. How can they get in touch with you?

K: Shall I come over?

HMJr: Yes.

K: Up in White's room?

HMJr: They're all in White's room right now.

K: I think that's my best bet. I'll come over.

HMJr: Right.

THE UNDER SECRETARY OF STATE
WASHINGTON

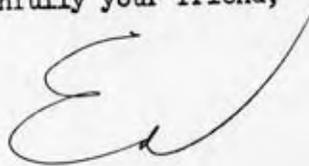
November 27, 1944

Dear Henry,

I appreciate with all my heart your having taken the trouble to call me as I went into the President's office for lunch today.

Your support and your confidence mean more to me than you know.

Faithfully your friend,

A handwritten signature in dark ink, appearing to be 'E. A. Tamm', written in a cursive style with a long, sweeping tail.

The Honorable

Henry Morgenthau, Jr.

Secretary of the Treasury

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE November 27, 1944

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending November 25, 1944.

Summary

War materials: Urgent need for critical war materials dominates the current production outlook, with WPB statements indicating that 40 percent of all war programs are behind schedule. Sharply stepped up war demands which cannot be met from existing facilities is the principal factor in the lag, although technological changes, manpower shortages and other factors have contributed. Indicative of recent abrupt changes, small arms ammunition output must be "roughly doubled" as soon as possible, after earlier heavy cut-backs.

Industrial production: Industrial activity showed a further slight decline in October and the FRB adjusted index of production receded to 230 from 231 in the previous month. Since the war-time peak was reached in October 1943 the index has dropped 17 points or 7 percent. Factory employment in October also showed a further decline and was 142,000 below the September level.

Cost of living: The BLS cost-of-living index declined about 0.1 percent in October, thus halting, at least temporarily, the gradual rise which had begun last April. Despite the slight decline in the index, clothing prices showed a further increase for the sixteenth consecutive month. In view of the threat of rising clothing prices to the price stabilization program, the OPA announced steps last week to hold down clothing prices.

Commodity prices: Commodity price movements continued very narrow last week. The BLS index of 28 basic commodities rose slightly, due largely to a 4 percent advance in corn prices, but prices of other commodities showed very little change. In the week ended November 18, the BLS general index of wholesale prices was unchanged.

Stock market: Stock prices turned irregular in the latter part of last week and at the close on Saturday the Dow-Jones average of 65 stocks was less than 1 percent above week-earlier levels. Railroad stocks and bonds continued to display rising tendencies but aircraft stocks weakened sharply.

- - - -

- 2 -

Urgent war needs dominate industrial
production outlook

Although the WPB continues to perfect plans for reconversion to civilian goods production after the end of the war in Europe, recent emphasis has veered heavily toward ironing out urgent war production problems. During the past week the Chairman of the WPB indicated that about 40 percent of all war programs were lagging, with sharply stepped-up war demands which cannot be met from existing facilities cited as the most important single factor in the failure to meet schedules. In addition, technological changes, manpower shortages, and general lack of facilities have been contributing factors, in the order named.

Among other lagging programs, output of combat vehicles was stated to be 62 percent behind schedule, while ammunition output was 48 percent behind, due in part to a lag in heavy ammunition production. The heavy truck schedule calls for 8,000 vehicles per month, but due to a lack of axles and tires only 6,500 per month are being produced. Strenuous efforts are being made to step up the output of artillery ammunition, with the production quota of the Cleveland ordnance district recently being raised 35 percent.

In order to increase foundry output, plans are under way to provide additional housing facilities and utilize foreign workers, while the Army has recently authorized the release of 1,000 soldiers to be employed in foundries and forging shops.

Due to severe operating conditions, heavy duty truck tires are being consumed on the battle fronts at a faster rate than earlier estimated, and minimum needs for the first quarter of 1945 are estimated to be 1,000,000 heavy duty tires in excess of the industry's reported capacity to produce. As a consequence, the WPB is currently seeking ways and means to increase heavy truck tire output by 25 percent, despite the fact that an extensive tire plant expansion program has just been virtually completed.

Likewise, small arms ammunition has been used at a much more rapid rate than had been expected. As a result it has just been revealed that production of small arms ammunition will have to be "roughly doubled" as soon as possible. More than 77,000 additional workers will be needed at ammunition plants and brass mills to carry out the expanded production schedule.

- 3 -

Industrial production declined in October

Aggregate industrial activity showed a further slight decline in October and the FRB adjusted index of production receded to 230 from 231 in the previous month. (See Chart 1.) Steel output during October showed a good gain, and output of fuels and manufactured foods showed increases after allowance for seasonal factors. However, production in the important transportation equipment and machinery industries declined moderately, while output of textiles, leather, rubber, and chemicals also decreased on a seasonally-adjusted basis.

Since the wartime peak was reached in October 1943 the FRB seasonally-adjusted index of industrial production has declined 17 points or 7 percent. Reference to Chart 2 will disclose that the widest declines during the past year have occurred in the chemical and transportation equipment industries as a result of cut-backs in certain war programs. An important factor in the decline in chemical output has been the heavy cut-back in production of small arms ammunition, but, as previously mentioned, this production is slated for a rapid rise in coming months. While most major groups shared in the decrease during the past 12 months, it will be noted that output of manufactured foods, leather, and crude fuels last month was above year-earlier levels, with fuels showing the widest gain.

Factory employment declines

The moderate decrease in manufacturing output last month was accompanied by another decline in factory employment, with wage earner employment falling 142,000 below the September level. (Refer to Chart 1.) The most important factor in the decline was a further drop in employment in the war industries. In addition, a seasonal decline in employment in the canning industry and a greater than seasonal decline in the lumber industry, due in part to the manpower shortage, were contributing factors.

Despite a substantial increase in employment in wholesale and retail trade in October, total non-agricultural employment in that month dropped 110,000 to 38.5 millions. This was approximately one and a quarter million less than in October 1943. More than offsetting this drop, however, was an increase of about 2 millions in the armed services during the last year. Since October 1943, employment in manufacturing, mining, and construction has declined, but increases have occurred in all other major groups. (See Table I.)

- 4 -

Strikes accentuate manpower difficulties

In addition to the inroads of the armed services and the loss of war workers as a result of premature peace talk, the manpower difficulties of war plants continue to be accentuated by work stoppages. In the steel industry alone during the past week important work stoppages occurred at the Gary Works of the Carnegie-Illinois Steel Corporation, the Portsmouth plant of the Wheeling Steel Corporation and the Watervliet plant of the Allegheny Ludlum Steel Company.

Steel workers granted some wage adjustments

In a decision rendered last week the WLB granted some wage adjustments to steel workers in response to long-pending demands of the CIO United Steel Workers' Union, but refused to grant the Union's request for a general wage increase of 17 cents per hour. Since granting of this request would admittedly smash the "Little Steel" wage stabilization formula, the WLB is refusing to make a recommendation one way or the other in a factual report which it will send to the President.

The WLB granted certain workers' demands which will increase the costs of steel production. The WLB Chairman stated that he did not know what the total cost of the adjustments would be to employers but thought that an average of 10 cents per hour was too high and that it would be closer to 5 cents per hour. The new concessions won by the workers include premium pay for night shifts, elimination of intra-plant inequalities and liberalized vacation and holiday schedules. The guaranteed annual wage and various other demands of the workers were rejected by the Board. Moreover, the adjustments granted are not to become effective unless they can be met without boosting steel prices as determined by OPA, or unless the Economic Stabilization Director rules that they should become effective in any event.

The announcement of the decision evoked prompt protests from leading steel company executives. John A. Stephens, vice president of the United States Steel Corporation, charged that the premium pay granted to night shift workers is a direct wage increase in disregard of the "Little Steel" formula. He further asserted that "under the guise of increased vacation pay, adjustment for alleged wage inequalities, and other subterfuges, the Board has directed an increase in the pay of large numbers of steel workers. If these wage increases are approved, and are made effective, the steel companies will be confronted by still greater need to seek price relief."

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High wage rate in post-war period favored by President

The President last week expressed the belief that the tendency during the reconversion period and in the early post-war years will be to maintain workers take-home pay at about current levels. He specifically praised a recent statement of the president of the General Electric Company reassuring employees that the company intends to maintain as far as possible the present level of earnings, even with the return of the 40-hour week.

In this connection it is of interest that factory workers in September worked an average of 44.9 hours per week, or the equivalent of 47.35 hours at straight-time pay rates. Thus, in order to offset the post-war loss in hours worked, wages would have to be raised about 18 percent in order to maintain take-home pay on the basis of a 40-hour week. At the September levels, average weekly earnings of factory workers were 93 percent above the levels prevailing in September 1939, when the war began in Europe.

Cost-of-living index slightly lower

The gradually rising trend in the BLS cost-of-living index, which was resumed in April of this year, came to at least a temporary halt with a decline of 0.1 percent last month. From March to September the index had risen 2.1 percent. Following last months' very slight decline, the index now stands 28.2 percent above the pre-war level of June 1939. Since January 1941, the base date of the "Little Steel" wage formula, the index has risen 25.4 percent as compared with the 15 percent increase in basic wage rates permitted by the formula.

A 0.4 percent decline in retail food prices, due largely to lower prices for fresh fruit and vegetables, was responsible for the slight decline in the cost-of-living index last month. Prices of clothing, household furnishings and miscellaneous charges continued to rise. (See Chart 3.) Although the rise in clothing prices amounted to only 0.2 percent, it marked the sixteenth consecutive monthly increase. Because the rise in clothing prices of 6.3 percent in the past year has become a particularly disturbing element in the Government's price stabilization program, Director Vinson indicated recently that controls on textiles and clothing would be tightened.

Steps taken to halt increase in clothing prices

The first steps in a new drive to hold down clothing prices were announced by Price Administrator Bowles last week. The maximum price regulation covering textile converters will be revised to reduce the present "over-finishing" and "fancying-up" of fabrics, which has often added greatly to the cost of both cotton and rayon clothing. This is expected to save \$17 millions annually on cotton finished piece goods and \$21 millions on rayon finished piece goods.

Secondly, dollar-and-cents ceiling prices will be set on the infants' and children's clothing for which the WPB recently allocated 40 million yards of material. Other action being planned by the OPA includes the extension of dollar-and-cents ceilings to further WPB allocations for low-priced clothing. The approximately 30 million garments to be produced under the WPB allocation are expected to be available in retail stores in four or five months.

Commodity markets in narrow movements

Commodity markets recently have been characterized by very narrow movements and relatively small trading. The BLS index of 28 basic commodities rose slightly last week, due largely to a 4 percent advance in corn prices. Corn, however, was the only commodity to show any appreciable price change. (See Chart 4.)

In the lower section of this chart, showing percentage changes of selected basic commodities, we have changed the base period from December 6, 1941 to April 9, 1943, the week in which the President's hold-the-line order was issued, in order to show more distinctly the changes in individual commodity prices from week to week.

The BLS general index of wholesale prices in the week ended November 18 was unchanged at 104.1 percent of the 1926 average. Prices of commodities were unusually steady in this latest period, with very few changes reported. The index is now 1.5 percent higher than a year ago and is 38.8 percent above the pre-war August 1939 average.

The fruit outlook

A continuing large supply of fruit during the 1944-45 season, and perhaps also throughout calendar year 1945 is forecast by the Department of Agriculture in a recent report

- 7 -

on the fruit outlook. Total production of the eight major deciduous fruits in 1944 is indicated to be 20 percent larger than in 1943 and 8 percent larger than the 10-year (1933-42) average. The 1944-45 citrus fruit crop, despite the heavy hurricane damage in Florida, may be only about 6 percent smaller than the record crop of last year. Civilian supplies of canned and dried fruits are expected to be 10 to 20 percent smaller than last season, due to a sharp increase in military requirements, but civilian supplies of canned fruit juices may be as large, and frozen fruits and home-canned fruits larger than last year.

Prices of this year's deciduous fruit crops have been averaging slightly lower than last year, but seasonal increases are probable in the coming months. Although prices of oranges and grapefruit are likely to be slightly higher this fall and early winter than a year ago, reflecting decreased supplies from Florida because of hurricane damage, the prices for the entire 1944-45 season may average no higher than last season.

A strong possibility exists that fruit prices may decline substantially in the early post-war years, according to the Department of Agriculture report. As a result of heavy military demands and high consumer income levels, fruit prices have more than doubled during the war. This increase has occurred in the face of record levels of fruit production. Production of citrus fruits, in particular, has expanded rapidly during the past decade, largely because of new plantings, increased bearing capacity of planted trees, and good care of orchards. Further increases in citrus fruit production are likely. While the fruit industry may be benefited by a possible resumption of exports of apples and pears after the war, this will be offset in part by an expected increase in the imports of bananas and other fruits. Consequently, continued large supplies of fruit, in the face of a sharp reduction in the Government requirements, together with a possibly smaller civilian demand in the post-war years, may lead to sharp downward adjustments in prices.

Stock prices slightly higher

Stock prices strengthened noticeably in the early part of last week, but considerable irregularity developed after the holiday and at the close on Saturday the Dow-Jones average of 65 stocks was less than 1 percent above week-earlier levels.

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Railroad stocks displayed greater strength than industrials or utilities, and on Wednesday rose a trifle above the previous high for the year. (See Chart 5.) Second-grade railroad bonds continued to advance and at the close of the week stood at a new high.

The irregularity in stock prices in the latter part of the week appears to have been due in part to the unexpected passing of a dividend by the Briggs and Stratton Corporation, and to a warning by the president of the Lockheed Aircraft Corporation that his company might have to interrupt dividend payments. The Briggs and Stratton Corporation has paid a quarterly dividend regularly since June 1929, but the secretary of the company stated last week that "while the company's volume is running at high levels, the effect of renegotiation of war contract profits, price reductions by repricing of war contracts, freezing of working capital in the form of refunds of excess profits taxes not available until future years, and the uncertainties attending the times" prompted the directors of the company to conserve its working capital by passing the regular quarterly dividend. In connection with the Lockheed Aircraft Corporation, the president of the company told stockholders that cost-plus-fixed-fee contracts have cut company profits to a new low of 0.5 percent of gross sales, and warned that dividend payments may have to be interrupted.

Table I
Estimated non-agricultural
employment by industries

(In thousands)

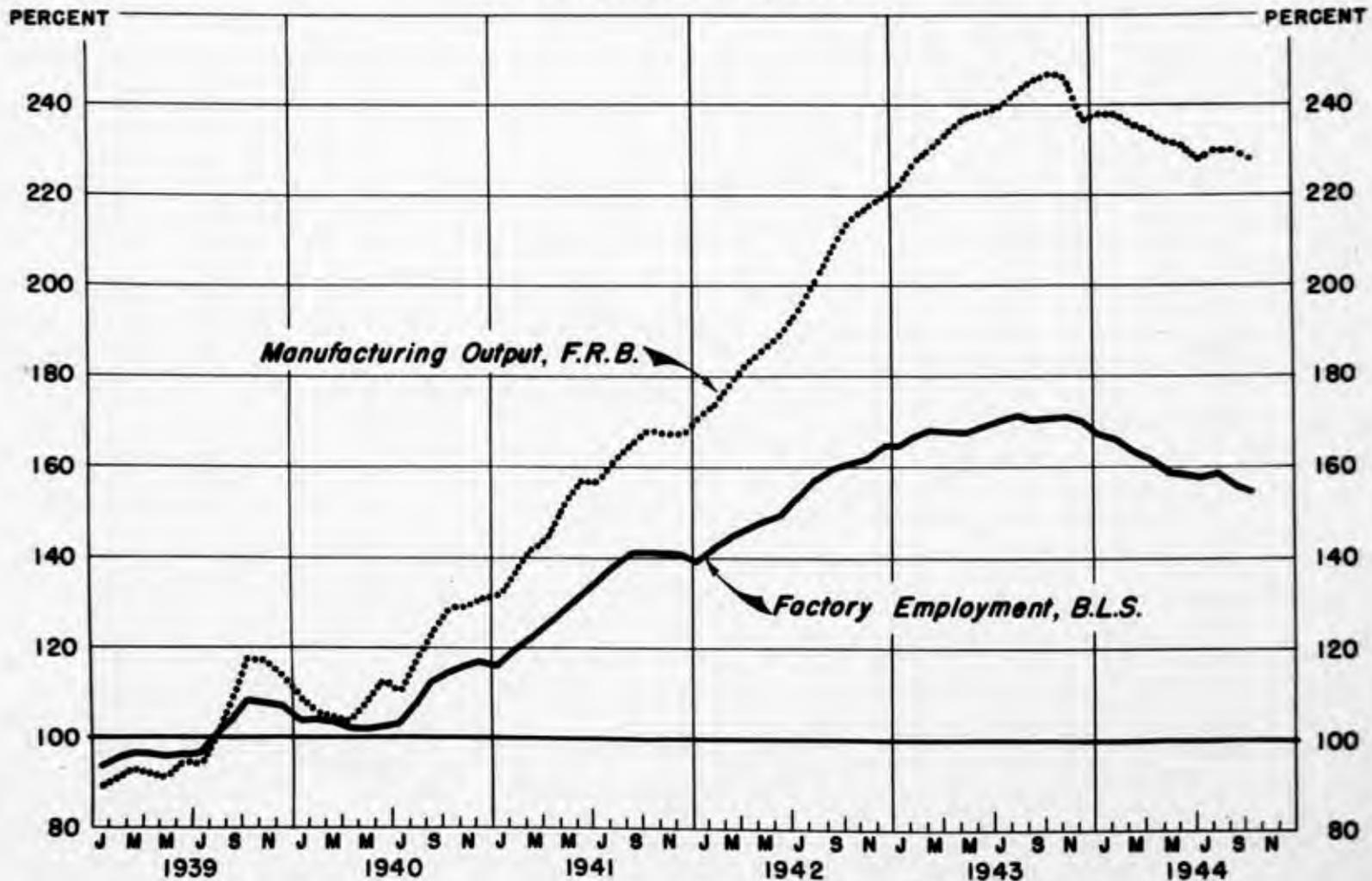
Industry division	:October: :1944 ^{1/} :	October: 1943 :	Percent : change
Manufacturing	15,724	17,194	- 8.5
Mining	813	873	- 6.9
Contract construction and Federal force account construction	637	1,002	-36.4
Transportation and public utilities	3,768	3,689	+ 2.1
Trade	7,172	7,076	+ 1.4
Finance, service, and miscellaneous	4,433	4,037	+ 9.8
Federal, State and local Govern- ment, excluding Federal force account construction	<u>5,934</u>	<u>5,847</u>	<u>+ 1.5</u>
Total ^{2/}	38,481	39,718	- 3.1

^{1/} Preliminary.

^{2/} Estimates include all full and part-time wage and salary workers in non-agricultural establishments who are employed during the pay period ending nearest the 15th of the month. Excluded from these estimates are proprietors, self-employed persons, domestic servants and personnel of the armed forces.

FACTORY EMPLOYMENT AND OUTPUT

1939 = 100, Unadjusted



Office of the Secretary of the Treasury
Division of Research and Statistics

Chart 1
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C-537

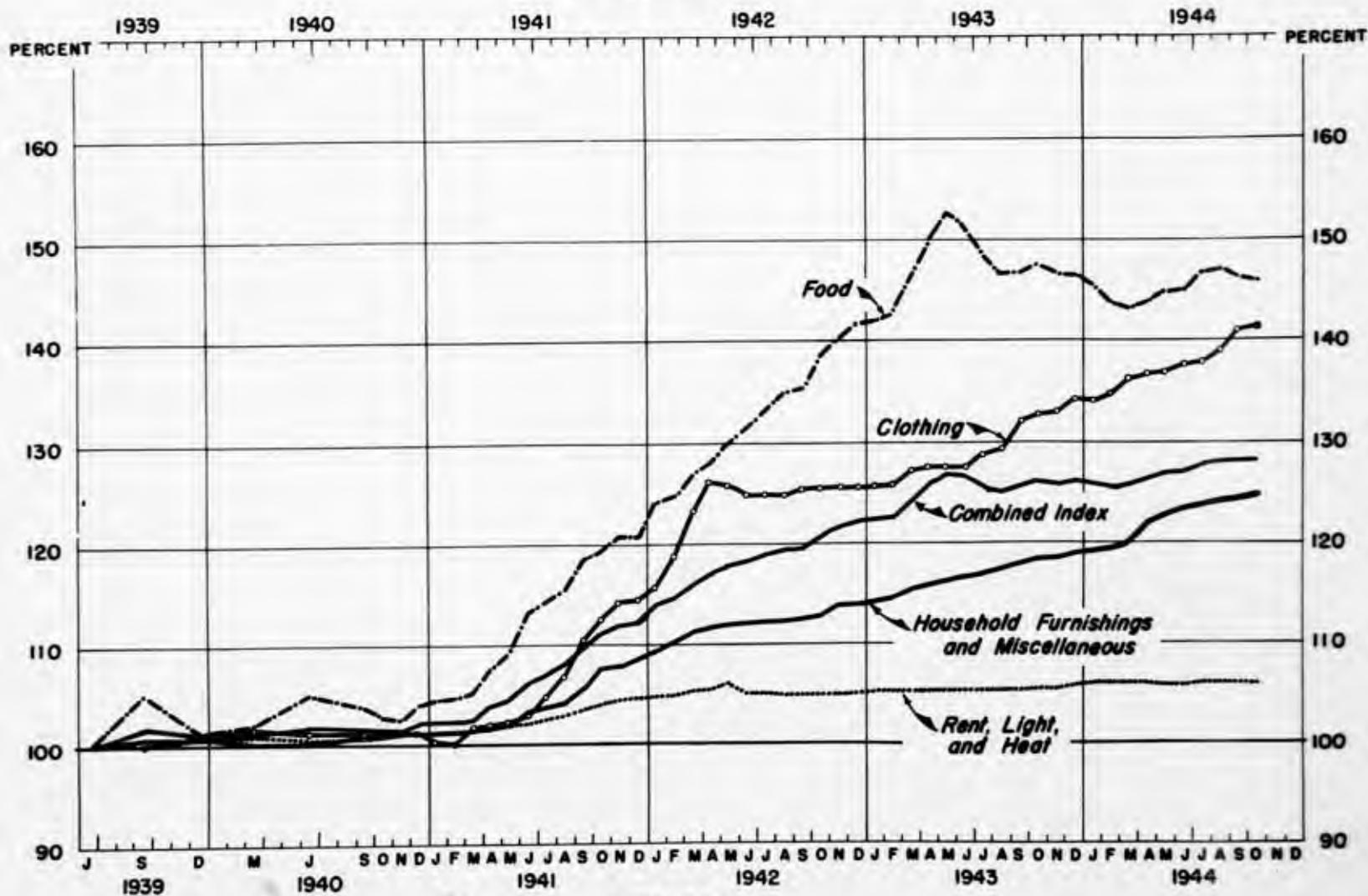
F. R. B. INDEX OF INDUSTRIAL PRODUCTION

Percentage Change of Selected Components, October 1943 to October 1944



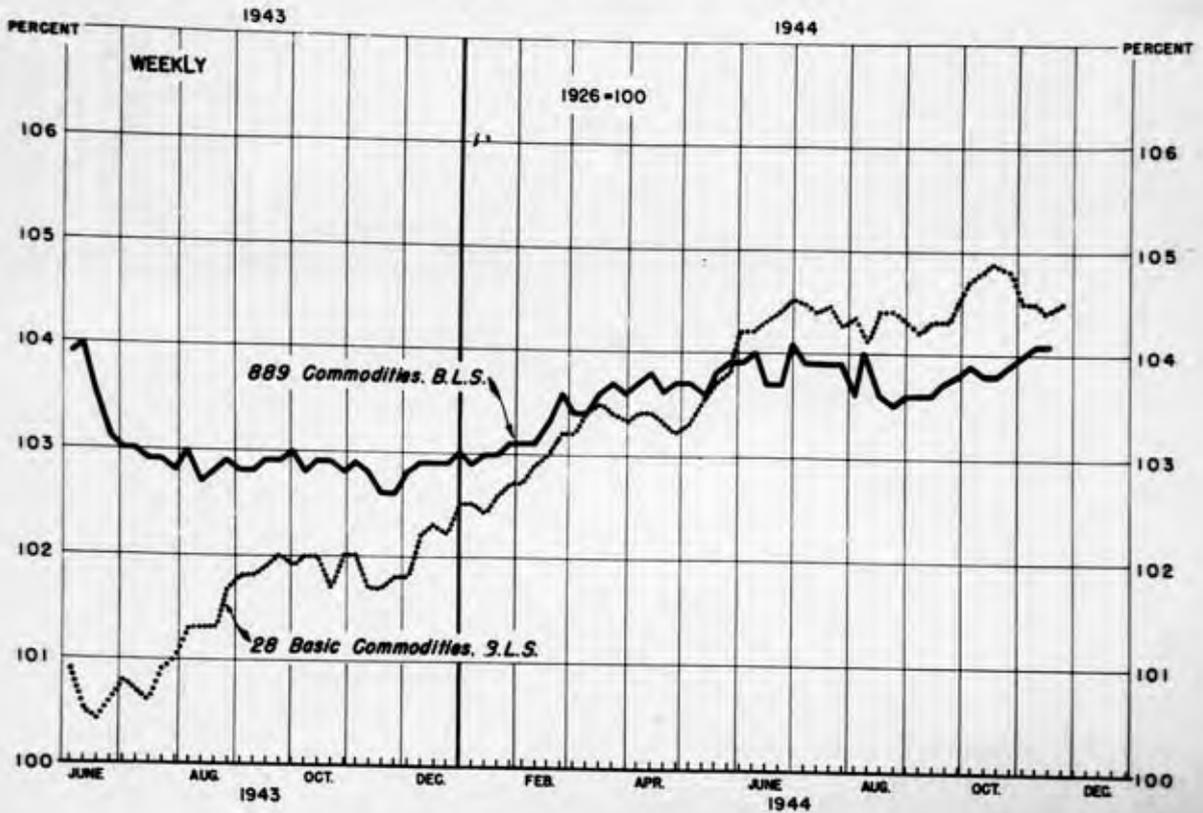
COST OF LIVING AND SELECTED ITEMS

June 1939=100

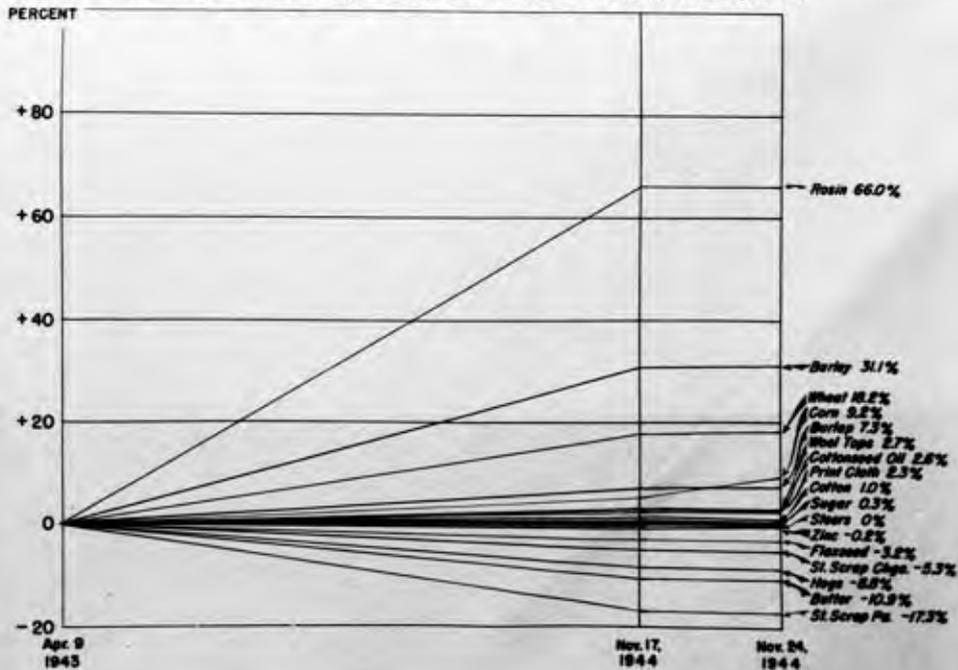


Source: B. I. S.

WHOLESALE COMMODITY PRICES



SELECTED BASIC COMMODITIES
Percentage Change April 9, 1943 to Nov. 17 and Nov. 24, 1944

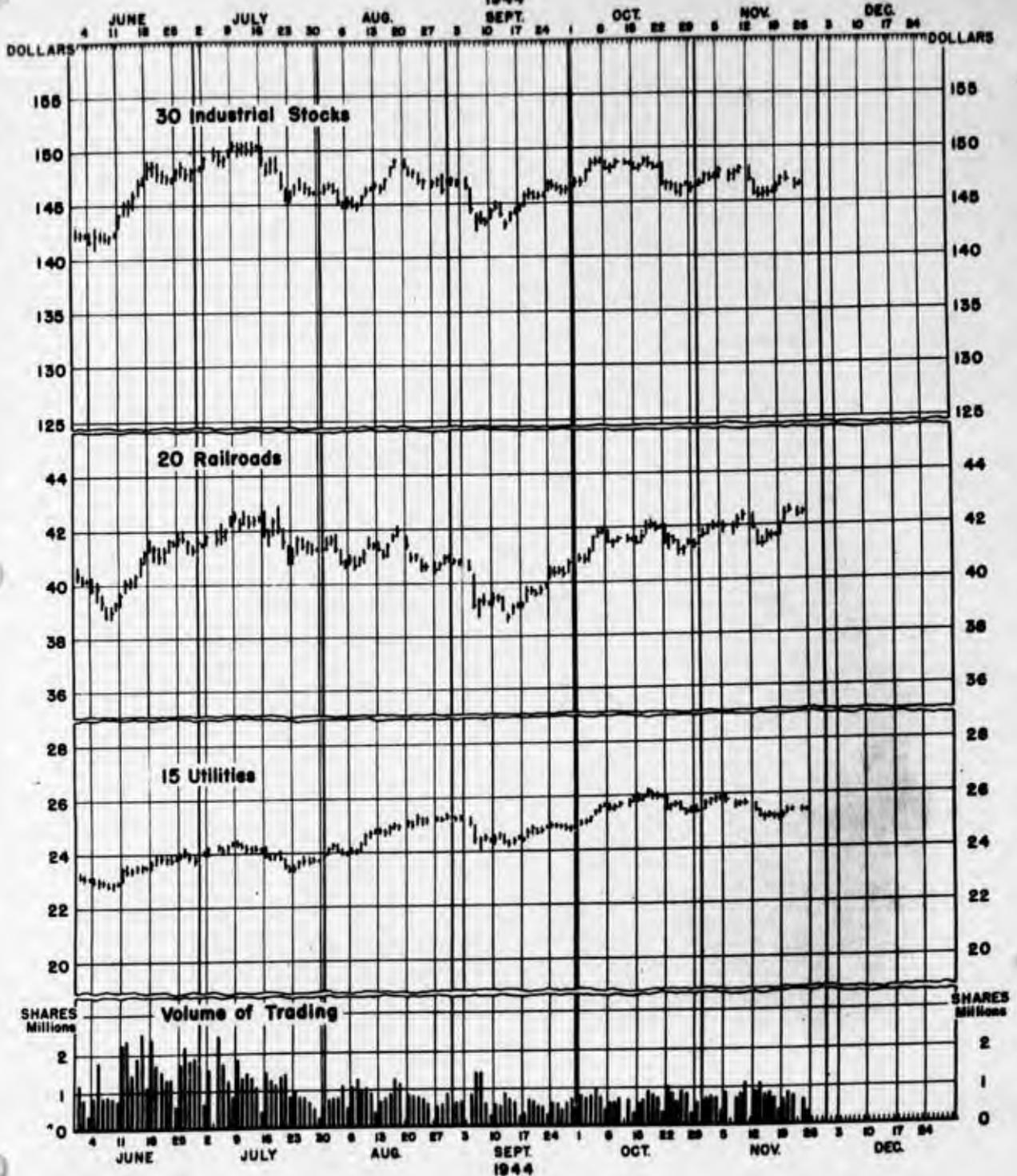


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STOCK PRICES, DOW-JONES AVERAGES

Daily

1944



THE *Nation*

F

Sta. Luticson
October 27, 1944

My dear Mr. Morgenthau:

It was good of you to take the time to write me about the October 21st issue of The Nation and the supplement to it. I am passing your letter around the office. Naturally my colleagues will be delighted that you liked the issue well enough to recommend it to your staff.

I'm glad I had at least a moment with you in Washington last week. Some time I hope we can meet long enough to have a real talk.

With many thanks,

Sincerely yours,

Freda Rindwey

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

RECEIVED
OFFICE

October 25, 1944.

Dear Miss Kirchwey:

I want to compliment you on your issue of October 21 and the supplement. I have recommended to all of my staff that they read all of the articles listed in "Campaign Roundup" and the whole of the supplement as well.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Miss Freda Kirchwey
Editor and Publisher, The Nation
20 Vesey Street
New York 7, New York

HEG/mah

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Checked this with Mr. O'Connell who does not think it needs an answer.

J. DAVID STERN

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

Philadelphia 1, Pa., November 27, 1944

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

Dear Mr. Secretary:

Thank you for your kind letter of November 16th.

I realize the necessity of coordinating the various claims for tax relief under 722. On the other hand, you can well appreciate the feeling of a taxpayer like myself, who started work on this problem in June of 1943, seventeen months ago, and who gave many hours of his own time to supplement the weeks of work by tax experts, accountants and stenographers. Just one instance may bring this home to you: I sent three of our fastest stenographers out of my own office to work twelve hours a day for a week to supplement the efficient and usually adequate stenographic force at the office of Charles S. Rockey & Company, our accountants.

I purchased the Courier Company 25 years ago, in 1919, and prepared reports of those 25 years of my ownership. But the agent investigating our claim made us dig down into the dusty records in our vault to 1909, before there was any Federal tax on corporations. It took months of work by several accountants to bring those records of 35 years ago into conformity with present accounting methods.

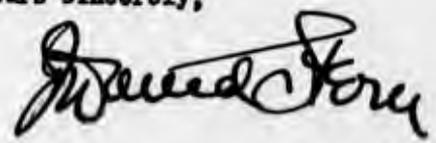
Of course we would not have done all that work unless we felt we had a just and fair case,- and evidently your field agents agreed with us, as we understood they recommended a fair portion of the relief that we asked.

You can well understand that after all this work, and after a year and a half, we would like to know the result of our effort.

I want to thank you for the courteous audience you gave me, and for your statement, as I left, that I was welcome to return at any time. I hope that in the not too distant future I will have the privilege of bringing to your attention several matters of public policy to which we intend to give major editorial consideration. //

With kind regards,

Yours sincerely,



MEMORANDUM FOR THE PRESIDENT

It is my considered opinion that the Treasury Department ought to be relieved of its responsibilities for the disposal of surplus property as contemplated under the Surplus Property Act for the reasons given below and basically because it is not inherently a proper Treasury function. The appointment of a Surplus Property Board under the Act and the reorganization of policies and machinery which will necessarily occur offer an appropriate opportunity for divesting the Treasury of its share in this program and possibly establishing one unit for the disposal of all surplus property.

We were drawn into the surplus disposal field because the Procurement Division has the responsibility of buying for the Government the usual consumer goods and getting rid of normal surpluses. Our experience has demonstrated that the magnitude of the surplus disposal program establishes it as an activity quite independent of our customary procurement function. An organization equipped to buy

- 2 -

normal peace-time government supplies and to dispose of the relatively small surpluses of those supplies that occur from time to time is not equipped or staffed to sell war surpluses such as must be sold under the Surplus Property Act. We have therefore been engaged in setting up a new organization within Procurement for that purpose. This surplus organization can readily be transferred and I think should be transferred to a consolidated surplus disposal agency.

The legislation grants an elaborate series of special rights to acquire surplus property to state and local governments, public and charitable institutions, war veterans, farmers, and small business men. At present there is no single direct line of Government authority clearly known and open to all who would do business with the Government. A single disposal unit would simplify greatly for the buying public their negotiations for surplus property.

A further material benefit from the standpoint of orderly procedure would be the elimination of possible frictions, inconsistencies, divided responsibilities and

- 3 -

crossfires between disposal agencies that would be functioning under the dual direction of the Surplus Property Board and the various department and agency heads concerned.

For the foregoing reasons I hope sincerely that the Treasury Department will be relieved of any responsibility for the disposal of surplus property and that the entire program will be consolidated in the interests of good government.

(Signed) Henry Morgenthau, Jr.

NOV 27 1944

HEG:aja

Treasury Department
Division of Monetary Research

103

Date..... November 27, 194419

To: Mr. White

From: Mr. Adler

(Re U.S. amb. to China)

I saw Mr. Gauss on Saturday evening. He is extremely pessimistic about the situation in China. Whereas previously, he said, the situation in China was deteriorating, now it is disintegrating. There is nothing to stop the Japanese from taking Chungking. He very much doubted whether the Generalissimo would make an agreement with the Communists in the absence of which, the odds are against the survival of the Central Government. His feeling seemed to be that China would go Communist.

I told him what our policy had been with respect to the transfer of gold to China and he expressed full approval of it.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE Nov. 27,
1944

TO Secretary Morgenthau
FROM J. W. Pehle

The New Orleans publisher you
have in mind is apparently L. K. Nicholson,
publisher of the New Orleans Times Picayune.
We had already sent this newspaper a copy
of the War Refugee Board atrocity release.



Dated November 27, 1944

Rec'd 5:03 p.m.

Secretary of State

Washington.

10454, November 27, 6 p.m.

FOR PEHLE FROM MANN.

Schwartz left today for Paris en route to Switzerland. He did not know how long he would be in Paris before being able to arrange transportation onward. Reference WRB 27.

WIN:NT

JT

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

CONFIDENTIAL

From: London

108

Dated: Nov. 27, 1944

Recd.: December 5, 5 p.m.

Secretary of State

Washington

A-1411, November 27, 1944.

Department's telegram 9220, November 3, midnight, and Embassy's 9736, November 9, 5 p.m.

FOR THE DEPARTMENT AND WRB.

There is quoted below a reply from the Foreign Office setting forth British reaction and desire to the rescue of some of the doomed Jews in Budapest:

"Thank you for your letter of the 7th November dealing with a report from the Jewish Agency representative in Budapest regarding the possible departure of 2,000 Jews from Hungary stated to be holders of certificates giving them the right to admission to Palestine.

"You are already aware of the information which reached us through His Majesty's Legation at Berne at the end of October, regarding the reported willingness of the Germans, as the result of clandestine negotiations with the Jewish Agency, to allow 8,000 Hungarian Jews to leave Hungary for Switzerland. You will remember the assurance, given several months ago and repeated on the present occasion in response to a specific enquiry from His Majesty's Legation, by Mr. Pilet Golar that, if these 8,000 Jews succeeded in reaching Switzerland, they would be received. You will also recall that His Majesty's Charge d'Affaires at Berne was thereupon instructed to take note with pleasure of this assurance and to enquire whether the Swiss Government would feel disposed to make contact with the German Authorities, either through the Swiss Legation in Budapest or through some other channel, with a view to arranging for these 8,000 Jews to leave Hungary for Switzerland. Mr. MacKillop was told that we were most anxious that every opportunity should be taken to turn to advantage this reported German willingness to let these Jews go.

"When you called upon me on the 7th November for the purpose of handing me your letter now under reply, I suggested to you that there was a likelihood that the party of 2,000 Hungarian Jews referred to in your letter might form part, perhaps to the extent of an advance party, of the 8,000 Jews referred to above. I said that I would arrange to try to get this point cleared up at once by His Majesty's Legation at Berne. We now hear from His Majesty's Legation that the Swiss Government, who had recently instructed the Swiss Legation at Berlin to make pressing representations to the German Government concerning Jewish deportations and to make it clear that Jewish emigrants could find temporary refuge in Switzerland, have again requested their Legation in Berlin to consider the

London/1411

- 2 -

expediency of a further step on behalf of the 8,000 Hungarian Jews to whom I have referred. Mr. MacKillop also reports that the Swiss Government telegraphed to their Legation at Budapest on the 28th October, and have telegraphed again twice since, with a view to clarifying the position as regards the party of 2,000 mentioned in the first paragraph of your letter. They have apparently had no reply to their telegrams to Budapest, and assume that the position in Budapest is so chaotic that it has been impossible to furnish a clear picture, a view with which His Majesty's Charge d'Affaires in Berne and, I understand, the United States Minister and the local representative of the War Refugee Board agree.

"While, therefore, I am not in a position to write specifically with regard to the party of 2,000 to which your letter refers, it will be clear from the above that we have taken every possible step to bring about the departure of the Jews, whatever their exact number may prove to be regarding whose release the Budapest representative of the Jewish Agency has been negotiating, and it is also clear that the Swiss Government have responded as readily as could have been expected to the approaches which we have made to them in this connection. For the moment, in view of the circumstances obtaining in Hungary at the Present time, it is difficult to see what more we can do, but we share the view of the United States Authorities quoted in your letter that this is not an opportunity to be lost if it is humanly possible to carry it into effect.

"The Swiss Government, in agreeing, as stated above, to give asylum to these Hungarian Jews if they reach the frontier, have expressed the hope that the British and United States Authorities will lend their collaboration to ensure that the onward journey temporarily broken in Switzerland, of the party of 8,000 mentioned above and also of a party of Hungarian Jews holding Swedish protective passports if their journey also lies through Switzerland, is resumed as soon as possible. We are in full sympathy with this expression of view by the Swiss Government and shall be glad, in the event of the escape of the persons in question to Switzerland becoming an accomplished fact to take up in consultation with the Inter-governmental Committee on Refugees and, I need hardly say, in full collaboration with your own authorities, the matter of their onward transit."

WINANT

FMM-1129
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

Dated November 27, 1944

Rec'd 12:04 a.m., 28th

Secretary of State,
Washington.

4080, November 27, 7 p.m.

THIS INFORMATION COMES FROM KESSLER. THIS IS WRB
265 JDC 127 FROM PILPEL FOR LEAVITT

Report received that 600 Polish refugees from
Rumania intending to go to Palestine by way Bulgaria
and Turkey have been held up in Bulgaria. This by
order of Russians who claim they come from Russian
territory and may return them there. Arrangements
for these refugees to continue journey are being
attempted by British and American Embassies.

NORWEB

LH

CABLE TO HARRISON, BERN, FOR MCCLELLAND FROM WAR REFUGEE BOARD

We are advised that Sternbuch is of the view that thousands of Jews in enemy-occupied countries can be saved if large sums of money are made available. The Vaad Hahatzala has asked that a message be sent to Sternbuch indicating that they agree to send all funds necessary. Please discuss his plans with Sternbuch at once and send us your views.

THIS IS WRB BERN CABLE NO. 298.

12:15 p.m.
November 27, 1944

PH:hd 11/27/44

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

CABLE TO MINISTER HARRISON FOR MCCLELLAND, BERN, SWITZERLAND

Reference your 7589 of November 17.

The authorization to which you refer was given for the purpose of encouraging Swiss willingness to receive refugee children by concrete U.S. action assuring their evacuation. Accordingly, the authorization will remain in effect as long as necessary to influence Swiss action with respect to refugee children seeking admission to Switzerland to escape enemy persecution. Whether in order to accomplish this purpose it will be desirable to continue the authorization for a period beyond the time when flight from enemy persecution is necessary, is a matter on which the Board would appreciate your views.

Of course, visas issued pursuant to this authorization are subject to the assurances with respect to replacement contained in Department's 891 of March 18.

THIS IS WRB BERN CABLE NO. 299

2:00 p.m.
November 27, 1944

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

BAksin:LSLesser:hh

Regraded Unclassified

LPU
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arrangement. (SECRET W)

November 27, 1944

9 p.m.

AMLEGATION

BERN

4012

The following for McClelland is WRB 288.

Reference your 7347 of November 4.

(1) Three remittances effected on behalf of Queen Wilhelmina Fund aggregate \$165,000. After effecting payment of \$90,000 to Dutch Minister in Bern, authorized in our WRB 239 of October 26, there should remain a balance of \$75,000. Please advise Board exact amount of balance on hand of funds remitted for this program. Interested groups here have requested Board to authorize transfer of this balance to the Dutch Minister in Bern in order that equivalent amount may be made available by him for work in enemy-controlled areas of Holland.

(2) Please advise Board amount of balances still on hand of funds remitted for Belgian War Relief and Friends of Luxembourg programs.

STETTINIUS
(Acting)
(OLW)

WRB:LDV:ED
11/22/44

WE

NCE

SWP

Dated November 27, 1944

Rec'd 11:40 p.m.

Secretary of State,
Washington.

2257, November 27, 4 p.m.

FROM KATZKI TO PEHLE WAR REFUGEE BOARD ANKARA'S 192.

In our telegrams (Embassy's 2226, Ankara's 189 and Embassy's 2256, Ankara's 191) we informed you regarding the detention at Starazagora, Bulgaria of refugees and emigrants traveling from Rumania to Palestine via Bulgaria. In earlier telegrams we have reported to you upon rescue possibilities which seem to exist and which might be undertaken from Rumania.

We do not know to what extent it is possible for us to be of assistance in any of these matters as we are dependent in Istanbul upon reports and information which are received here from various sources. Now that American political Missions have arrived in Bucharest and Sofia, I again strongly urge the importance of my being permitted to travel to Rumania and Bulgaria in order that I may be able to explore in person such rescue possibilities as still exist and to be of such aid in refugee matters as the terms of reference from the Board permit.

Will you please advise me.

STEINHARDT

MJF

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

NOT TO BE RE-TRANSMITTEDCOPY NO. 4SECRETOPTEL No. 384

Information received up to 10 a.m., 27th November, 1944.

1. NAVAL

One of H.M. Canadian Corvettes overdue at Sydney, Nova Scotia, and may have been torpedoed whilst escorting a convoy.

2. MILITARY

WESTERN FRONT. Slight gains reported by Third United States Army east of Metz. Deep mud in Aix sector has made movement almost impossible for armour. Last centre of resistance west of Meuse being attacked in the approaches to Venlo. Germans now cleared from remainder of pocket.

ITALY. 8th Army reports further substantial progress. Enemy has carried out general withdrawal south of Faenza and our forward troops in that sector now report no contact east of River Lamone.

RUSSIA. Russians have captured Hatvan in Hungary and a few small towns and villages 35 miles southeast of Presov in Czechoslovakia.

3. AIR

WESTERN FRONT. 25th. Of the 63 United States bombers reported missing, 51 have now been located.

26th. 71 escorted Lancasters dropped 328 tons through complete cloud on railway centre Fulda, northeast of Frankfurt. Bombing scattered. All returned safely. 1,073 United States heavy bombers escorted by 696 fighters attacked Misburg Oil Refinery - 771 tons, rail centres Hamm - 681, Osnabruck - 46, Hanover - 63, Gutersloh - 88, railway viaducts Altenbeken - 309, Bielefeld - 806 and Herford - 64, other targets 20 tons. Pathfinder technique employed and results unobserved all cases.

German air opposition greatly increased. Enemy casualties in action - 130, 14, 42. 36 bombers, 15 fighters missing. 239 medium bombers attacked 5 storage depots and 2 railway centres Western Germany.

1521 fighters and fighter bombers (10 missing) supported Allied troops and carried out reconnaissance. 31 locomotives destroyed. 4 enemy aircraft destroyed. 35 Spitfires attacked a number of rocket sites in the Hague area with good results.

26th/27th. 330 Bomber Command aircraft despatched: Munich - 278, bomber support - 39, other targets - 13.

MEDITERRANEAN. 24th/25th. 44 U.S. heavy bombers (3 missing) attacked an oil plant Linz - 54 tons, and 3 railway centres - 39 in Southern Germany and Austria. Results unobserved.

25th. Only 124 fighter and fighter bomber sorties flown owing to bad weather.

4. HOME SECURITY

To 7 a.m. 27th. 26th. 6 rocket incidents.
26th/27th. 2 rocket incidents.

November 28, 1944
10:11 a.m.

HMJr: Hello.

Operator: Senator Connally.

HMJr: Thank you.

Operator: Go ahead.

Senator Tom
Connally: Hello.

HMJr: Morgenthau, Henry.

C: Hello, Henry, this is Tom Connally.

HMJr: Yes, Tom.

C: Say, what's the matter with your Department holding up our appointment of Customs Collector out at El Paso?

HMJr: Well, what's the situation? I'm not familiar with it.

C: Well, the situation is that the old one was removed, you know.

HMJr: Yes.

C: And so we got together up here on a man named Harris Walthall, who is one of the outstanding business men of that country.

HMJr: Walthall?

C: Harris Walthall -- Harris -- uh -- Harris -- H-a-r-r-i-s, Harris -- W-a-l-t-h-a-l-l, Walthall.

HMJr: Walthall -- of El Paso?

C: Yeah. Now, the New Mexico fellows have been cutting up. They've got a man -- you talked to me once before about that here recently -- they've got a man, but this is our appointment. It's a Texas -- office is in Texas and the man that was removed was a Texan and we came through in this election with the biggest Democratic majority of any State in the Union, and we gave the National Committee about \$150,000 besides paying our own campaign in Texas.

HMJr: Yes.

C: And we think we ought to have -- you ought to go ahead and appoint this fellow.

HMJr: Well, I -- I -- without knowing anything about it, I agree with you, and I'll make inquiries.

C: Well, you talk to Gaston. They're just fiddlin' around down there. I think Gaston is -- his heart is for us but Hatch and Chavez have been annoying him and it's been hanging now for a long time and it ought to be made.

HMJr: Yes. Well, I'll -- I'll get in touch with him right away.

C: All right. Thank you, Henry. How are you?

HMJr: I'm fine. How are you?

C: Somebody told me you were going to buy a house out in our neighborhood.

HMJr: I haven't got enough money.

C: The Roper house?

HMJr: No. No.

C: It's a lovely place.

HMJr: Yeah. We'd like to rent it.

C: A lovely garden back there. Well, you can rent it because there ain't anybody going to buy it.

HMJr: Yeah, but I've got to move

C: It's a lovely place.

HMJr: I've got to move on the first of February.

C: Well, they'll let you have it. Press them and make them give it to you. I live next door, you know.

HMJr: Well, that would be nice.

C: I live next door to you. Come on out. I'd like to have a fine neighbor like you.

- 3 -

HMJr: Well, that would be nice.

C: Then I could borrow money whenever I needed it.

HMJr: You could, any time.

C: Yeah.

HMJr: Any time.

C: Well, Henry, go ahead and fix us up on that.

HMJr: I'll try to do it today.

C: You know that's right.

HMJr: I know.

C: You know that's right and I always go along with you fellows on this Finance Committee and all that. I think I deserve a little consideration.

HMJr: I don't know anybody I'd rather do it for.

C: Well, I thank you, Henry. Go on and do it.

HMJr: I'll try to do it right away.

C: That will prove it, you know.

HMJr: I understand.

C: All right.

HMJr: Thank you.

C: Say!

HMJr: Yeah.

C: How's

HMJr: Hello?

C: How's your wife?

HMJr: Well, she's in the hospital but she'll be home tomorrow.

C: Well, I saw that she'd been ill and I -- Mrs. Connally and I want to express our regrets and sympathy with her, and hope she's all right.

HMJr: Well, she's getting along -- she'll be home tomorrow.

C: That's good. Fine, Henry.

HMJr: Thank you.

C: Bye.

HMJr: Bye.

November 28, 1944
10:15 a.m.

Operator: Yes.

HMJr: Herbert.

Herbert
Gaston: Yes.

HMJr: A man by the name of Connally from Texas just called me.

G: Yes.

HMJr: And wants to know what we're fiddlin' around for on this fellow Walthall at El Paso. See?

G: Yes, sir. Uh huh.

HMJr: You may have heard the name.

G: Oh, yes, indeed.

HMJr: And he said that we do this and he'd help me, and he's on the Finance Committee and I think he's got something.

G: Uh huh.

HMJr: And incidentally, El Paso is in Texas.

G: Uh huh. Well, I

HMJr: Let's do it.

G: Well, the -- the difficulty is that I've been told by Jim Barnes that if we send the Texas name over it will be turned down.

HMJr: Well, let's send it over.

G: All right. That -- I haven't -- I haven't had the regular formal investigation but this fellow is known to everybody in El Paso -- I've got a list of recommendations a yard long.

HMJr: Yes.

G: The reason I haven't had him investigated is because I didn't want to raise expectations in view of the fact that we'd had the other man investigated and the political authorities were recommending him.

HMJr: Yes.

G: But we can -- I can -- there's no reason why we shouldn't send his name on over.

HMJr: Well, let's send it over today.

G: All right. That's

HMJr: And then let it be on the White House doorstep.

G: Uh huh. Sure.

HMJr: See?

G: I'll do that.

HMJr: I'll send it over and I'll tell Connally I'm going send it over there to the White House today.

G: Uh -- do you think you'd better tell Connally? I -- uh -- this thing -- we don't know what the outcome is going to be.

HMJr: I don't give a damn. I mean, Con.... -- I've got to look to Connally. Jim Barnes and the National Committee won't help me when I'm in the dog house.

G: I know -- I know they won't.

HMJr: And I'm going -- no, I'm going to use -- I'm going to tell Connally I'm sending it over unless you ask me not to.

G: Uh huh.

HMJr: To hell with Jim Barnes.

G: I'm only thinking about -- I'm only thinking about what will work out best as far as you're concerned -- as far as we're concerned -- whether it will cause us any more embarrassment.

HMJr: Where?

G: Huh?

HMJr: Where?

- 3 -

G: With the -- with Connally.

HMJr: Oh, no.

G: With Connally if we absolutely can't get it across.

HMJr: Well, then, let it be on the White House.

G: Yeah. Yeah. All right, I'll fix it up -- uh -- uh -- can -- can I talk to you or can Charlie and I talk to you this morning on the subject of Procurement?

HMJr: Definitely. Give me a little time. I just got in.

G: Uh huh.

HMJr: Sure.

G: Shall I talk to -- I'll mention it to Fitz -- shall I?

HMJr: Yeah, and I'm going to tell Connally I'm sending it across.

G: All right.

HMJr: And then if the -- if they don't -- if the National Committee doesn't like it, to hell with them.

G: Well, Jim Barnes has told me that if -- he thought that if we send the name over it would be -- it would be turned down.

HMJr: Listen, the President right now needs Connally more than anybody else -- Chairman of Foreign Affairs Committee.

G: I think so.

HMJr: He needs him too.

G: Uh huh.

HMJr: And I'm not going to fiddle around with him.

G: The fellow that's been active on the New Mexico man is not Hatch but Chavez.

HMJr: Listen, this

G: I've got -- I've got a letter in my

HMJr: Herbert, what have we got -- where did the last man come from?

G: Uh -- Texas -- Texas.

HMJr: The last man was from Texas.

G: Yeah. Uh huh.

HMJr: And El Paso is in Texas.

G: Yes. Yes. El Paso is in Texas but more of that District is in New Mexico than Texas. It includes -- it includes that part of Texas between the Pecos and the Rio Grande, which is extreme western Texas.

HMJr: All right, now listen....

G: And all of New Mexico.

HMJr: Listen, my tax bill and everything else -- foreign affairs -- every -- look, just for instance -- look, we need Tom Connally a great deal more than we need Chavez or the other -- or Hatch.

G: Yeah. I think -- yeah, that's right. I think that -- I think the thing that is causing them to stick on the New Mexico man now is the fact that they made a definite promise to Chavez that they would appoint him.

HMJr: Well, I'm going to do it, Herbert.

G: I'll get the

HMJr: I'll tell Connally I'm going to do it.

G: Yeah.

HMJr: And then if they don't like it, to hell with them.

G: Yeah. I'll be glad to have the test made and get it off our chests. I'll get the nomination prepared right away.

HMJr: Thank you. Bye.

November 28, 1944
10:20 a.m.

HMJr: Hello.

Tom
Connally: Hello.

HMJr: Tom?

C: Yeah.

HMJr: I just told Herbert Gaston to send the name over
to the White House.

C: Fine.

HMJr: And Herbert's doing it cheerfully and

C: That's grand.

HMJr: What?

C: That's grand.

HMJr: So it will be over there today.

C: Thank you, Henry, that's fine.

HMJr: Not at all. You've been a good friend to me and
I want to -- you said to prove it and now I'm
proving I'm a friend of yours.

C: Well, thank you, Henry. Of course, it's routine,
I mean, in a sense, but I appreciate it just as
much as if it was for me.

HMJr: Well, it's not routine because I think you'll have --
well, I won't look for trouble but

C: Oh, you ain't going to have any trouble.

HMJr: Well, anyway, as far as we're concerned

C: All right, old fellow.

HMJr: Right.

C: Thank you, Henry.

HMJr: Good bye.

November 28, 1944
10:29 a.m.

James
Barnes:

.... heard that very nice speech you made in Chicago and I was glad you went out. Those boys were very pleased about it.

HMJr: Which one are you talking about?

B: The Bond Drive.

HMJr: Oh, yeah. Yeah -- I didn't know -- I

B: They called me from Chicago two or three times on that, you know.

HMJr: Oh, really? On the Bond Drive?

B: Yeah.

HMJr: I didn't know that.

B: Yes.

HMJr: Do you get in on Bond Drives? I thought you stuck to politics.

B: No, we get -- we get all that -- we get a little bit of everything over here.

HMJr: At the White House?

B: Yes, sir.

HMJr: Good. Now, look, Mr. Barnes, the reason I'm calling is this: several weeks ago when I had lunch with the President, I talked to him about Harry White....

B: Yes.

HMJr: for Assistant Secretary in the place of John Sullivan, who has resigned, and the President said, "That's fine. I like him and I'd like him to have it." See? Then he said "As a matter of courtesy," he said, "would you mind getting in touch with Bob Hannegan so that he'll get it from you and not read about it in the papers." Hello?

B: Yes.

- 2 -

HMJr: So I located him just as he was leaving for a shooting trip

B: Yeah.

HMJr: and Hannegan gave me quite an argument, purely on the political angle. You see?

B: Yeah.

HMJr: And I told him, quite frankly, that this was something that I was going to insist on. I only had one or two people. And I don't know what Bob had in his mind but his only objection was that White had no -- had not taken part in politics. Well, of course, that isn't what I got him for. And he said he'd want to drop around and see me and talk about it. I'm trying to be fair to him and myself.

B: Right.

HMJr: Well, I tried to get him today and they say he's not going to be back until the end of December. Now, I've only got a couple and this means a great deal to me. The President looks on White, as he put it, as somebody -- as one of the recent discoveries, and he's handling all these very important things and the President said this: he said, "I think it will be useful to White to have this Assistant Secretary when he's handling all this legislation on Bretton Woods." Now

B: Harry White is a very fine individual.

HMJr: Yeah, and now I don't look on this as a political appointment but he is a Democrat and he's a rip-roaring Roosevelt man.

B: I think that's true. There's no question about that. Well, do you want me to try to call Bob on the phone?

HMJr: Well, what I'd like to do is this: I -- I did what the President asked me to do. Hannegan didn't say, "No". I tried, myself, to get him. They say he's out on a hunting trip. I would like to send the name over today.

- 3 -

B: Well, I don't think -- the President's not here, as you know.

HMJr: I know. But I want to get the thing rolling.

B: Well, I'll see if I can get Bob on the phone and talk to him like you say, or I can talk to the President. Of course, it will have to be sent down there to him, you know.

HMJr: Well, that's what I thought. If I sent it over, it could be sent down there to the President. And then I don't know the routine, whether I call up the two Senators from Maryland or whether you do that.

B: Well, I usually do that, sir.

HMJr: Well, it will be much better if you do it.

B: But

HMJr: You see, the way I feel is this: I've only got two or three people that I -- that -- well, of all appointments, and as long as they're pro-Roosevelt and somebody that's agreeable to the President and the National Democratic Committee has no reasonable grounds to object, quite frankly, the Committee has always gone along with me on these appointments which amount to two or three in eleven years. You see? Then, when it comes to the other appointments -- well, Ed Flynn was kind enough to say that Frank Walker and I played it better than anybody else in Washington.

B: Well, that will be fine, but I'll tell you what I'll do, Mr. Secretary, I'll try to get Bob on the phone today to see what he

HMJr: Yeah.

B: to get his attitude on that as long as you didn't get it.

HMJr: Well, quite frankly, I -- I'm not going to take 'no' on this. See? I mean, I figure as long as the President likes White and he thinks that he'd be useful, I've got to have him. See?

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B: I see.

HMJr: I'm going through the motions to be courteous.

B: I see.

HMJr: But I -- unless you know something about White that I don't know, then I'm not going to take any objections.

B: Uh huh.

HMJr: I mean, this is one I'm entitled to as long as the President likes White and thinks he's useful to the President.

B: All right. I'll try to get Bob on the phone this morning.

HMJr: I don't think that's unreasonable.

B: Uh huh.

HMJr: As long as I'm willing to play straight across the board on everything else, which I do.

B: Yes, sir. I know that.

HMJr: What?

B: I know that, sir. And -- well, I'll call Bob and see if I can get him on the phone this morning and then if I don't get him, I'll call you back.

HMJr: Right.

B: Okay, sir.

HMJr: Thank you.

November 28, 1944
11:00 a.m.

BRITISH LEND-LEASE PUBLICITY
CHINESE LOAN NEGOTIATIONS

Present: Mr. White
Mr. Luxford
Mr. DuBois

H.M.JR: This is a letter that just came in from Kung for the President dated November 16, but it has no bearing on this. I will let you people read it.

(To reporter) Make a note I am lending Doctor Kung's letter to Mr. White. Have it photostated and return it to the President when I write him this thing is being closed up.

Now, do you have the letters?

MR. WHITE: I have the letters, but I don't think it will be necessary to send them, because I just spoke to Oscar Cox, and he had given them copies of both yesterday.

Harry Hopkins had made some suggestions which he is incorporating in this draft, and he liked them both.

Oscar said he pointed out that middle paragraph here was a result of your request that something of that character be included, and Hopkins said he was going to take it up with Leahy this morning and let Cox know. All this occurred yesterday.

H.M.JR: If you don't mind, I would rather do it my way. I want a written record. How do I know? By God, all the lying and misrepresentation that was going on here yesterday!

MR. WHITE: Well, I will get the other letter.

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(Mr. White leaves the office temporarily.)

(The Secretary signs letter to Mr. Harry Hopkins, attached.)

H.M.JR: I am not going to have them say around, "You said he would and we never had a chance." But give this stuff to Mrs. McHugh. I am not going to take a chance. I told them they would have a chance. I am not arguing.

MR. WHITE: No, we will just send it along.

On the Chinese thing, they are waiting for the lawyers from the War Department to come down this morning. They want to decide another kind of document which the Army had prepared and submitted as the basis for handing it over. The check should be included. Luxford doesn't think it is necessary, but they are sending over a lawyer this morning.

H.M.JR: That is all right.

Now we have to have a letter to the President.

MR. WHITE: Do you want it in the form of a letter?

H.M.JR: A memorandum is all right.

I can wait. I'll be here still tomorrow.

(Mrs. McHugh enters the conference.)

MR. WHITE: It is a little complicated in the end. The only reference to the past which we make which we thought would be adequate is, we say this is the same offer which was made on October 6, and substantially the same as made at Bretton Woods, "and as reported in my appended cable to you on July 17."

Here is the letter to Admiral Leahy. (Hands Secretary to Admiral Leahy, dated November 28, 1944, which the Secretary signs, copy attached.)

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H.M.JR: Now, these letters should be rushed over to Hopkins and Leahy, and in both cases the messenger should tell them it is urgent. I am waiting for a telephone response.

MRS. McHUGH: Yes, sir.

H.M.JR: Mr. White will give you the appendages.

MR. WHITE: It will take a few minutes, because I have to get the draft of material.

(Mrs. McHugh leaves the conference.)

H.M.JR: Now, this afternoon I would like to get the three of you together, plus Pehle and Gaston. I can't tell when. We will talk about this book. The reason I want to talk about it is, Barnes says he can't get here until Friday. Well, I am not going to be here Friday. I am going away Thursday for a week, I hope. I think the thing I want to bat out this afternoon with you fellows is when we are going to do it, you see.

MR. LUXFORD: All right.

H.M.JR: All right?

MR. LUXFORD: Sure.

H.M.JR: Somebody be on my side, will you? I will put it differently, don't all be on the same side. How is that?

Dear Harry:

I am enclosing a copy of the proposed American release drafted by State, F.E.A., and Treasury. This proposed release was shown to Lord Keynes as a preliminary draft and he said that he liked it.

If you have any suggested changes, I would appreciate it if you would let me have them over the telephone inasmuch as I should like to get the matter cleared up today.

I am also enclosing a copy of the proposed British release which Lord Keynes has left with us. We submitted to Lord Keynes our suggestions to his proposed draft and he readily accepted them all. The suggested changes are indicated in the draft.

Sincerely,

Secretary of the Treasury

Mr. Harry L. Hopkins,
The White House.

Enclosures.

HEW/jm
11/28/44

Dear Admiral:

I am enclosing a copy of the proposed American release drafted by State, F.B.I., and Treasury. This proposed release was shown to Lord Keynes as a preliminary draft and he said that he liked it.

If you have any suggested changes, I would appreciate it if you could let me have them over the telephone inasmuch as I should like to get the matter cleared up today.

I am also enclosing a copy of the proposed British release which Lord Keynes has left with us. We submitted to Lord Keynes our suggestions to his proposed draft and he readily accepted them all. The suggested changes are indicated in the draft.

Sincerely,

Secretary of the Treasury

Admiral William D. Leahy,
Chief of Staff to the Commander-
in-Chief of the U.S. Army and Navy,
The White House.

Enclosures.

HDW/jm
11/26/44

November 28, 1944
11:05 a.m.

ORGANIZATION HEAD
SURPLUS PROPERTY DISPOSAL

Present: Mr. Gaston
Mr. C. S. Bell
Mrs. Klotz

MR. GASTON: You got the word in regard to John Sullivan, did you not?

H.M.JR: Yes.

MR. GASTON: And you approve releasing the letters, and so forth?

H.M.JR: I don't remember. Did I write a letter to John?

MR. GASTON: It is a question of whether you signed it or not. I wrote a letter for you to John and gave it to Miss Chauncey or Mrs. McHugh or Mrs. Klotz; and I have an idea you signed it.

H.M.JR: I must have.

Now, before you do Procurement - I am not sending over the El Paso thing until five-thirty tonight, hoping that we'll get the Harry White thing cleaned up today, do you see?

MR. GASTON: Get it cleaned up?

H.M.JR: Barnes is going to speak to Hannegan - Jim Barnes. He is going to speak to Hannegan about White.

MR. BELL: That is in the works now.

H.M.JR: I told Connally it would go today. It is still today at five-thirty. Barnes won't be there until tomorrow.

(Mrs. Klotz enters conference)

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MR. GASTON: If we send it at four o'clock, he won't get it.

H.M.JR: Now, let's get to Procurement.

MR. GASTON: We talked to this man yesterday - this man Duncan, whom Olrich has pressed as his successor. Olrich told us in addition that FEA was negotiating with him; that if we didn't do right about him he would go to FEA.

He told us, oh, no, he couldn't accept any temporary appointment, that it would demoralize the organization if he were to have a temporary appointment. And he told me, among other things, that it was important to the supervision of Procurement--

H.M.JR: I don't get it.

MR. GASTON: If you want advice on anything of real importance, he would go to Will Clayton.

H.M.JR: The supervision that we would give?

MR. GASTON: Yes. I don't know just what he meant by it. At any rate, we are told that he positively can't accept any temporary appointment. We wanted him to coast along as Acting for an indefinite period. He won't do that, but he will give us a couple of days to make up our minds.

H.M.JR: Damned nice of him, isn't it? To hell with him!

MR. GASTON: So I don't know whether it is true that all those boys will walk out or not. There is this about it, that I am inclined to think the men in these various industries and trades need to be in on this fully as much, or maybe more, than we need to have them in for their own protection.

Charlie has some ideas about organizing this thing, and I have some ideas on the thing. Charlie still thinks that John Pehle could do a good job.

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H.M.JR: Pehle is not interested.

MR. GASTON: Well, what if you would, as Charlie suggests, make him Assistant to the Secretary?

H.M.JR: He is that now.

MR. GASTON: In general charge of this thing. You think he wouldn't do it?

H.M.JR: Well, he told me flat yesterday that he wasn't interested.

What do you mean, "in general charge"?

MR. GASTON: I meant in charge of both ends - the same job as Olrich is on now.

H.M.JR: Where would you be in that set-up?

MR. GASTON: Well, I'd be available for any signatures or any consultation, and I'd be glad to have John talk to me about what is going on occasionally. I'd be very glad to have him do it if you were willing and he was willing. It would be a full-time job for him, I think. In other words, he would be taking Olrich's place as Assistant to the Secretary and in charge of both ends.

H.M.JR: Responsible to whom?

MR. GASTON: He would be responsible to you, but he could report through me to you - either way you liked. Charlie has been giving the thing some continuous supervision, and you could have him report directly to you just as well as not.

MRS. KLOTZ: I don't think he wants it.

H.M.JR: Well, this is something quite new.

I want to go over and see Mrs. Morgenthau now.

November 28, 1944
3:30 p.m.

BRITISH LEND-LEASE - CHINESE LOAN NEGOTIATIONS

Present: Mr. White
Mr. Adler
Mrs. Klotz

MR. WHITE: Here is the letter. We got the State Department's initial.

H.M.JR: Has O'Connell seen this?

MR. WHITE: O'Connell has initialled it, yes.

H.M.JR: Did you put any bouquets in here?

MR. WHITE: Not in this document. (Refers to letter to Dr. Kung, attached)

MR. WHITE: This is the memorandum to the President. I gather you want to hold that until we get the Army's approval. (Refers to attached memo to the President)

H.M.JR: Oh, yes. Will you relax, please, while I take a minute to read this? Did we agree to sweeten the twenty-five million at Bretton Woods?

MR. ADLER: We agreed to offer them that.

H.M.JR: The only thing I think we should add to this thing is a photostat of Stimson's letter to me which asks me to do this thing.

- 2 -

MR. WHITE: We referred to that. I took it out for this reason, Mr. Secretary. The Treasury participated in a major fashion in the negotiations long before Stimson sent you that letter. Almost every meeting was held here in the Treasury on the matter, in Bell's office, so that it would be kind of curious to say that your interest stems from that letter.

H.M.JR: Shall I date this tomorrow?

MR. WHITE: It should be dated the 25th because he is no longer Finance Minister on the 26th, see?

H.M.JR: I think I had better date it the day I sign it.

MR. WHITE: The memorandum for the President, I guess, can be dated the 26th.

MR. ADLER: The letter shouldn't go until the Army has initialled it.

H.M.JR: No.

What about the English, now?

(Mr. Adler leaves the conference)

MR. WHITE: Now, this is a rewrite. Here is the latest draft suggested by Crowley - some changes, exclusive of the marks in red crayon - the red crayon marks, I added.

H.M.JR: Hasn't Luxford helped on this?

MR. WHITE: No.

H.M.JR: Here is the latest draft suggested by Crowley. What about these suggestions that came in?

MR. WHITE: Those I put in red crayon.

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H.M.JR: He wants them out?

MR. WHITE: One major paragraph he wants out, but I have indicated in red brackets what he thought should go out and added in red crayon what he thought should be added. That long paragraph which you had suggested should be in--

H.M.JR: Do you want it out?

MR. WHITE: He says he doesn't see what it adds.

H.M.JR: This is fairly important; it is the result of nine weeks' work. I will read out loud the paragraph he wants out. The rest is practically all the same, isn't it?

MR. WHITE: That is right.

H.M.JR: (Reading from attached memorandum, dated November 28, 1944) "After the defeat of Germany the United Kingdom and the United States will both use all the fighting power that is required for the earliest possible defeat of Japan. It is likely, however, that both the United Kingdom and the United States will be able to reconvert part of their resources on an equitable basis to meet essential civilian needs in the period between the defeat of Germany and the defeat of Japan. As a result of such a partial and equitable reconversion there will be some improvement in the conditions of life of the British people. For six years, first standing alone against the enemy and later fighting alongside our own forces on battlefields, on seas and in the sky all over the world, they have endured privation in diet, had their houses destroyed about them and have been sent to distant parts of the country to work wherever the needs of war called them. After the defeat of Germany, it is necessary that their inadequate diet be improved, temporary emergency housing be provided, and such other measures adopted as may assist in some degree their present extremely rigorous way of life."

"Rigorous," that is a poor word.

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MR. WHITE: Yes, for that purpose. Some better word can be found.

H.M.JR: Like "emaciated," or something.

MR. WHITE: But rigorous is something that is good; we want to indicate something bad.

H.M.JR: (Continuing) "This Government believes that a program which will help in achieving this objective is a matter of necessity for the most effective prosecution of the war against Japan, and that it expresses in some measure the common bond which has carried our countries through the hard days of the war to approaching victory."

Well, I am going to insist on it.

MR. WHITE: His comment is that he doesn't see what it adds.

I read it rather hastily, but let me just read his thing. His suggestion about the Committee, not the Government, I think is a good one. He doesn't want to refer to Quebec.

H.M.Jk: ~~His~~ stems from Quebec.

MR. WHITE: I don't know why there should be any objection to it. It can be deleted.

H.M.JR: I personally like it. It again shows one of the reasons why I went up there. That is why Hopkins doesn't want it, you see.

MR. WHITE: Well, that can go in.

H.M.JR: "here do we go from here?"

MR. WHITE: I suppose we ought to send a little note thanking him for his excellent suggestions. Maybe they are not taken, but that is all right. Then I will just clear this with Cox.

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H.M.JR: What about Hopkins?

MR. WHITE: Well, we can send him a finally completed copy and say, "This is it."

H.M.JR: Let's see.

MR. WHITE: If he changes it--

H.M.JR: Aren't they going to do it in the House on the 29th?

MR. WHITE: You see, we decided that this should be given out the day before a similar statement is given out there, and the day after the British White Book. Now, that was in the morning's paper, so tomorrow would be the appropriate time. Cox was going to get the exact timing by consultation with the British.

H.M.JR: I suggested to Crowley that a press conference be held.

(The Secretary hold telephone conversation with Mr. Hopkins, as follows:)

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November 28, 1944
3:39 p.m.

HMJr: How are you?

Harry
Hopkins: All right.

HMJr: I just wanted to make sure that the boys have
been keeping you posted, blow by blow, as we
go along.

H: Well, I saw the stuff this morning and I had a
long talk with -- with -- I say a long talk --
I talked with Bill Leahy.

HMJr: Yes.

H: And we went over it together.

HMJr: Fine.

H: And he wrote you a note which you ought to have
now.

HMJr: I have it.

H: Well, that, in substance, also represents my

HMJr: I see.

H: uh -- not entirely -- I don't -- I think
that paragraph -- that big paragraph is purely
a matter of opinion. I've got no quarrel with
it.

HMJr: Well

H: If it's good

HMJr: Keynes

H: from a -- on both sides, I'm for it.

HMJr: loved it.

H: Good.

HMJr: It's the one thing he liked.

H: Yeah.

HMJr: Yes.

H: I don't -- I don't quarrel with that, Henry.

HMJr: Well, I personally thought that

H: And I thought the British thing that they showed me was improved a great deal.

HMJr: Fine. Well, then you don't want to

H: No.

HMJr: You're all right, then?

H: No, I don't need to see it again.

HMJr: I just wanted to be sure I was keeping my bargain.

H: Yes, sir.

HMJr: I thank you.

H: Tell me, how is Elinor?

HMJr: She's getting along nicely. She'll be home tomorrow.

H: You're not worried about her now?

HMJr: No.

H: Oh, good.

HMJr: How's your Mrs.?

H: Well, she's all right. It's going to be slow but she's all right.

HMJr: But she's all right?

H: Yes, sir. All right, Henry.

HMJr: Thank you.

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MR. WHITE: Then let's leave the paragraph in.

Now, if those represent his changes on this Committee, "following up the Quebec Conference"--

H.M.JR: You see, this whole thing all stems from the same thing, the fact that I went there, they want to belittle it. Now, I would leave it in. We went there, and that is what I went there for.

MR. WHITE: All right, let's leave it in.

H.M.JR: Now, Crowley said he wanted the Treasury Press Room to release this thing - very emphatically.

MR. WHITE: Even though they both think he should?

H.M.JR: He said he wanted the Treasury Press Room. Then I said, "How would you like it if we did what we did at Bretton Woods, if White and Cox and Currie were there to answer any questions - and, oh yes, Acheson - to answer any questions from the press in the name of the Committee. He thought that would be wonderful.

MR. WHITE: It is giving it quite an importance.

H.M.JR: Otherwise Charlie Shaeffer does it, and good God, Charlie Shaeffer knows nothing. Otherwise they would just go around from one to another. After all, it is as important as a daily press conference in Bretton Woods.

MR. WHITE: I don't mean the subject matter isn't important - no question about that; I mean your giving it that kind of a press conference will give it an importance in the press.

H.M.JR: Don't you think it is important?

MR. WHITE: Well, I thought you wanted to play it down.

H.M.JR: I don't want to play it down.

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MR. WHITE: Then I will contact Oscar to plan about the timing of this.

H.M.JR: Otherwise Oscar is going to do it, and God knows what he will say. Charlie Shaeffer would give it out and he would say, "Now, look, boys, if you want to ask any questions, down in Harry White's office are Acheson, Mr. Currie, and Mr. Cox, who would be glad to answer any questions for the Committee."

MR. WHITE: I see. All right. If Acheson can't come, he can send somebody.

H.M.JR: He can send Collado. But that was the point, rather than try to educate Shaeffer.

Now, if you don't mind, I have another thing I want to do right now.

November 25, 1944

Dear Dr. Kung:

I am informing the War Department that we have successfully terminated the negotiations with respect to U. S. Army yuan obligations in China. The terms of the settlement of these negotiations as agreed upon at our conference this morning are 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 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

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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.

I wish to take this opportunity to say how much I appreciate the cooperative attitude you have invariably displayed in your dealings with the U. S. Treasury and the contribution you have thereby made to the further cementing of the friendly relations between our two countries.

Sincerely yours,

Secretary of the Treasury.

Dr. H. H. Kung,
Minister of Finance,
National Government of China,
Washington, D. C.

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 cooperation 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.

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 first handled these negotiations which began last year but which Secretary Stimson asked me to take over on June 26. 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

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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.

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

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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

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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 26, 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

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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

SECRET

November 22, 1944, 1:00 p.m.

Leo T. Crowley, Foreign Economic Administrator, Henry Morgenthau, Jr., Secretary of the Treasury, and Edward R. Stettinius, Jr., Acting Secretary of State, acting as a special Committee of the Government on lend-lease and reverse lend-lease discussions with the British [following up the Quebec Conference,] made the following statement today:

Throughout the war the lend-lease and reverse lend-lease requirements of the United Nations have been reviewed from time to time in the light of the military strategy for the war against Germany and Japan.

Such a review has been carried out in discussions now concluded between the appropriate military, naval, air and civilian representatives of the United States and United Kingdom Governments. These discussions concerned the lend-lease and reverse lend-lease aid required to enable the carrying out of the strategic decisions made at Quebec for winning victory over both Germany and Japan at the earliest possible moment.

The programs of lend-lease and reverse lend-lease aid [will] *should* be continued in accordance with the fundamental principle laid down by the President that: "Until the unconditional surrender of both Japan and Germany, we should continue the lend-lease program on whatever scale is necessary to make the combined striking power of all the United Nations against our enemies as overwhelming and as effective as we can make it."

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The amounts and types of supplies required continue to be subject, as always, to adjustment from time to time in accordance with the changing conditions of the war. When finished munitions are produced and available for delivery, they are assigned by the Munitions Assignments Board under directives of the Combined Chiefs of Staff in the light of the strategic considerations prevailing at the time of the assignment. Similar procedures are and will continue to be in effect for other war supplies that each country may make available to the other.

From the beginning of the lend-lease program in March 1941, lend-lease aid has been extended for one purpose--and for one purpose only--the defense of the United States and to enable our allies to bring the full weight of their men and resources to bear against our common enemies. That policy will be continued without change.

Since lend-lease aid is made available to our allies only when it contributes directly to the winning of the war, lend-lease articles have from the beginning not been available for reexport commercially. That policy will also be continued without change. There will be no change in the principle as laid down by the Government of the United Kingdom in its White Paper of September 1941 that no articles received under lend-lease from the United States shall be exported commercially.

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After the defeat of Germany, there will be no impediment to the United Kingdom's exporting articles, so far as war conditions permit, which are (taken off lend-lease) and are obtained out of their own production or purchased from this country for cash. ?

To some degree lend-lease aid for the United Kingdom will be reduced even before the defeat of Germany. It is now expected that some raw and semi-fabricated materials, such as iron and steel, will no longer be provided by the United States to the United Kingdom under lend-lease after January 1, 1945. This will have the effect, under the terms of the White Paper itself, of removing products made from such materials from limitations that will continue to apply to articles received under lend-lease. Such materials no longer obtained under lend-lease will, of course, be available to the United Kingdom in commercial exports only after the overriding considerations of war supply and war shipping are met.

The Committee understands that, as

As in the past, the United States and the United Kingdom

should? [will] both endeavor to insure, to the extent practicable, that neither United States nor United Kingdom exporters receive undue competitive advantage over the other as a result of the war situation.

It appeared in the discussions that in the period immediately following the defeat of Germany, the British need for lend-lease assistance would be not much more than one-half of that currently furnished in 1944.

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world did not enter into the review of these programs. Economic and financial cooperation by all the United Nations in many different forms will be required to meet these separate post-war problems. Effective measures in this field will require both international and national action by the respective governments, including, in many cases, legislative action.

November 28, 1944

[The decisions reached at Quebec between the Prime Minister and the President set the pattern for the first year of the second stage of the war with Japan which will follow the defeat of Germany.] Our Missions in Washington have been occupied for the past few weeks in examining with the American Administration the manner in which the continuation of the war [into this further stage] after the defeat of Germany is likely to affect the best use of our joint resources and, in particular, the changes in the programme of the supplies which the American Administration feel that it is proper and right for us to have in accordance with the terms of the Lend-Lease Act, - an Act which, we must remember, is for the defence of the United States and is strictly limited to what is necessary for the most effective prosecution of the war by the United States and its Allies.

The end of the war with Germany will make possible large reductions of some of our requirements. We are asking altogether for a programme at a rate not much more than half of what we have been receiving during 1944.

All of these supplies and services will be exclusively for the joint war economy against the common enemy. [In certain other directions, however,] The prolongation of the war into what will be for us the sixth and seventh years means that certain [easements] improvements are essential if our national economy is to be as fully effective as it is capable of being for the prosecution of the war. Fatigue and [shabbiness] abstinence, carried too far and endured too long, can impede the effectiveness of a people at war at least as much as more sensational forms of privation. After the defeat of Germany, some release of manpower to increase the supplies available for essential civilian consumption must [now be accepted

Copy of draft received from Mr. Oscar Cox Nov. 28, 1944.

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as essential follow in due course; some improvement in the standards and variety of the national diet, some devotion of current resources to the provision of emergency housing, and above all a serious and concerted effort to recover rebuild the export trade which we threw away deliberately gave up in the extremity of our emergency but without which we cannot live in the future. These are forms of sacrifice which it is both possible and right to make for a limited period, but become self-defeating if they are continued too long.

All these matters, both military and economic, have been jointly examined, supported with a wealth of detail by our representatives in Washington and with the heads of the American Departments concerned. We have put at their disposal every particular and every relevant fact in our possession. Some part of the relevant material, which can safely be published has, moreover, been made available to the public, here and in the U.S., in the White Paper published a few days ago. During the recent brief recess, our representatives in Washington have been in a position to make a full report to us of the outcome. I take this opportunity to express our very great appreciation of the practical sympathy with which the realities of the position have been examined and of the results which have been achieved.

Let me remind the House that it is no part of the purpose of the Lend-Lease Act to provide general relief or to prepare for post-war reconstruction or to aid our export trade. That great Act has stood us and the world at large our Allies in good stead and in the present conversations

we have neither asked nor expected any assistance which is not strictly within its terms and provisions [as they have been administered hitherto by the Foreign Economic Administration under the general direction of the President and Congress of the United States]. Nevertheless, as [time goes on] the war proceeds, the nature of the aid which forwards the prosecution of the war most effectively, though unchanged in the major matters, [generally] gradually changes in detail. Accordingly so that we can play our full part in the continuing struggle, a programme of Lend-Lease aid [covering the first year of Stage II] against Japan after the defeat of Germany has now been [agreed] planned with the American Administration to [our full satisfaction, which will help us in four main directions] maintain our fighting power against Japan.

Without any reduction in our proportional effort, we shall be able, along with the United States, to release some of our own manpower to produce somewhat more for civilian consumption. Some improvement in the variety of the civilian's diet will be made possible [in so far as the provision of finance is involved, though the possibilities of physical supply are not yet so clear]. We shall be able to do more to build temporary and emergency houses. In addition to our own efforts in this field—which must necessarily for the most part depend upon our own efforts—as a result of the planned and proportional program, we anticipate aid from American sources, not only in materials but also in complete houses, to meet some of our needs for temporary and emergency houses for war workers in war areas. These items are being closely examined with the help of experts sent out by the Ministry of Works and Buildings.

It is a matter of particular satisfaction to be able to report that the possibility of a contribution from American sources to the needs of temporary and emergency houses, not only raw materials and equipment but also complete houses, is being closely examined with the help of experts sent out by the Ministry of Works and Buildings. It is too soon to say on what scale the possibilities of physical production and of shipping will allow this most generous offer of help assistance to be realised in practice. It is not too soon to say that the principle is recognised that the time has come when to provide provision of emergency shelter for bombed-out war workers is an essential condition of a fully effective contribution to final victory from the sorely tried workers of London and many other places and therefore a war need eligible for lend-lease assistance.

Above all Finally, we have been able to arrange reduce the Lend-Lease programme along lines which so that there will no longer interfere with be no obstacle to the efforts which we ourselves must begin at once and intensify after the defeat of Germany to increase the export trade which will be absolutely vital to us when, at the termination of the war, the present system of Lend-Lease assistance necessarily and properly comes to an end. This is a matter on which, I am well aware, members are anxious to hear in some detail what the position will now be. Before the President of the Board of Trade comes to this, I should like to add one word.

The White Paper on Reciprocal Aid lately published and the President's last Lend-Lease Report provide vivid evidence of the extent to which

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community and interdependence of effort between the two great Atlantic communities has now proceeded. Never, I think, has there been a more thorough understanding of the facts of the economic position and problems of the British Commonwealth of Nations and the United States of America on both sides than we have now been able to reach. If men of good will start out from the same premises of agreed fact, they do not find it difficult to reach the same conclusion.

November 28, 1944
3:45 p.m.

SURPLUS PROPERTY DISPOSAL

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

H.M.JR: The purpose of this conference is this: This is about Procurement, Surplus Property. We thought we could kind of go along. Mr. Olrich left last night. We thought we could kind of go along, leaving Cliff Mack to run Procurement, and Duncan to run Surplus Property. When it came to appointing him, I made the suggestion that we make him acting, rather than permanent, to see what the fellow was like. If you make him permanent, it is kind of hard to get rid of him. Bell was Acting Director of the Budget and it took the President three and a half years to get rid of him! (Laughter)

This fellow--when we told him he couldn't have a full appointment, he said that he wanted that or nothing, and the Treasury didn't give him much advice, anyway. He guessed if he wanted some advice he could go to Will Clayton or whoever his successor is. Well, yes, he said that the people from outside, the businessmen in there who are the sales specialists, would be demoralized and uncertain unless he were given a regular appointment and not an acting appointment.

He said also--he told me previously that he couldn't work well in the position of Director of Surplus Property unless he was able to work directly with Will Clayton or the Board which is to be the successor to Will Clayton,

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that he couldn't work if there were any intervening officer between him and them. So he was willing to wait a day or two for a decision, but unless he were to be given the title of Director of the Division of Surplus Property--the Office of Surplus Property--he wouldn't want to stay.

Olrich tells me that FEA is offering him the job of Director of their Surplus Property Disposal abroad. They have the disposal of that.

(Mr. O'Connell enters the conference.)

H.M.JR: Joe, I just asked these people to bring me up to date. Yesterday Mr. Olrich left, and we said we would make Duncan acting instead of appointive. He doesn't want to be acting.

MR. O'CONNELL: I knew he didn't want to be acting.

H.M.JR: And the Treasury didn't do much, anyway, and if he wanted some advice he could go to Will Clayton, and so forth, and so on. Am I overexaggerating his attitude on the unpleasant side?

MR. GASTON: Well, I don't know that I fully understand his attitude, but he did say that the Treasury didn't need to be very much concerned about this because of questions on which he had had to go to Will Clayton or his successors, and he had previously told me he didn't want the position if there was to be somebody between him and the Treasury--interposed between him and Will Clayton. He would want the privilege of dealing directly with him on quantities, and who sells what, and so forth.

H.M.JR: Now, Mr. Gaston and Mr. Charles Bell came to see me today--this morning. They are disturbed about this thing. Somebody needs to step in quick and take hold of it. Both of them said they think we should throw Pehle into this breach, make him Assistant to the Secretary in charge of this operation to hold the fort and to do it in the easiest way for me, and the most uneasy way for John; I thought we would have a happy meeting!

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But this is a serious thing, and, frankly, I am looking at Pehle and DuBois and Luxford as my reserve shock troops to be thrown into situations like this when they arise. Pehle has run a fifteen-hundred-man shop with great success. He is the only one here who has time, and who has had the administrative experience--I mean, of the three of them; he can do it. And I think he should do it. We are in a mess.

Either Mr. Gaston, or Mr. Charles Bell--it was their suggestion in the first instance. Is that right?

MR. GASTON: It was Mr. Charles Bell's suggestion in the first instance, to which I was very agreeable. I told you before that I would be willing to give supervision to it temporarily, if we had an organization that would go on functioning with the two heads of the division for the time being, with the idea that if we didn't get rid of the Surplus Property Disposal to the other agency, then we would get some Assistant to the Secretary who would give supervision to both of them, and that I would be willing only for a temporary period to supervise the two if we had organizations to supervise.

But now it gets to a situation where we are going to have to go out and get somebody to take over, because I don't think we can appoint this man Duncan in the face of what his attitude is on the thing. I rather doubt that we can.

H.M.JR: Just to make it a little clearer, you also said you thought this morning that the position that Pehle should fill was that position that Olrich occupied.

MR. GASTON: Yes, I think he will have, as Assistant to the Secretary, the general supervision over both, and I think he will shortly have to get somebody to be the Director of that Division of Surplus Property. He couldn't handle both jobs continuously.

MR. WHITE: I don't know about Procurement, but with regard to Surplus Property, you couldn't make a better decision. I think the type of man to be in charge has been

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misconceived. It is borne out in a long discussion I had with Silvermaster, in which he spoke of the complete misconception of what their task is there and how they need somebody who has a familiarity with the larger problem and who is able to work with other people. They are not at all using their staff or the Government instrumentalities, and they are not performing the responsibility in a way that I think we all would like to see it performed if we dipped into the subject. I think John could do a masterly job at that because he knows it.

MR. GASTON: We would have an organization that we could observe in operation. But apparently we are not going to have that. But we have eight that are worried--maybe only seven now--commodity advisers who are heads of divisions covering different commodities. They are this crew of outside businessmen whom Mr. Olrich brought in, and it has been indicated to us that they probably will be so unsettled if Duncan isn't appointed that they will leave. Whether that is going to be true, I don't know.

MR. WHITE: Even if they do, I think you can get men to do the selling in the field. You need specially trained businessmen who are familiar with those commodities, but those men are available. But what you need above them is a policy settler and a man who is able to keep the Secretary informed of the larger issues and has the Secretary's interest at heart to make sure nothing is done--a man who is able to take advantage of the Secretary's expert position. I think it is an excellent choice.

MR. GASTON: As the thing stands, we have sort of farmed out that surplus disposal end of it to a group of businessmen coming in from the outside. Frankly, it makes me rather uneasy.

MR. WHITE: The organization is a pitiful one, below, I understand. I am speaking only of surplus. Supervision of Procurement is something else again, but I think the selection is a very, very wise one. Then you can build up an organization, and he can step out at such time as you want him to, or such time as he has an organization built up.

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MR. GASTON: John should know that there are superficial indications of bad practices on both sides, both Procurement and the Surplus Disposal side, which Elmer Ireys' men have just started to investigate. The Secretary authorized our forming a special crew to go through Procurement from that standpoint, from the bribery and other irregularity standpoints.

MR. WHITE: Dishonest?

MR. GASTON: Yes. They just sent one man to the penitentiary. He confessed. Ireys' organization sent him there.

MR. WHITE: I don't think you can allocate that against any of the top, because it is such a large organization. They are so underpaid, and they are dealing with such large sums--

MR. GASTON: I am not raising that against Olrich and his crew, but I am just thinking John should know about it.

MR. LUXFORD: There is one point I would like to be clear on. I assume what you are talking about is that Pehle will report to you and be in charge completely of Procurement and that--I think Duncan was right on one point, that the man who is going to have the job of administering this should be the representative on dealing with these other agencies. The fault there was the man, not what he was asking for. At least that would be the way I see it.

MR. GASTON: Well, it wasn't even proposed that Duncan be appointed the Assistant to the Secretary in charge of both ends. The proposal was that Duncan be appointed Director of Surplus Property Division, and he said that in that position he wanted nobody interposing between him and the committees.

H.M.JR: No, what he meant about Pehle--if Pehle stepped in--how did you envisage Pehle?

MR. GASTON: Either way you want. I said this morning-- I think Pehle could report directly to you, or I could-- I think he should report directly to you.

MR. DuBOIS: As head of both, or just the Surplus Property?

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MR. LUXFORD: No, you need a reshuffle there or re-shaking up of the whole thing.

H.M.JR: I think Herbert is right. If Pehle is going to do this, then I think he should have exactly the same authority which Olrich had when Olrich reported directly to me, and Pehle will get the benefit of the studies which Gaston has been making, which Dan Bell has been making, and everybody else.

MR. WHITE: Did Mr. Olrich have charge of Procurement?

H.M.JR: Yes, he had charge of both.

MR. WHITE: I didn't know that.

MR. GASTON: The whole thing was mixed up together when he took it over. He has been trying to separate them.

H.M.JR: No, he had charge of both. And he reported directly to me.

MR. LUXFORD: You see, this is a trouble-shooting job; until the thing is straightened out, Pehle handles it. After that--

H.M.JR: We discussed this day before yesterday, and I then took it up with Pehle at lunch. He wasn't interested, and I sent word, I believe, to Mr. Gaston and Mr. Bell that Pehle was not interested. Then Mr. Gaston and Mr. Bell asked to see me this morning, and they came in; in view of this situation, it looks as though this fellow was thumbing his nose at us and saying, "Well, I will do it my way, and I will look to Will Clayton, and to hell with the Secretary of the Treasury." Then they said, after thinking it over, "Would you consider John Pehle?" Well, my time is so limited so I am doing it in my little family group here rather than taking each of you aside separately, but I think I am telling the story the way it happened.

MR. C. S. BELL: That is correct, sir. There is one little difference here. Olrich has been Director of Surplus Property and Assistant to you. You will now have the opportunity to give Duncan this job as Director of Surplus Property under John Pehle if you want to go ahead with that.

MR. LUXFORD: I don't think so.

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H.M.JR: No, no, one thing my father taught me when I was quite young was, never bluff and never let anybody call your bluff.

MR. C. S. BELL: John is going to be in the position of getting a Director of Surplus Property.

H.M.JR: We told this fellow we'd make him acting, and I am not going to give in. If John takes it, I don't want him to give in. I want him to take a look at it. If this fellow is so naive as to say he is going to look to Will Clayton - and what has the Treasury proper to do with the thing - that is enough.

MR. GASTON: I think perhaps we over-emphasize that. What he was trying to say was it won't require an awful lot of time from me or whoever was in supervision over here, because the important questions that they had to take up for decision by Clayton or his successor--

I immediately told him that the Treasury was decidedly interested in whether this thing--so long as the Treasury had the responsibility, it was going to take steps to see this thing was competently and honestly administered. He agreed that the Secretary of the Treasury ought to do that.

H.M.JR: Another thing I did, I wrote a letter yesterday to the President urging him to take Surplus Property away and put it into an organization where all would be one.

In answer to your question, we are stuck. Somebody has got to be tough and willing to go over and look these fellows in the eye and say, "Well, listen, if you don't like it, there is the Potomac; go jump in it!"

Now, both Mr. Charles Bell and Mr. Gaston have a lot of responsibilities, and they came to me this morning with the suggestion about Pehle which was received as a welcome suggestion. And this isn't something we can sort of nurse along--

MR. GASTON: Well, it is in a situation now where the conditions I expected just can't be.

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H.M.JR: You can't just sort of watch it. In other words, it takes a twenty-four hour nurse.

MR. GASTON: That is the point.

MR. D. W. BELL: It is a big business right now and getting bigger every day.

MR. O'CONNELL: I haven't talked to Mr. Duncan or these other people, but if I understand it correctly, John Pehle's position will be Assistant to the Secretary and running the whole show; but he will need a man in charge of operations in Surplus Property just as much as there needs to be a Director of Procurement Division in the person of Mr. Mack.

I don't know how much stress Mr. Duncan may have laid on the desirability of his dealing on a day-to-day basis with Mr. Clayton's office, but a good case can be made for that, because under Executive Order he is responsible for the policy and disposition of surplus property. If the question of whether you keep Mr. Duncan or not depends solely on whether he is to be an Acting Director or a Director, it seems to me that is a pretty narrow basis for not keeping him. I just don't get it.

H.M.JR: Joe, that isn't the point. As I say, I have been moving very fast. I repeat myself.

MR. D. W. BELL: Does Duncan go to Clayton now or does Olrich go?

MR. GASTON: Do you mean what have they been doing? It has been Olrich, in his capacity as Director of the Surplus Property Division, as well as Assistant to the Secretary.

MR. D. W. BELL: You don't know in which capacity he is going to Clayton, then?

DR. WHITE: Why doesn't John just replace Olrich - John becomes both?

- 9 -

H.M.JR: What I was thinking, after listening to these people this morning and listening to Herbert now, is that the Order which set up Olrich would just substitute the name Pehle for Olrich.

MR. O'CONNELL: But that doesn't answer the point that I raised, and that is it seems to me that John ought to have a man who works for him as Director of Surplus Property - a merchandising man who will be boss of the groups that are selling commodities.

MR. LUXFORD: But let that work out.

DR. WHITE: Olrich didn't need that man, and I don't think the Director of Surplus Property should be a business man and sales man.

MR. O'CONNELL: Olrich filled two entirely separate jobs, and I say that John Pehle nor anyone else in this room could fill both those jobs, because nobody has the merchandising experience I think is important to ride herd.

DR. WHITE: I am sure the man would need an assistant - that is where we part company, Joe. You should have technical assistants, sure.

MR. LUXFORD: I suggest what we are trying to do is try to tell Pehle how to run this. Let him do it.

H.M.JR: I am getting the Order setting up Mr. Olrich. Then what I'd like to do is draw it over again and put in the name of John Pehle. Then Pehle would go to work this afternoon and send for Duncan and the rest of these fellows and have a look-see. Gaston and Charles Bell have been living with this thing for the last ten days, and can pump him full of this thing. You have been in on it too, Dan.

MR. D. W. BELL: Very little.

H.M.JR: But I want to move on this this afternoon.

- 10 -

MR. GASTON: I have told each of these fellows I have talked to that my function in the thing was merely inquiring for the Secretary so as to be able to make a recommendation to him about the organization of it after Mr. Olrich leaves.

H.M.JR: I want to say this for Herbert Gaston, please. When we were stuck a year and a half ago on switching from the Federal Reserve districts - the war bonds - the State District and I had to pick about twenty-five new State Chairmen. I sent Herbert out with Ted Gamble. One of the reasons the thing was so much a success was the work he did helping me pick those people a year and a half ago when we were right up against it.

MR. GASTON: Well, Ted picked them.

H.M.JR: No, you picked them, yourself. I just couldn't pass on the thing at that time. Herbert was willing to carry this thing, but I think today when you saw how much time it was going to take, it bothered you.

MR. GASTON: I was willing to carry it under certain conditions which didn't exist. The condition was that it was reasonably stable and within the near future we would get rid of the Surplus Property end. I am increasingly pessimistic about our ability to get rid of that end, and we haven't an organization that can even go along without a lot of work. So that is the situation.

DR. WHITE: It is a full-time job of eighteen hours a day.

H.M.JR: That is all!

MR. C. S. BELL: To answer Joe's question, Mr. Duncan has stated as far back as a month ago, and again within the last two or three days, that if an Assistant to the Secretary is put in charge of Procurement, he is out.

H.M.JR: He said that!

MR. C. S. BELL: Yes.

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H.M.JR: Fine! Say it again.

MR. C. S. BELL: That if we put an Assistant to the Secretary in Olrich's place when Olrich leaves to go down and run it as Olrich did, he didn't want to have anything to do with it.

H.M.JR: Well, what are we arguing about?

MR. O'CONNELL: Didn't Mr. Olrich talk to you yesterday?

MR. C. S. BELL: Yes, he thought he was going to deal with Mr. Gaston. He didn't know he was going to deal with an Assistant to the Secretary who would deal with the Surplus Property Board.

H.M.JR: Where is the letter appointing Mr. Olrich?

MR. C. S. BELL: It is just a regular letter appointing him as Assistant to the Secretary.

(Mrs. Mannen brings in appointment letters on Mr. Olrich)

H.M.JR: Is that all?

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

H.M.JR: Personally, as I say, this is something I am right up against. Somebody has to be willing to say, "I am a good soldier; I'll take it on until we can lick it." Now, it may be a month, it may be six months, until this new Board gets organized. They don't know what they are going to do. They are going to have all kinds of trouble with Jesse Jones and the factories. They have tried to explain three times to the President at Cabinet that the thing isn't what he originally wanted - which is this Charleston, West Virginia example when he was Assistant Secretary of the Navy. He was very proud that they moved that armor-making plant up and moved it away, because it was the option of the Government what they could do.

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Now the Government doesn't have the first option; it is up to the occupant. I have tried to tell the President that, and Jesse Jones says every time that some day the President is going to wake up and find out that if he wants to keep a shipyard he can't do it; that it is up to the occupant.

MR. GASTON: That is right. They all have options to purchase.

H.M.JR: The President said again and again that was not what he wanted.

Now, we are going to have a tough job on this whole business on this question of the plants, and when it comes to a question of re-employment, reconversion period, what they are going to do with these plants, it is going to be terribly important for domestic economy situations. And I think a fellow like Pehle going in there, he may end up right up at the top.

But this whole question, whether these people want to continue to run the plants or take an option or just leave them empty, is wholly within the hands of industry, thanks to Jesse Jones. And the Government can't do a damned thing about it. I am ninety percent sure I am right.

MR. GASTON: I know you are right. I have some private information.

H.M.JR: The President doesn't know it. I had a study made on it once, I think in the General Counsel's office. I think he is going to make up his mind to get rid of Jesse Jones - this whole question of Surplus Property. It is just as big as a man's capacity. We have got these petty graft cases, and some not so petty, facing us. I think that Pehle better go in there today and take hold of it.

MR. LUXFORD: He will have to resign, I should think, from the War Refugee Board, Mr. Secretary.

- 13 -

MR. PEHLE: Mr. Secretary, may I suggest, let this think cook until tomorrow morning for this reason. It is a job that needs to be done - and don't worry, I won't shirk my responsibility.

I think we have to think through the relationship between this and the War Refugee Board and how it goes on and how it can function and in what capacity I ought to be appointed. I'd like to think that through, myself. But I don't think it is unreasonable to say wait until tomorrow morning.

H.M.JR: It is a little unreasonable, but I am used to that!

MR. PEHLE: I think there is a problem as far as the War Refugee Board. I don't know what the answer is, but we can work one out.

H.M.JR: I personally think the thing to do is, you have enough people in the War Refugee Board. Put somebody in your place, that is all.

MR. PEHLE: That involves two things: One, getting a consensus of Stimson and Stettinius on that - and the President; secondly, the public reaction to doing it. I don't know. But we will think that through.

H.M.JR: It is much better, I think, to do it this way. Of course, it is reasonable to let you think about it until tomorrow. Mr. Duncan was kind enough to give me two days! I wish you had told me that earlier about Mr. Duncan, Charlie. You wouldn't have caught me quite so unprepared.

MR. GASTON: The fact that he wouldn't work under an Assistant to the Secretary - taking Olrich's place as such?

H.M.JR: Did you tell me?

MR. C. S. BELL: I doubt that, very much.

MR. GASTON: I think that is right, that he didn't want anybody--

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MR. C. S. BELL: ...in between him and Clayton.

MR. GASTON: No one who was Assistant to the Secretary and giving his whole time to that Surplus job.

MR. PEHLE: As far as Mr. Duncan is concerned, I'd like that to rest over a little longer than tomorrow morning. If I am going to be responsible, I'd like to see the guy and find out what the heck is making it tick.

H.M.JR: Well, you sleep on it and talk about it, and we'll have another meeting in the morning.

MR. PEHLE: Right.

H.M.JR: But that certainly is reasonable.

NOV 28 1944

My dear Mr. Chen:

In accordance with your request, I transmitted your congratulations and good wishes to the President who asked me to convey to you his warm thanks for your kind congratulations.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Kwang Pu Chen
630 Fifth Avenue
New York 20, New York

HDW/SA/efs 11/28/44

Regraded Unclassified

THE WHITE HOUSE
WASHINGTON

Adler -
J P -

November 21, 1944

My dear Mr. Secretary:

The President asks me to express his thanks to you for your note of November tenth with which you enclosed a copy of a letter from Mr. K. P. Chen. He has read it with a great deal of interest and will be obliged if you will convey to Mr. Chen his warm thanks for his kind congratulations.

Very sincerely yours,

Grace G. Tully

Grace G. Tully
Private Secretary

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

November 10, 1944.

Dear Mr. President:

I enclose a copy of a letter I have received from K. P. Chen, in which he asks me to transmit his congratulations, respect and good wishes.

Sincerely,

(Signed) H. Morgenthau, Jr.

The President
The White House

HEG/mah



November 10, 1944.

My dear Mr. Chen:

I was greatly pleased to receive your letter of November 8, commenting on the results of the election. It was personally gratifying to me to know that you found satisfaction in the President's reelection.

I shall be happy to pass on to him your congratulations and good wishes.

Sincerely,

(Signed) H. Morgenthau, Jr.

P.S. Hope I will see you soon.

Mr. Kwang Pu Chen
630 Fifth Avenue
New York 20, New York

HEG/mah

MJ

KWANG PU CHEN
680 FIFTH AVENUE
NEW YORK 20, N. Y.

November 8, 1944.

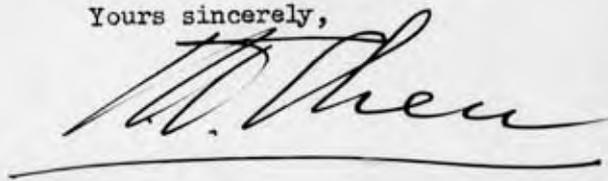
Dear Mr. Morgenthau,

It is with the greatest gratification that I learn of Mr. Roosevelt's well-earned success in the election, which is an unmistakable expression of the overwhelming confidence of the American people in his leadership, not only in the affairs of the American nation but also of the whole world. Needless to say, people in many countries have looked to Mr. Roosevelt's re-election for early victory for the Allies and the bringing about of a lasting peace.

I would like to request you kindly to convey to the President my personal congratulations and respects and my best wishes for his health and success in the years to come.

With kindest regards to yourself,

Yours sincerely,



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

NOV 28 1944

Dear General Marshall:

First of all, I wish to thank you for sending over the German flag captured at Orleans. We have already arranged for its display in several sections of the country in connection with our retail program.

You will soon have an opportunity to observe how a single device like this can help our War Bond program by the manner in which it is handled here in the District of Columbia.

I would appreciate it if you would see that the accompanying letter is sent on to General Bradley.

Sincerely,

(Signed) H. Morgenthau, Jr.

General George C. Marshall
Chief of Staff
United States Army
War Department
Washington, D. C.

TRG:RFP
11/27/44

NOV 28 1944

Dear General Bradley:

I wish to thank you for sending on to us, through the good office of General Marshall, the German flag taken on the occasion of the surrender of 20,000 German troops at Orleans. This, of course, was a significant event and one that stands out in the minds of the American people. Consequently, the flag will arouse proud excitement wherever it is shown in connection with the Sixth War Loan.

We are going to make excellent use of it and I want to thank you for having sent it along for use in our program.

With every good wish to you, I am

Cordially yours,

(Signed) H. Morgenthau, Jr.

Lt. General Omar N. Bradley
Commanding General
12th Army Group
European Theatre of Operations
c/o Postmaster
New York, New York

TRG:RFF
11/27/44

NOV 28 1944

Dear Hap:

I wish to thank you for the very nice luncheon you gave in my honor on the occasion of my recent visit to Chicago.

Our War Finance Division people here, as well as our people in your District, have advised me from time to time of the excellent cooperation they have had from you and your associates in connection with every phase of their work.

Your awareness of the importance of the work we are carrying on and your willingness to serve with us in so enthusiastic a manner is indeed encouraging.

With every good wish, I am

Cordially yours,

(Signed) Henry

Mr. Charles S. Young
President
Federal Reserve Bank
Chicago, Illinois

TRG:RFP
11/27/44



TREASURY DEPARTMENT
WAR FINANCE COMMITTEE



OFFICE OF STATE CHAIRMAN
105 WEST ADAMS STREET
CHICAGO 3, ILLINOIS
STATE 2940

November 28, 1944

Dear Mr. Secretary:

I very much appreciated your cordial letter of November 25th and will extend to our organization your thanks and appreciation.

There is ample evidence that the Navy Show and your personal participation in the important "kick off" activities has gotten us off to a better start than ever before. The publicity has been excellent and the interest very widespread. Last Sunday 500,000 people were estimated to have seen the exhibit and for three hours the gates had to be closed, so great was the interest.

We especially appreciated your willingness to participate in all of the chores that were put up to you.

Sincerely,

RENSLOW P. SHERER
Chairman

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

VICTORY SO NEAR AND YET SO FAR, ADM. KING WARNS

Sees New Output Problem in Navy Exhibit Talk.

Americans who have been made overenthusiastic by the smashing victories over the Japanese were given a sobering word of warning last night by Adm. King, navy commander in chief. In a speech marking the opening of the sixth war loan exhibit at Navy pier he said the speed of the navy's advance in the Pacific has created new and serious production problems.

Accelerated operations, King said, are placing a heavy strain on reserves of certain vital items, and production of these items is falling behind mounting requirements.

Lists Vessels Needed.

He listed assault transports and supply vessels among the items need to keep up the Pacific pace of victory. Rockets, proving effective from ships and planes, are needed badly, the production program having been expanded from 8 million dollars in the first quarter of this year to 161 millions for the third quarter of 1945.

"We are not getting enough high capacity ammunition—the kind that is used against shore installations," King said. "Experience has shown that extensive pre-invasion bombardment saves American lives, and the navy has stepped up production to a 1945 peak that will exceed the present rate by about 50 per cent."

Speaking on the same program, Secretary of the Treasury Morgenthau set the cost of the Marianas campaign alone at 997 million dollars. The naval force participating in this single operation, he added, represented an investment by the American people of 5 billions.

He disclosed that the army alone will use 55 per cent more ammunition in December than it did last June.

War Costs to Mount.

"Of course, this investment in ships and planes will be used over and over again, and cannot be charged up as the cost of conquering Guam, Saipan, Tinian, and the other Marianas islands," Morgenthau said.

thau said.

Morgenthau warned that war costs will mount. "That is why there must be a sixth war loan drive and a seventh and perhaps an eighth before this war is won," he said.

The entrance to the main exhibition hall resembled the opened bow doors of an LST [landing ship, tank]. Inside the hall was the newest type of Grumman Helicat fighter plane which has made an impressive record against Japanese aircraft.

The Navy pier program during the afternoon included coast guard demonstrations of air-sea rescues with the use of a helicopter. The Chicago airport was used for a demonstration of a jet-assisted takeoff by a Helicat fighter plane, one of nine navy planes on exhibit there.

Ships Moored at Pier.

A tank landing ship, a medium landing ship, and infantry landing craft are moored at the pier along with a patrol escort, a high speed rescue ship, and the training ship Wilmette.

The national quota for the 6th war loan is 14 billion dollars. In the campaign opening thruout the nation tomorrow, Chicago and Cook county committees will have a goal of 836 million dollars.

Adm. King arrived by plane at Chicago airport in mid-afternoon and was driven by automobile to Navy pier for an inspection trip thru the exhibits of modern warfare.

Mystery to the Public.

Navy pier, which has been a mystery to the general public since it became a training center for sailors, opened its gates at noon to a waiting crowd of visitors, thousands of whom streamed thru the exhibition hall to view the displays of the seven bureaus of the navy department and its branches—the marine corps and coast guard.

The exhibit is free to the public, the only requirement being that visitors obtain an invitation from a war bond seller. A war bond booth is located outside the gate on the pier where invitations may be obtained.

The highlight of the navy's exhibit today will be an invasion of the Foster av. beach by a battalion of marines who will be landed from invasion craft anchored a mile and a half out in Lake Michigan.

The landing force will be met into the beach in waves under simulated protection of fighter planes from the Glenview Naval air station and engage the defenders who will have the beach mined and who will fire on the invaders from concrete pillboxes and gun emplacements.

Morgenthau and Adm. King at Show

(Story in adjoining column.)



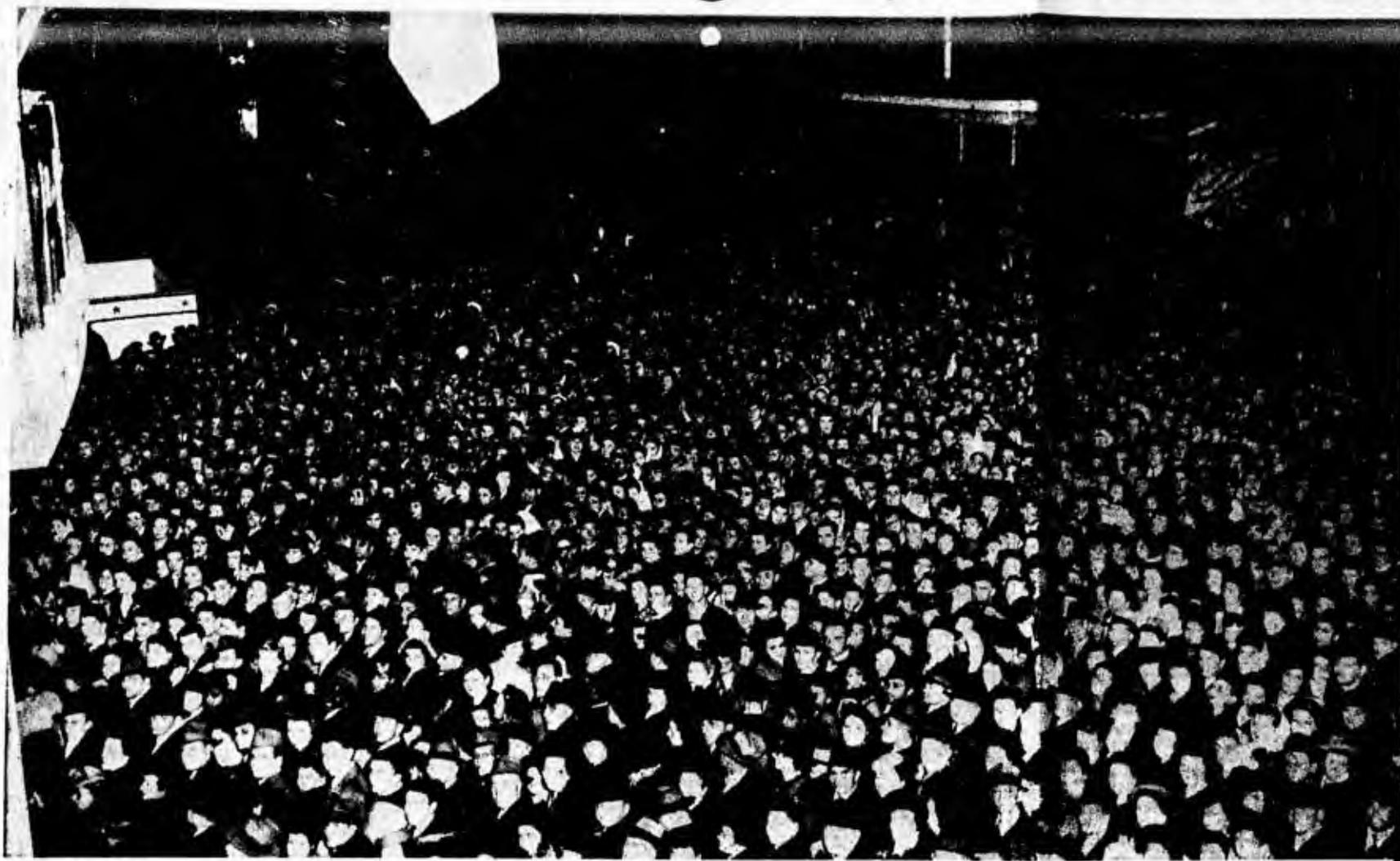
[TRIBUNE Photos.]

Treasury Secretary Morgenthau; Adm. King, commander in chief of the United States fleet, and Rear Adm. Clark H. Woodward, retired, (left to right, facing desk) as they visited bond selling booth at sixth war loan exhibit yesterday at Navy pier.



Raymond Klarich, 3213 Princeton av., sizing up Corp. Wallace Ellington, High Point, N. C., on guard outside marine corps exhibit.

Thousands Waiting to See Bond Show



TEMPORARILY LOCKED OUT OF EXHIBIT

So great was the number of persons at the "Pacific Theater" war bond show at Navy Pier yesterday afternoon that officials in charge of the show locked the gates. This picture, taken at 5 p.m., shows thousands standing outside the gates waiting to be admitted. As persons left, the gates were opened to admit those still waiting to get in. U.S. NAVY PHOTO.

STUDENTS STORM NAVY BOND SHOW

Officials Shut Gates To Relieve Jam at Pacific War Exhibit

[Picture on Back Page.]

By Leonard Castle.

A throng of almost half a million persons, including 200,000 Chicago high school students and teachers, stormed the Navy's 6th War Loan exhibit, "Pacific Theater," yesterday afternoon at Navy Pier, and necessitated summoning of extra police details and additional detachments of the Shore Patrol.

This was the second such crowd the show has drawn, a similar number having jammed the pier last Sunday.

When the grounds and buildings became so jammed that the crowd could move only at a slow shuffle or not at all, the Navy ordered the entrance gates closed and admitted visitors only as others departed.

As a safety measure the Navy was forced to bar visitors from the various amphibious ships after the docks had become so crowded it was feared some of the children might be pushed overboard.

Chicago high schools closed at noon yesterday so that the students would have an opportunity to examine the giant exhibit of Navy war weapons. They and some 40,000 employees of federal agencies shared the role of honored guests with Secretary of the Navy Forrestal and other distinguished visitors.

These included Lord Halifax, British ambassador to the United States; Rear Adm. William Brent Young, chief of the Navy's Bureau of Supplies and Accounts and Navy paymaster general; Representative Harry S. Shepherd (Dem., Calif.), chairman of the House naval appropriations committee, and Representative Charles Plumley (Rep., Vt.), ranking minority member of the committee.

City employees will get a half-holiday tomorrow to enable them to attend the exhibit on "Chicago Day."

Individual Sales

CHICAGO and Cook County sales of 6th War Loan bonds to individuals as of Saturday rose to \$38,626,000 with a goal of \$235,596,000, it was announced yesterday by Francis M. Knight, chairman of the city-county campaign committee.

Sales to individuals throughout the state rose to \$57,200,000 against the quota in this category of \$351,000,000, Renslow P. Sherer, chairman of the War Finance Committee of Illinois, announced.

Two additional companies were reported as having exceeded their quotas under the payroll savings plan, the W. H. Hutchinson & Sons Co., and the Superior Tanning Co.



HIGH SCHOOL DAY AT NAVY'S WAR SHOW ON NAVY PIER
Youngsters jam their way into the exhibits as classes are dismissed for half day.
SUN PHOTO.

CHICAGO
Herald American

196

326 W. MADISON ST.
CHICAGO 6, ILL.

CHICAGO
EVENING AND SUNDAY

TELEPHONE
ANDOVER 1234

November 28, 1944

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

Dear Mr. Morgenthau:

Your letter of November 22 was most kind. At least as long as the war lasts, I shall be available at any time for any duty in the national interest. As I mentioned to you on one or two occasions in the past, I should particularly appreciate any temporary foreign assignment for which I might be qualified.

I trust you will continue to find my column not only of interest but a contribution to the national interest.

Sincerely yours,

Robert P. Vanderpoel
Robert P. Vanderpoel

RPV:S

This is waste paper—salvaged from The Herald-American pressroom. Its use as stationery saves manpower and critical materials for the war effort.

NOV 28 1944

Dear Harriner:

I have just read your address at the meeting of the National Industrial Conference Board and think it is an excellent job. Congratulations.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Harriner S. Eccles,
Chairman, Board of Governors of
the Federal Reserve System,
Washington, D. C.

HDW/jm
11/28/44

Treasury Department
Division of Monetary Research

198

Date.....Nov., 28.....19

To: Secretary Morgenthau

I think this speech is worth
a note to Eccles complimenting
him on its sound quality.

H.D.W.

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

ADDRESS AT MEETING OF
NATIONAL INDUSTRIAL CONFERENCE BOARD
NEW YORK CITY
THURSDAY EVENING, NOVEMBER 16, 1944

BY

MARRINER S. ECCLES

THE POSTWAR PRICE PROBLEM - INFLATION OR DEFLATION

FOR RELEASE IN MORNING NEWSPAPERS OF

FRIDAY, NOVEMBER 17, 1944

Dr. Jordan, Members and Guests of the Conference Board:

This will be the fourth time you have done me the honor to ask me to be a speaker at one of your sessions. I had supposed that the first time would be my last. My best friends tell me that I do not have the most important qualification of a public speaker, namely, the faculty of saying what audiences like to hear. So it is a great consolation to know that even though you may not have liked some of the things I felt ought to be said, you have invited me again and again and again.

Postwar is still some time in the future. We have come a long way on the battlefronts, but the obstacles still to be overcome are grim and formidable. Here at home we must continue to provide our armed forces and our allies with equipment and supplies in undiminished volume. That is our first job. We must not be diverted from it. Nevertheless, if we are to win the peace as well as the war, we must know where we are going when war no longer is the driving force of the economy.

In less than four years this Nation has accomplished a miracle of production. At the same time we have had a remarkable degree of economic stability. All of us have seen the miracle happen -- many of you helped greatly to bring it about -- although at times some have lost sight of it in criticism of details. The problems have been and still are staggering. Nevertheless, under Government direction, program after program has been put through successfully. The vast cooperative achievement of our people -- industry, labor, agriculture, and all other groups -- was only possible because of Government organization of united effort, Government planning, Government financing, and Government settlement of countless conflicts of interest on the economic front. Within this framework, the accomplishments of industry have been tremendous. The over-all results have been magnificent.

There have been withdrawn for armed service well over 11 million men and women in the most productive age groups. At the same time we have increased the total output of our country to 75 per cent above 1939 levels. We are supplying goods and services in support of the war effort at a rate of about 85 billion dollars a year. At the same time, output for civilian use is valued at about 110 billions. Nearly one-fourth of our food production is going to our armed forces and our allies. Per capita civilian consumption of food is well above the prewar level. While fighting the greatest war in history, the country has succeeded in raising the standard of living for the population as a whole above the level of any peacetime year. Moreover, we have created many new industries or greatly expanded existing ones -- for example, magnesium, synthetic rubber, shipbuilding and aircraft. We are producing planes at the astounding rate of 100,000 a year. Before the war we imported nearly all our rubber. Our annual production of rubber now exceeds our imports of rubber before the war. This production record has been achieved by a net increase of about 6 million or less than 15 per cent in civilian employment, combined with a substantial increase in hours of work and more intensive effort.

I mention these facts because they so vividly reveal the magnitude of our postwar job if we are to continue to keep our productive resources fully employed. Having experienced an output of goods and services of nearly 200 billion dollars during the war, the people of this country will not be satisfied with a peacetime output of 125 to 150 billions. Having experienced several years of full employment, the people will not tolerate mass unemployment. They will not accept the explanations, so often heard in the past, that "we cannot afford it", or that it is economically unsound for the Government to intervene, or that we must have faith in eventual rescue through "natural forces".

The question before this Conference is, "Postwar Price Problem - Inflation or Deflation?". The question so stated implies that we have a choice between one or the other. But if we have inflation, we shall certainly have deflation following it. Thus we may be faced with having both. However, if we avoid inflation, we shall still face the danger of deflation. If, in the period of transition from war to peace, we fail to maintain wartime price controls and rationing until civilian goods become available in adequate quantities, an inflationary situation may well develop. If, later on, we fail to raise the flow of consumers' expenditures greatly above prewar levels, deflation will be inevitable. The danger of inflation in the transition period can surely be met. The danger of deflation presents a vastly more difficult problem. To solve it, will be the main challenge to our postwar economy.

Nobody can foretell how strong inflationary pressures will be during the transition from war to peace. Inflation pressures include the pent-up demand for consumers durable goods and housing; continued shortages of certain food and clothing items; the huge volume of liquid assets in the hands of the public; a potentially large foreign demand; and, finally, the people's desire to return to normal and to get rid of wartime controls once victory is won. The longer the war lasts, the greater the danger of inflation will be because of the cumulative increase in pent-up demand for civilian goods and in liquid assets in the hands of the public.

However, at the same time there will be deflationary pressures working in the opposite direction. There will be large reductions in war expenditures creating unemployment in war industries. Demobilized war veterans will be added to the civilian labor force. There will be large stock piles of many raw materials. Uncertainty about future employment will deter many people from drawing on their savings or spending as much as they otherwise would out of their current income. Similar uncertainty will delay business expenditures. Many other factors in the situation, as the war ends, will add to the mixture of inflationary and deflationary forces.

Because of the uncertainties of the transition period, price and fiscal controls should be kept intact until industry has resumed civilian

- 3 -

production on a scale adequate to meet demand. Only thereby can the consumer be assured that he will not lose by postponing purchases and that the purchasing value of his savings will be protected. This is vital because of the huge volume of liquid savings accumulated in the hands of the public as a result of war financing. If these savings are used prematurely through fear of impending price increases, they would be a destructive inflationary force.

Unless the program for the transition period is carefully planned and carried out, the long-run economic problems of the country will be vastly more difficult to meet. Just as the difficulties of the 1930's were due to the failure of the policies of the 1920's, so will our postwar situation be determined largely by the job we do in the transition period.

For example, we may expand our industrial plant too greatly and in the wrong directions in an effort to satisfy too quickly the huge backlog of demands. These demands will include not only the large pent-up need for consumers durable goods, capital goods and public works, but also for large foreign demands. Instead of meeting these demands at once, prudent policy calls for satisfying them in a more gradual and orderly manner so that when these accumulated forces are expended, there will not be a sharp and sudden drop with serious deflationary consequences. It is better to ration, control prices, restrain credit expansion, and delay deferable public works or foreign loans in this period than to have an unsustainable over-extension. It is most important during this transition period, while we have the sustaining power of backlog demands, to adopt policies designed to lay the groundwork for the higher standards of living we must have later on. These policies should include, among other things, a Social Security program covering all of our people and providing adequate benefits; a modified tax structure; maintenance of low rates of interest to encourage new investment, including housing; and the planning of Federal, State and local public works to be undertaken when the need to provide additional employment develops. It is at this time, when the backlog of deferred need has been largely met and we must rely upon current demand, that we shall face the most difficult test of our ability to prevent deflation and mass unemployment.

On the average this year about 52 million civilians are employed. In addition, more than 11 millions are in the armed forces, making a total of more than 63 millions, or nearly one-half of our total population. After the war, a substantial number of people attracted to the labor force during the war will retire or return to school or housework. A rich country such as ours can afford to give its young people adequate education and to provide retirement for its older people. But even after making full allowance for probable withdrawals from the labor force, it is evident that more people will be available for work in peacetime activities than are now employed.

What does this mean in terms of production in the postwar years? It has been conservatively estimated that in order to have reasonably full employment in the second year after victory, we will need to produce goods and services amounting to 170 billion dollars at 1943 prices. As the labor force and efficiency increase, this figure will have to be revised upward.

Yet, even a 170-billion-dollar total reflects a volume of output vastly above that of 1939. In order to visualize what 170 billion dollars of expenditures means, let's divide as follows: 110 billion dollars in consumers goods and services, 25 billion dollars in plant, equipment, housing and other new investments, and 35 billion dollars in goods and services supplied by Federal, State and local governments.

Allowing for price advances since 1939, these figures mean, for example, that as compared with 1939 we will need to have 40 per cent more in consumers goods and services, nearly twice as much in plant, equipment, housing and other new investment, and double the total of public expenditures.

These are challenging figures. They are significant not because they are in any sense a forecast. They are significant because they indicate the general magnitude of the job that lies ahead of us. It is apparent that we must aim high; that we can never go back. If we were to return to 1939 levels of production, from 15 to 20 millions of our postwar labor force would be without jobs, an intolerable situation. Many of those without jobs would be veterans of this war.

We should be able to agree in substantial measure on a relatively simple statement of what our postwar economic problem will be once we are beyond the difficult period of reconversion and the backlog of needs accumulated during the war has been satisfied. The over-all economic problem may be defined in this way: In order for 56 million workers to have jobs, enough money must be spent to buy the output of 56 million workers. Production large enough to employ substantially all workers is possible only if the total income which is received is either spent on consumers goods and services or is saved and goes into new investment directly or indirectly. Savings which are invested are returned to the stream of expenditures and thus continue to give employment. Savings that are held idle or used to bid up prices of existing assets do not. If the flow of income back into the expenditure stream is interrupted, demand becomes insufficient to take off the market what is produced at full employment. As a result, production, income and employment inevitably decline. To assure a sufficient flow of expenditures is, first of all, the responsibility of the people and businesses who receive income and who decide how to use it. But there are millions of income recipients and millions of businesses in our country, and there is no assurance that a sufficient amount of expenditures will come forth in a steady stream. If the purchases and investments of the people are not sufficient to buy the goods and services provided by full employment, then cumulative deflation and unemployment will develop unless the Government steps in and provides a sufficient volume of total expenditures.

The larger the unused savings, the larger must Government expenditures be to overcome the deficiency in private spending and investment. The Government has two ways of channeling idle savings back into the income stream, that is, either through taxation or through borrowing. As between the two, I believe that taxation must carry the main burden. I would be most hesitant to see further additions to the public debt after the war. In this respect, the post-

war picture will differ greatly from that in the early 1930's when the economy had undergone a drastic deflation and large Government deficits were not only unavoidable, but it was desirable to replenish a contracted money supply. An entirely different situation will exist after this war. Upon the termination of the war, the total volume of currency, bank deposits and Government securities, which are the equivalent of cash, will be far more than adequate as a basis for the purchasing power needed to provide full employment.

A more direct approach than deficit financing should be found in order to maintain necessary expenditures. Since we cannot afford, in the postwar economy, to have widespread unemployment, it will be essential, if all other methods of providing employment fail, to have the Government underwrite employment through borrowing the unspent savings of the people and returning them to the income stream. However, this should be a last recourse. A much more satisfactory approach would be to bring about the necessary increase in the flow of expenditures by other means, for example, by an extension of the Social Security program and by appropriate tax policies that would induce more spending and reduce idle savings.

A high level of consumers' expenditures is the basic requirement for postwar prosperity. The consumer is the real employer. If he receives adequate income, business has a buyer for its products, and having a buyer for its products, it has jobs for the workers. If the consumer does not buy, the markets for the output of business shrink and total income and employment fall off.

Much can be done to increase consumption through a much broader Social Security system. The Government should underwrite and guarantee a national minimum of income, education, health and old-age security for all citizens. By so doing, the Government can place a floor of purchasing power under the economy. This in turn will place a floor under the market for the goods and services of business, industry, and agriculture. Decent minimum levels of income will themselves help to achieve and maintain full employment. Our productive capacity is so great that such minimum standards will not be a strain nor will they impose a dead level of uniformity. Ample room will be left for most people to raise their incomes far above these minimum levels. Postwar social security benefits should not be based upon further additions to the payroll tax, but should be paid for out of the general budget, because a tax on payrolls is a tax on consumption and, therefore, undesirable when more consumption is needed.

The Federal budget is not likely to be less than 25 billion dollars a year after the war, or about three times the prewar level of 1939. If we succeed in maintaining full employment, however, a budget of this size, in order to be balanced, will not require tax rates to be three times as high as before the war because the income base will be far larger. The higher the national income, the easier it will be to pay for the costs of Government. It is doubly important, therefore, to recognize the close relationship between the way in which our taxes are collected and the flow of income from which they are drawn. Our postwar tax system should be designed to induce a high level of consumers' expenditures. Accordingly, the first requirement should be a drastic reduction

in excise taxes because they tax consumption and thus undermine the markets for business. Secondly, personal income taxes upon the lower income group should be reduced by increasing exemptions.

There is no lack of need for everything that we can produce. There are still a great many people in this country whose standard of living is shamefully inadequate. The basic problem is to see that the necessary purchasing power flows into the hands of those who will use it to increase their standard of living. An adequate Social Security program as well as assured employment will do much to induce the spending of current income and thus increase the standard of living.

A high level of consumers' expenditures is not possible without a large volume of wage and salary income. If our economy is to operate at full capacity, average wage and salary incomes must be high enough at normal hours of work to give the people sufficient purchasing power to take the product off the market. Again the significance of this for the postwar adjustment is evident. When, after the war, hours return to normal and overtime pay is discontinued, total wage and salary income will decline sharply. If we are to avoid sharply declining prices and loss of markets which discourage production and business expansion, a gradual upward adjustment will be necessary in the wages and salaries of the great mass of comparatively lower paid workers.

Increases in productivity should be passed on to the public largely in the form of higher wages and salaries and should not be added to profits. In those industries in which productivity is increasing much faster than average, prices should be reduced in order to reach larger mass markets. Throughout, prices should be set on the basis of narrow margins per unit of output.

Once a high level of consumer expenditure is assured, the foundation for investment expenditures of business will be laid. Investment expenditures are made in anticipation of consumer demands and are not likely to be made unless business is assured in advance of an adequate market. We hear much about the reluctance of business men to take risks and engage in new ventures because of lack of confidence. However, business confidence is an effect and not a cause. It will exist if there are markets to look forward to; it will not exist if markets are lacking.

To assure adequate total purchasing power, it is necessary for business to disburse the funds which it receives from the buyers of its product. Corporate profits that are not used for capital expansion should be passed on to the workers or the owners, and thus returned to the expenditure stream. Depreciation and depletion reserves which accumulate as idle balances similarly constitute a drain on the expenditure stream. Currency, deposits and Government securities held by businesses other than banks and insurance companies have increased from about 24 billions in 1911 to the unprecedented total of 66 billion dollars. They should not continue to increase after the war because, as I have emphasized, business receipts must be respent currently to help sustain full production and employment.

There is much discussion today in favor of reducing corporate taxation after the war. To the extent that this reflects a recognition that taxes are an instrument of economic control, I welcome the discussion because I have long contended that fiscal policy is the most important single instrument through which the Government may influence economic conditions. I believe, however, that much of the current discussion is in the realm of wishful thinking because the revenue objective is set entirely too low. Also, I believe that removal of various excise taxes and a reduction of income taxes on the lower income groups should come first. Once this has been done and revenue needs permit, I would favor a reduction in the corporation income tax. The rate might be lowered to 25 or 30 per cent and the corporation permitted to take out of its taxable income that part of its profits which it distributes as dividends. This would remove double taxation of dividends and be an inducement for corporations to distribute their earnings. Some provision could be made to allow small corporations to retain needed funds without tax penalty. The excess profits tax with its carry-over and carry-back provisions should be retained for some time after the war at a reduced rate of around 65 per cent. High profits that will be earned in that period are traceable to backlog demands and are thus in the nature of war profits.

As a further encouragement to small business enterprise, provision should also be made for substantial tax benefits. This would stimulate investment in small and independent enterprises. It would be the most effective way to make equity capital available to them and be of far greater help than to provide too much easy credit. Encouragement of small enterprise is essential not only for economic reasons, but to vitalize our democratic institutions and help keep alive the spirit of American enterprise.

Our economic problems must be worked out at home. There has been, in recent discussion, too much reliance on the stimulus to our domestic prosperity which may result from world trade. International cooperation is essential and international agreements, such as those planned at Bretton Woods, are desirable. Yet, we must not forget that the level of postwar employment in the United States will depend primarily upon the existence of domestic markets for our products. Our first responsibility is full employment at home and achieving it is the most powerful contribution we can make to a prosperous world economy.

In the period ahead, we should keep constantly in mind that this is a 200-billion-dollar a year country. We all know by now that we cannot gain by fighting over shares of a small total output. In 1932 when many millions were unemployed, corporations as a whole lost nearly 3-1/2 billions and net current income of farm operators amounted to less than 2 billions. In 1943 with full employment, corporations, after tax liabilities of about 15 billions, had net incomes of nearly 9 billion dollars, an all-time high. Similarly, net current income of farm operators amounted to more than 12 billions, likewise an all-time high. There is no profit in goods that are not produced. On the other hand, we all gain from a larger total output.

I have sought to outline tonight the principal economic factors in prospect and the approach to the solution of our postwar problems which I believe promises the best hope of success. Such suggestions as I have made are, of course, only a part of a comprehensive long-run program for full employment. The objectives of such a program may be summed up as follows:

To maintain full and stable national production, income and employment to the maximum possible extent through encouraging the expansion of private enterprise.

To guarantee minimum standards of health, education, and personal security for all members of the community.

To provide for a steadily rising standard of living for the Nation as a whole by development of our economic resources and by improving the efficiency with which they are used.

To promote a high level of world prosperity and world trade in cooperation with other nations.

There will not be much disagreement today among thoughtful people, regardless of political faith or economic background, on these goals of national economic policy. Modern governments, including our own, have long since assumed a primary responsibility for the economic guidance and progress of their peoples. A highly developed nation like our own, with demonstrated capacity for providing a standard of living for all of the people far higher than anything we have ever known, can well afford to provide a national minimum of income, education, health and old-age security for all of the population. It cannot afford to do less.

Such a guarantee is not the impractical dream of the social reformer. It is essential for our national economic security and for protection of what we call our free enterprise system. It will go far to protect our economy against slumps. It will stimulate mass consumption, widen the markets for private enterprise, and thus open the way for new investment. It is absolutely necessary for the preservation of this democracy and this economic system of ours. Only defeatists today in the face of the war record will say that the goals of full employment are impossible of attainment under our economic system and form of government.

Eleven millions of the youth of this Nation now serving in the armed forces are not likely to believe that we cannot afford in peace as in war to provide jobs for able and willing workers. They are well aware of all of the talk about postwar planning, and if they are impatient with it now because they think it shows an unawareness of all of the bitter fighting that remains to be done, they will be far less tolerant if, when they come home, they find the planning and the talk about free enterprise and fully employment are only a mirage.

How many will never come home, how many will return maimed for life -- we do not yet know. We do know that it is these 11 millions who are risking and losing everything to save this system of ours. We do know that the good intentions of a few years ago about taking the profit out of war look rather like a mockery today. We do know that these 11 millions have not shared in the veritable war boom which has enriched the homefront. They have given up homes, jobs, businesses, and life itself. Those who have stayed at home, safe and protected, have been provided with a higher over-all standard of living than the Nation has ever before enjoyed. They have accumulated the greatest volume of savings in our history. Farmers, workers, corporations, business men have on the whole higher salaries and wages, more profits, more savings and fewer debts than ever before. Most of this has come out of an expanding, already mountainous, national debt.

The stay-at-homes -- you and I -- own the shares in that debt. We will get the interest and be paid the principal on that debt when we want it. The 11 millions -- those who survive -- will have to help shoulder that mountain of debt of which we stay-at-homes are the principal owners. They may be quite willing to do so if they have adequate jobs and economic security. You and I should have imagination enough to realize what would happen if we on the homefront, who have profited so much and risked so little -- while they have risked so much and profited so little -- if those who have the economic power or the political power in this country accept the defeatism still expressed by some to the effect that the country cannot afford the goal of full employment because the dictates of so-called "sound finance" stand in the way. I cannot imagine more unsound finance or a plainer proof that we do not at heart believe in our system or in our democracy.

Those who have overcome the most terrible of obstacles to win this war are not defeatists. If we at home fail them, they will rightly take command and throw the defeatists out of public and private places of power and responsibility -- and I, for one, would be all for helping them to do it. It need not happen that way.

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NOV 28 1944

My dear Mr. Secretary:

I would like to review with you the possibility of having Captain Andrew Kazarok, F.A., 0336704, assigned to the U.S. Treasury Department in Washington with the understanding that he would be assigned to an office of the U.S. Treasury in the European Theater for the purpose of assisting in financial, monetary, and fiscal matters arising in connection with the occupation of Germany and the liberation of the Western European countries.

As you are aware, the Treasury Department is being called upon to assign more and more men to foreign posts in connection with financial and fiscal matters arising in areas liberated or occupied by United States forces. We are experiencing increasing difficulty in obtaining men with satisfactory ability and experience to fill these assignments.

Captain Kazarok is familiar with the policies and the programs of the U.S. Treasury and his experience particularly qualifies him for such an assignment in the European Theater. Before being called on active duty, Captain Kazarok was a member of the Division of Monetary Research of the Treasury Department. His duties were concerned with economic and financial problems in European countries. Pertinent information concerning Captain Kazarok is attached in a statement which might be of service to you in your consideration of this matter.

I would like to suggest that if it is not possible to arrange for the assignment of Captain Kazarok to the Treasury Department that consideration be given to the possibility of placing Captain Kazarok on inactive duty so that he would be available for such an assignment in a civilian capacity.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of War.

Enclosure.

H:MT:lrm, 11/24/44

Biographical Sketch

Name: Andrew Kamarek, Captain, FA
0338704

Age: 30 Years

Education:

1. Undergraduate work
Harvard University, 1932-36
B. S. Summa cum laude in economics, 1936

2. Graduate work
a. Graduate School of Arts and Sciences,
Harvard University, 1936-37
Fellow in Economics.
b. Field research in textile industry, 1937-38.
c. Graduate School of Public Administration
Harvard University, 1938-39.
Littauer Fellow in economics.

Received M.A. in Political Economy and Government
from Harvard University. Requirements for doctor's
degree in Political Economy and Government fulfilled
except for writing of thesis.

Experiences:

1. June, November, 1939

International Section, Division of Research and Statistics,
Federal Reserve Board of Governors working on international financial
and trade problems.

2. November, 1939 - April, 1940

Borrowed from the Federal Reserve by the U.S. Treasury to act
as Economic Advisor to the Special Assistant to the Secretary of
work on financial and economic problems connected with the war.

3. April, 1940 - July, 1942

Transferred to U.S. Treasury. Continued as Economic advisor to
the Special Assistant to the Secretary until the departure of the
Special Assistant in September, 1940. Transferred to Division of
Monetary Research at that time to continue research on international
financial problems. Assigned by the Division to the Secretary of the
Treasury from December 1941 until going on active service to work on
special confidential research in this field and report directly to the
Secretary.

- 2 -

4. July, 1942 - September, 1943

Called on active duty on July 1942 in the field of artillery.

5. September, 1943

Assigned to Finance Sub-commission, Allied Control Commission, Italy. Work on Italian financial problems as the advisor to the Italian central bank.

In August, 1944 became the economic advisor of Brigadier General William O'Dwyer, Vice-President in charge Economic Section, Allied Control Commission.

Language Qualifications:

French: Reading knowledge.

German: Reading knowledge.

Italian: Reading and speaking knowledge.

NOV 28 1944

My dear Mr. Secretary:

I would like to request that Lieutenant Henry J. Tasea who is now with the Allied Commission in Italy be assigned to the United States Treasury in order that he may be attached to the staff of the United States Ambassador in Italy as United States Treasury representative. Before he undertakes this assignment I would like to have Lieutenant Tasea return to the United States for consultation with the Treasury Department.

As you are aware, the Treasury Department is being called upon to assign more and more men to foreign posts in order to assist the military forces of the United States in financial and fiscal matters arising in areas invaded and occupied by the United States forces. We are experiencing increasing difficulty in obtaining men with satisfactory ability and background to fill these assignments.

I am very anxious to have Lieutenant Tasea serve as the United States Treasury representative in Italy. Lieutenant Tasea is a former official of the U. S. Treasury Department and is familiar with the policies and the progress of the U. S. Treasury. His experience particularly qualifies him for such an assignment. Before receiving his commission in the Navy, Lieutenant Tasea was a member of the Division of Monetary Research of the Treasury Department acting as Chief of the Section for Exchange Control and Economic Warfare. He has had considerable experience in the United States and abroad in the field of international finance, and his experience with the Allied Central Commission in Italy gives him special qualifications for the duties of Treasury Representative in Italy.

If it is not possible to assign Lieutenant Tasea to the United States Treasury to act in this capacity as a member of the Navy, I would like to request that you give consideration to the possibility that he be placed on inactive duty so that he would be available for such an assignment as a civilian.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable,

The Secretary of Navy.

NOV 28 1944

Dear Mr. Shaw:

Reference is made to your letter of November 9, 1944 in regard to assigning a United States Treasury representative to be attached to the United States Embassy in Greece.

This is to advise you that on November 27, 1944 we forwarded a cable to the State Department for despatch to United States Embassy in London instructing Mr. William H. Taylor and Mr. Gardner Patterson, who are now with the Office of the United States Treasury Representative in London, to proceed to Athens as soon as their affairs permit in order to establish an Office of United States Treasury Representatives to be attached to the United States Embassy in Athens. It is expected that Mr. Patterson will remain in Athens as the United States Treasury representative and that Mr. Taylor will return to London as soon as affairs in Greece permit.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. G. Howland Shaw
Assistant Secretary of State
State Department
Washington 25, D. C.

WMT:ern 11/27/44

Nov 29 4:12 P



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FMA

November 9, 1944

My dear Mr. Secretary:

Reference is made to an aide memoire from the British Embassy dated November 2, 1944, a copy of which is attached, expressing the hope that the United States Government will be prepared to appoint certain civilian advisers to Lieutenant General Scobie in Greece as counterparts to the advisers the British Government intends to appoint. Among these would be a Financial Adviser.

In view of the chaotic monetary conditions currently prevailing in Greece, the Department believes the designation of a Financial Adviser by the United States Treasury Department would be advisable. A recent communication from the American Ambassador recommends that the Government take such action and that a United States Treasury representative be attached to the Embassy and assigned by the Embassy to the proposed committee of advisers to Lieutenant General Scobie.

The Department would appreciate an indication of whether the Treasury would be prepared to make such an assignment. The Department believes it would be desirable for the officer in question to proceed to Greece as soon as possible.

Sincerely yours,

For the Secretary of State:

Assistant Secretary

Enclosure:

From British Embassy,
November 2, 1944.

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.



(Copy: FMAfna)
(Compared: ✓)

With reference to earlier conversations with the Department of State as to the responsibility for civil affairs supplies during the military period, the Embassy has now received further information which is believed to be of interest to the Department.

2. It appears likely to the British authorities concerned that the military phase in Greece may be of considerable duration. During that time the maintenance of Greek economy will be a military responsibility and will devolve on Lieutenant-General Scobie, Officer Commanding British Forces in Greece. The immediate problems to be faced, however, particularly in the field of finance, will necessitate expert advice from the competent civilian authorities together with close liaison with Greek Government. These questions are of an order for which Military liaison (Greece) are hardly equipped to handle.

3. It is accordingly proposed to appoint Mr. Caccia as principal Civil Adviser to Lieutenant-General Scobie and Mr. MacMillan's representatives in Athens. In addition it will be necessary to appoint a Financial Adviser and Supply Adviser. These officials would advise Lieutenant-General Scobie on all matters of policy in connection with the discharge of his duties relating to supply, rehabilitation, etc. and would also be responsible for all contacts with the Greek Government Departments on matters of economic policy.

4. It is hoped that the United States Government will be prepared to appoint advisers on a parallel basis. The Embassy would therefore be glad to know whether the State Department would wish to make the appointments suggested.

BRITISH EMBASSY

2nd November, 1944

Treasury Department
Division of Monetary Research

212 ✓

Date...Nov. 28, 19449

To: Secretary Morgenthau

Appended is a report from Mr. Glendinning in London. He discusses the current attitude in England toward (1) German peace terms; (2) Bretton Woods; and (3) the coming election in England.

H.D.W.

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



TREASURY DEPARTMENT
WASHINGTON-25

MA



AIR MAIL

London

November 13, 1944

No. 140

Air Pouch

Dear Mr. White:

Since your visit to London, as the English would say, "I've had it!"; namely, a rather prolonged battle with jaundice and its aftermath. Inasmuch as I have been dragging along in a relatively run-down condition ever since my return from the hospital, I intend to take a brief period of annual leave in order to recuperate. Before doing so, however, I want to give you a brief summary of some of my views and observations on developments here, for what they may be worth: specifically, on the post-war treatment of Germany, on the status of the discussion on the International Fund and Bank, and on some aspects of political trends in Britain, particularly with respect to the position of the Labor Party.

Viewing the expressions of press, political, and other public opinion on the peace settlement, from an over-all point of view, there is little doubt but what there is a trend here toward "harder" terms for Germany. Nevertheless, I am inclined to believe that the degree to which opinion has shifted in the direction of stringent political and economic measures in dealing with Germany is likely to be exaggerated, particularly if caution is not exercised in the interpretation of such loose terms as "hard" and "soft peace" as popularly applied by the press to Parliamentary opinion and the views of such bodies as the Trade Union Congress. Apart from what appears to be widespread agreement on such broad principles as, one, that the German people cannot be absolved from responsibility for the crimes committed by the nation; two, that the war criminals should be returned to the scenes of their crimes for punishment; three, that total disarmament should be imposed on Germany; four, that the United Nations will of necessity be forced to occupy Germany and to exercise a high degree of political and economic control over Germany for an indefinite period after the war; there is evidenced an array of diverse opinions on such issues as the amount and form of reparations, if any, to say nothing of such questions as the political partitioning and deindustrialization of Germany. Speaking in the most general terms, the views of the principal political factions on the last three mentioned issues, insofar as they have been made manifest, appear to be at present as follows:

The Liberal Party, judging from the report of the Party Committee on post-war peace plans, the comment of Parliamentary spokesmen, and the views of such Liberals as Sir Walter Layton of the News Chronicle, is not likely to favor either the political partitioning of Germany, nor stringent measures designed to reduce or eliminate Germany's heavy industry. Apart from the restoration of looted property, reparations- if favored at all - may be approved in the form of payments in kind during the immediate reconstruction period and possibly in the form of German labor crews.

The Labor Party, in the light of the views expressed by the members of the National Executive Committee, the stand taken by the T.U.C., and the comment by responsible leadership in Parliament, will probably support rigorous measures to eliminate the existing financial and industrial leadership of Germany, measures for the Allied control of German finance and industry for a period of years, and perhaps some selective measures designed to sharply reduce Germany's industrial war potential, but is not likely to advocate a broad plan for the elimination of German heavy industry. The Labor position on the question of subdividing Germany politically, apart from the adjustment of territorial boundaries as between Germany and other states, is difficult to judge; but the tenor of comments by such men as Pethick-Lawrence, Vice-Chairman of the Parliamentary Labor Party, would indicate that it is doubtful if the Party would favor such a policy. On the issue of reparations, the Party seems likely to approve a policy of reparations in kind and the use of German labor battalions for the reconstruction of devastated areas insofar as Russia and the occupied countries may desire this form of assistance in the immediate period after the war. A reparations plan following the pattern of that instituted after the last war with the claims fixed only in monetary terms and extending over a long period of years would undoubtedly be opposed by Labor.

In regard to the views of the Conservatives, I would hesitate to make even a tentative guess as to the position of the Party as such until Mr. Churchill has made his views more explicit - insofar as he has not done so already on a high level. The statements of Party spokesmen in Parliament have been exceedingly circumspect with reference to specific measures of any type for Germany. This is understandable perhaps in view of the desirability of a certain degree of secrecy at this time. On the other hand, if there were a preponderance of opinion supporting stringent political and economic measures for Germany, it seems probable that there would have been more indication thereof in the Conservative press. There does appear to be more widespread sentiment among the Conservatives for measures designed to reduce Germany's industrial

war potential than among either the Liberals or Labor, but it is difficult to tell the limits of the group favoring this approach to the German problem. Mention should be made in this connection of the statement of the Post-War Policy Group, consisting of 33 members of Commons and 6 of Lords, headed by J. S. Wardlaw-Milne and J.J. Craik Henderson. (This group, although predominantly Conservative, also contains Lords Ennisdale and Hutchison of Montrose, Vice-Chairman and Honorary Treasurer, respectively, of the Liberal National Organization. It appears likely that the Liberal Nationals will follow the Conservative lead on this, as well as other issues. The Liberal National pamphlet on "Post-War Foreign Policy", it may be noted, does not indicate the same positive views as those of the Post-War Policy Group. In fact, it does nothing more than raise the issue of economic controls of Germany without stating a definite position.) The Post-War Policy Group calls for a program: (1) Decentralization of Germany into a group of autonomous states, with Prussia reduced to a population of some 13 million; (2) elimination of the German aircraft industry and possibly other heavy industries capable of being converted to war purposes or at a minimum the maintenance of heavy industrial plants only by license of the Allied Powers; (3) payment of reparations in kind, by transfer of ownership of German property to the Allies, by use of German labor battalions, and by monetary payments for certain limited claims against Germany for war damages. In addition to the views of the Post-War Policy Group, some general idea of the attitude of the Tory Reformers may perhaps be inferred from the statements of their spokesmen, Messrs. Quinton Hogg and Major Thorneycroft. These spokesmen apparently place little faith in political and economic schemes per se for Germany and are more concerned with the maintenance of Anglo-Russian-American unity; and the latter spokesman has intimated that he would not favor far reaching measures of deindustrialization for Germany.

To touch more specifically on the Labor attitude toward the treatment of Germany, including the recent action of the T.U.C. and its relation to the position of the Labor Party, it is necessary to view the report of the Anglo-Soviet Trade Committee and the "Emergency Resolution" approved by the T.U.C. in the light of what took place last year at both the Labor Party and T.U.C. conventions, and of the attitude expressed earlier this year by Executive Committee of the Labor Party. In this context, the resolutions adopted by the T.U.C. this year do not indicate as marked a change in Labor's views on the peace as would appear from a mere comparison of the T.U.C. resolution of last year and those of this year. In comparing the views expressed by the T.U.C. and the Executive Committee of the Labor Party, it should be noted that the Trade Union Section of the Executive comprises 11 out of 27 members and includes representatives of the principal British Unions. Moreover, a majority of the Executive are individuals with direct Union affiliations.

The initial resolution introduced a year ago in the T.U.C. by Mr. Dukes of the General Council, who also introduced this year's "Emergency Resolution" on behalf of the Council, called for a declaration: (1) That "...the German nation has perpetrated inhuman crimes against the peoples in all occupied countries...; (2) that the German people cannot escape their responsibility for starting the war and for all the crimes that have been committed by the German Armies during the war...; (3) that the United Nations will of necessity have to occupy Germany for a long period after the war until...the German people have learned to fit themselves...to once again cooperate with the free nations in Europe..." This resolution, which was in line with that approved by the Labor Party convention - although perhaps even more strongly worded - was, after considerable jockeying on the floor, emasculated by amendment. The term "Nazis" was substituted for "the German people" in (1) above, and (2) and (3) were dropped. At the earlier Labor Party convention in June, 1943, the Executive took the position that the time was not yet ripe for the expression of an official Party position on the treatment of Germany. However, Mr. Stokes (M.P.) introduced a resolution deploring "the false identification of peoples with vicious Governments" in specific reference to the German people. This resolution was challenged from the floor and completely changed in content by amendment (vote of 1,800,000 to 720,000) to finally read:

"This Conference notes the views that have been expressed regarding the liability of the German People as a whole for the atrocities committed under Nazism, and deploras the attempts being made in certain quarters to construe these views as implying a policy of race hatred and extermination of the German people. The Conference recognises that there are Germans who are opposed to the policy of their Government, but believes that these Germans are in a very small minority, and that the Nazi Government would not have remained in power or been able to conduct a total war but for the support it received from the overwhelming mass of the German people. The Conference declares that no permanent peace will be possible unless Germany is completely disarmed in accordance with the provisions of Article 8 of the Atlantic Charter, and the spirit of aggressive nationalism entirely eradicated. It therefore welcomes any steps that may need to be taken for the reeducation of the German people so that they may play their part in the creation of a democratic, peaceful, and secure world."

In this context, the attitude expressed by the Trade Unions this year on the "war guilt" of the German people indicates not so much an abrupt change in position as a general trend toward a "hardening" of opinion in line with the views of the General Council and those of the Labor Party. It should be

added that perhaps the most important factor insofar as the psychology prevailing on the floor of the convention was concerned, was the attitude taken by the Soviet delegates and particularly its influence on these leftist elements which have tended to adhere religiously to the Socialist dogma of the "uncorruptible goodness" of the working classes in contrast to Fascist ruling classes.

On the issue of the control of German industry, the T.U.C. "Emergency Resolution" is couched in the most general terms and states simply that "to afford the fullest possible guarantees" for the peace, there should be Allied "control of German industries that can be converted to war purposes." The report of the National Executive Committee of the Labor Party - which was to have been discussed at the Annual Conference scheduled for June - is but little more explicit: "Some form of international control of the German and Japanese economic and financial system, including heavy industry, by the Governments of the United Nations, at least for a period of years, must be worked out. The German 'war potential', that is to say German capacity to start another war, must be decisively reduced. Similarly, for Japan."

On the issue of reparations, the Anglo-Soviet Trade Union Committee report is a very cautious document, despite the strong language used in spots. In substance it says little more than that the German people are culpable - this in no uncertain terms - and gives qualified British Trade Union approval to the use of German labor battalions for reconstruction purposes - provided the labor is not slave labor. The "Emergency Resolution", similarly approved by the T.U.C., could not be more strongly worded in stating the economic claims of the United Nations against Germany, but is not explicit as to means by which these claims are to be met. The statement of the Executive Committee was more carefully prepared and indicates more precisely what Labor leadership has in mind in the planning of reparations. The Executive report emphasizes that reparations should be limited for the purposes of restitution and reconstruction and confined to the transition period of shortage and repair - during which period "Germans must not expect to live better than Russians, Poles, Czechs, Norwegians, and the rest." As to the form of reparations, the report points to: (1) Reparations in kind, such as machinery, rolling stock, etc.; (2) reparations by German labor "if this is desired by any of the Governments concerned"; and (3) payment for the costs of occupation.

Whether the above indication of the Labor position in general, and of the Labor Party in particular, represents limits of the type of measures which the Labor elements are likely to advocate for the treatment of Germany, will be more apparent when the Party convention meets in December. Judging from the tenor of the remarks of Labor spokesmen in both Houses of

Parliament, I am inclined to believe it does.

To turn to the discussion of the Fund and Bank, despite the war news and the questions arising in connection with the whole range of post-war problems, both foreign and domestic, the British press and journals have devoted perhaps a surprising amount of comment to Bretton Woods proposals since the Conference. Quite the contrary is true, however, with regard to the expression of Parliamentary opinion on the Fund. Apart from the fulminations of Messrs. Boothby, Shinwell and others of the self-styled Parliamentary Monetary Policy Committee and Conservatives with protectionist and Empire preference biases of the stripe of Sir Patrick Hannon and Sir Leonard Lyle in opposition to the Fund, and the statement of Sir John Anderson at the Mansion House in reply to this small group of vocal critics, there has been virtually a complete blackout on Parliamentary attitudes. Thus, insofar as an appraisal can be made at this time of the trends of opinion on the Fund, political and otherwise, it must rest largely on the alignment of the press, which gives some indication of perhaps the Labor attitude but little as to the real strength of opposition to the Fund among Tory interests.

The active support for the Fund has been confined largely to the Daily Herald (official organ of the T.U.C.), the News Chronicle, and the Statist from the weekly journals. To this group might be added the Cooperative paper, Reynolds News, Lord Kemsley's Sunday Times, and the Yorkshire Post. Following this group are those papers which have indicated general approval of the principles underlying the Fund and appear reasonably certain to maintain a favorable attitude. In this category are Lord Camrose's Daily Telegraph (usually a good indicator of the Conservative Party line), and Financial Times and the Manchester Guardian - the last mentioned paper apparently wants specific provisions in the Fund to authorize members of the sterling and other currency areas to alter their exchange rates in block, but it is doubtful if this qualification as to the provisions of the Fund will affect substantially the paper's fundamentally favorable attitude.

Among the skeptics, but papers which will probably swing into line at least in favor of giving the Fund a trial, are The Times, the Financial News, and perhaps the Daily Mail - the position of the Mail being somewhat in doubt in view of its caustic remarks about the Fund voiced in conjunction with its comments on British and American commercial policies.

The Economist might also be placed in this category, although its position, namely, in a word that the Fund and its objectives are per se desirable, but that the Fund might not work to Britain's benefit in a world of depression, is of a somewhat different stamp ostensibly from that of the Times and Financial News.

In the die hard opposition, there are only the Beaverbrook papers, the Daily and Sunday Express and the Evening Standard, and Lord Astor's Sunday Observer.

What I believe may be worthwhile pointing out with respect to the picture of press opinion is that although some of the papers which have given general approval to the Fund have been rather cautious in the expression of their opinions, they have been consistent in their views; whereas the papers in the skeptical category - apart from perhaps the Economist - have shown that they can be put to flight, as they were by Sir John Anderson's Mansion House address. The comments of the Times on the address were much subdued as compared with those expressed in the August 21, 22, and 23 issues; and the Financial News, after hesitating a day to make a comment, came out with quite a different emphasis than that which Paul Einzig has been permitted to take in his Lombard Street column. My general impression is that the hesitancy of some of the papers in the favorable category to come out more strongly in support of British participation in the Fund has been due to the uncertainty over attitude which the United States might take on the Fund and on commercial policy.

Given greater certainty of American opinion on the Fund and a strong lead by the Government here, such as was indicated in Sir John Anderson's address, I think it is a reasonable assumption that the press in Britain - apart from the diehards mentioned above - would line up generally behind British participation in the Fund and Bank.

To refer briefly to the political scene in Britain, the campaign for the next General Election, which is probably slated for the period immediately after the defeat of Germany, is already in effect, under way. Not only independent party spokesmen, but also ranking members of the Government, are openly making what, in fact, are pre-campaign speeches. In addition, a good percentage of the debates in the Commons have the characteristics of pre-election skirmishes. Both the principal issues and the outlines of the campaign strategies should be reasonably clear some time before the formal dissolution of the coalition. Without indulging in speculative prognostication as to the ultimate outcome of the election, I believe it is possible to indicate some of the factors which are likely to weigh heavily in determining the strength which the opposition will be able to muster against the Conservatives or, in any case, to indicate the ground which the opposition will have to cover before "E-Day".

Overlooking the Liberals, who are showing some signs of renewed vigor - at least the Sinclair faction - but who are split and at most can expect to be only a minority group among His Majesty's loyal opposition, the Labor Party, although apparently determined to make a real bid for power, appears at this stage of developments to face some serious problems, both on the score of

leadership and in the formulation of a program for the post-war period. The former problem will stay with Labor right through the campaign; the latter problem could be met but there are no clear indications as yet as to just how successfully it is likely to be handled.

As a result of the recent conferences of the Labor hierarchy, it is now virtually certain that Attlee will remain as head of the Party and nominally in line for the post of Prime Minister, if Labor were to carry a majority of seats. Whatever else may be said for Mr. Attlee, among his qualities is not that of dynamic leadership. In fact, from the impressions I have gathered, he came to his position and has held it because he was not a popular figure of the early MacDonald type, his predecessor, but rather an individual who did, and apparently still does, represent a satisfactory compromise to the various elements within the Party. In any event, the popular appeal of the Party and the weight of the campaign will have to rest with his more colorful colleagues at least as much, if not more, than upon himself. Prior to the decision to renominate the present slate of Parliamentary leaders at the coming convention, there was considerable public talk of the possibility of either Morrison or Bevin replacing Attlee. Although both Morrison and Bevin have shown plenty of personal ambition, there was little public indication of how strong a bid either one of these men, or both, may have made to unseat Mr. Attlee, if they made any effort to do so at all at this time. What is generally recognized, however, is that Morrison and Bevin are strong personal rivals, and it is possible that they may have stymied each other in jockeying for position. Regardless of what may or may not have gone on behind the scenes, the fact remains that the Labor Party will not have a strong leader in its nominally number one position, if the Party convention approves the proposed slate of incumbent officials, which in all likelihood it will.

Moreover, not only does the Labor Party lack a leader, but also leadership down the line. Whether the Party could fill in the Cabinet and Ministerial posts from its own ranks without scraping fairly close to the bottom of the barrel, is perhaps a real question. Within the present Government the Party has in addition to the above-mentioned representatives serving on the War Cabinet, ministerial material of varying quality in Dalton, Thomas Johnston, Jowitt, Ben Smith, Crapps, and Alexander. Below these men in subordinate posts are such men as Noel-Baker, Westwood, Hall, Henderson, Whiteley, Hicks, and a number of others - none probably very outstanding. Still on the opposition bench and spoken of as possible candidates for responsible positions are such men as Greenwood, Pethic-Lawrence, Silkin, and Shinwell - again not too impressive a group. The fact is that the Labor ranks are rather spotty and, while this may be true to a considerable extent also of Conservative ranks, it seems likely that the latter will be able to hide their second-raters behind Mr. Churchill much more easily than the former will behind Mr. Attlee.

In regard to Labor's program for the transition and post-war periods, the Party has not given any clear indication that it knows what it wants, or, granting that it does, that it can translate its general views into concrete proposals. The Conservatives, on the other hand, will enter the campaign as principal heir of the coalition and can hardly avoid making political capital out of such proposals as those in the White Papers on employment policy and social insurance, to mention only two of a number of important programs outlined under the aegis of the Conservatively dominated Government, regardless of whether they take the form of legislation before or after the election. (At the moment, Labor and Liberal opposition is trying to force action on the social insurance measures and is charging the Conservatives with stalling on the legislation until after the election for political advantage). The Conservatives are in an excellent position to play the old Tory game, namely, to champion concrete measures which embody some of the general ideas advocated by the left for years at a time when public opinion is over-ripe for the changes; and the series of White Papers brought out by the coalition will provide ammunition for waging just this type of campaign.

If Labor does not come out with a clear-cut program, it may well be forced on the defensive, having to face a Churchill-led party petitioning the public for an opportunity to carry through with the post-war measures now being formulated. For example, if the Conservatives stand on the policies outlined in the White Paper on employment policy, as they probably will, Labor can only take the view either that the proposals fall short of the measures required, or that Labor would pursue the program with more vigor than the Conservatives. Making good on such criticisms, that is, being able to show a difference in kind and not just of degree between Labor and Conservative views, and, more important, selling this difference to the public, may be no mean task. Unless Labor can do considerably better than it did in the paper on employment policy published by the Labor Executive Committee early this year, and in the debates on the White Paper - in both of which there was considerable mouthing of Socialist platitudes and very little substance - it will have considerable difficulty in carrying the argument.

The Conservative legacy from the coalition will, of course, not be all of one piece, and Labor will be able to wage a powerful attack on the inadequacies of the measures thus far proposed on such problems as housing and land planning, but it can hardly escape the burden of presenting a positive program on the major problems of the transition period from war to peace-time economy, and of the longer post-war period. I do not want to state that Labor is necessarily incapable of carrying such a program to the country, but there are no clear indications that it is prepared to do so at the moment, and it seems probable that the burden of proof will be on Labor's shoulders during the campaign.

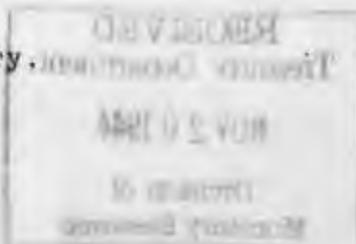
In the meantime, Labor finds itself in a most uncomfortable position and one in which it might easily prejudice its political prospects. Labor can hardly pull out of the coalition until Churchill gives the word that the "national interest" would not be jeopardized by the termination of the present Government, thus giving the Conservatives some choice as to the psychological moment for the move; and while in the Government, it is being forced to give a nominal stamp of approval to reconstruction legislation on which it might otherwise for the public record take a strong critical stand, if not a stand of outright opposition. A case in point is the Town and Country Planning Bill - which precipitated a Cabinet crisis when a group of Conservatives, under the leadership of More Belisha, attempted to push through amendments which would have changed the basis of compensation for property taken by the State from 1939 values to current values. Labor members on the opposition bench did indict the bill principally on the ground that it attempted to deal with the problem of the redevelopment of blitzed areas entirely apart from the broad requirements of a general program of land and housing reform, but Labor was hardly in as strong a position as it would have been if its leaders had not been bound by their positions in the Government and the Party as such could have taken a clear-cut position in contrast to that of the Conservatives on the issues raised by the proposed legislation, or at least shifted full responsibility for the measure on to the Conservatives. Similar instances to this one are bound to arise between now and the dissolution of the coalition in which Labor's lack of freedom of action will prove very unfortunate insofar as its political strategy is concerned.

In closing, may I say that I hope these facts, inferences therefrom, and outright speculations may prove of some interest, even though they are drawn from a relatively short period of observation in Britain and relate to matters which are in the main at best difficult to judge.

Sincerely,

C. D. Glendinning
C. D. Glendinning,
U. S. Treasury Representative.

Mr. Harry D. White,
Assistant to the Secretary,
Treasury Department
Washington 25, D. C.



223 ✓

Treasury Department
Division of Monetary Research

Date Nov. 28, 1944 19

To: Secretary Morgenthau

Appended is Mr. Hoffman's report
on the French situation.

H.D.W.

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

TREASURY DEPARTMENT

224

INTER OFFICE COMMUNICATION

DATE November 18, 1944.

TO Secretary Morgenthau

FROM Mr. White

Subject: Report on France, October 23, 1944, by our representative in Paris.

You will wish to read the following excerpts from ~~attached~~ report on France by Mr. Hoffman, the Treasury representative in Paris:

Political Situation

1. "I find that the authority of the Provisional Government is far from being effectively established anywhere in France, and that there are serious political differences within the country".
2. "The most important political force in France at the moment is probably the National Council of Resistance (CNR) The CNR is dominated by the Communist Party the strongest single organized political group in France".
3. "There can be no question that in most of its general policies the CNR reflects the views of a very large percentage of the French people who resisted the Germans and the Vichy Government There is a remarkable unanimity of point of view among the working people, the farmers, and the small Bourgeoisie on certain basic points of the program of the CNR, namely, the demand for epuration in the Government, the demand for epuration in big industry, the demand for new leadership in the Army, the demand for punishment of those who assisted the Gestapo in their persecution, torturing and killing of French resistance people, and the demand for a general economic new deal".
4. "Unless DeGaulle and his Government line up with the strong political forces behind the CNR and show some positive sign of taking action to meet the demands of the millions of Frenchmen who are fed up with the old French Government system, with the past and present control of French industry, and with the weak policy toward collaborators and traitors, it is my conviction that this Government will be overthrown as soon as, if not before, the United States troops leave France. If DeGaulle tries to fight, this overthrow will be bloody".

5. "It can be stated categorically that with rare exceptions American influence, official and unofficial, direct and indirect, favors the "do nothing" policy of the present Government".

Epuration and Industrial and Banking Reform

1. "The question of epuration is the most discussed and the most important of the many political questions which have emerged in France since the liberation The pressure of popular opinion is all in the direction of speedy and strong action".

2. "It is too early to give a definitive opinion on the Government's attitude and policy, but preliminary indications are that to the extent that the Central Government controls the process, epuration is being slowed down, surrounded by red tape, and generally sabotaged, and the scope of the purge restricted to the most notorious and infamous cases".

3. "From the scanty information available it appears that where the local resistance groups are in control there has been a manifestation of the demand for epuration in numerous ways, including trials, shootings without trials of some of the most vicious traitors, occupation of factories managed by or owned by notorious collaborators, and large scale arrests".

4. "From a long run point of view, the most important aspect of epuration, in my opinion, is its connection with industrial reform. There is a widespread and insistent demand in France for a general cleanup of French industry and a "new deal" in its control and management. This matter is deeper than the demand for the ousting and punishment of a few outstanding persons, although this latter is one expression of the French desire for a general uprooting of the prewar power groups in France. The record of the old hierarchy, the financial oligarchy, the 200 families, and a large part of the intelligentsia during the occupation was so bad and revealed such a complete bankruptcy of leadership and such willingness to surrender France to the Nazis, that no mere surface purge will meet the problem or satisfy the French people".

Financial Conditions and Fiscal Policy

1. "The Ministry of Finance, M. Aimee Depereq, recently announced that the financial condition of France is good, noting apparently in proof of his statement, that there were 75 billion francs in the Treasury The Minister's statement reflected a "party line" that has apparently been adopted in the DeGaulle Government which holds that the French

financial structure has been injured by the war very little more than that of the U.S. and U.K., that the circulation and debt are not too great to be carried by the new French State, and that no strong fiscal reform measures are called for".

2. "The Government, on the motion of the Minister of Finance, has adopted the ordinance providing for the taxation of war profiteers The measure calls for the setting up of Departmental Commissions These Commissions are given powers of investigation, access to tax records, etc., and are instructed to assess extraordinary taxes on "enrichment" during the period from 1939 to 1944 It is my impression, however, that even in the Ministry of Finance there is no anticipation that this program will produce any large amount of revenue or impoverish those who made a lot of money in trading with the enemy".

3. "Still in the discussion stage but all elements in the Finance Ministry, at least, say that there will be a capital levy on all wealth following the currency conversion I have seen no figures on the size of tax that is being contemplated, or details as to the tax base This type of levy presents enormous administrative problems and it may be questioned whether the French are prepared to put the effort behind it that would be required to carry such a program through".

4. "The Ministry of Finance has shown no real leadership in financial matters and has contented itself with proposing to the Council of Ministers a group of halfway measures designed to look like strong action. These measures are all of a type likely to bog down in mad administration and lack the simplicity and directness which would be required to clean up the French monetary and financial system".

International Financial Position of France

1. "Following the general Government line on the inflation question, an effort is being made to convince the public that the present international value of the franc is not excessive. It is said that DeGaulle is personally very much interested in this question of the exchange rate. He has, for example, taken credit for having defended the value of the franc in negotiations with the Allies. In private conversation, however, I have found no French official that is willing to state that he believes the franc can be held at the present level, and most of them admit that the franc is seriously overvalued".

2. "The French international position is relatively strong as far as the immediate future is concerned, with respect to dollar and gold holdings However, there

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is a tendency in French circles to regard the dollar and gold holdings, especially the Bank of France gold, as a kind of sacrosanct national hoard, and to let the defence of this hoard influence their thinking about fiscal policy, rather than to let fiscal policy determine the role to be played by these reserves".

3. "It is fairly clear that France's greatest need in the near future will be to sell something for dollars It is impossible to say just what French export prices will be, but the recent upward movements of wages in France, combined with the unlikelihood of realizing lower production costs as a result of technological advances in the things which France customarily exports, would seem to argue that these prices will be relatively high to dollar purchasers when converted at an exchange rate as close to the prewar rate as the present one".

4. "Another factor is the existence in France of an enormous amount of liquid capital which will try by every possible means to escape taxation, threats of confiscation, and threats of serious social reform. This is one obvious element of danger which a program like that adopted in Belgium could effectively remove If they rely on exchange control alone to cope with this situation and neither adjust the exchange rate nor effectively soak up the bulk of the potential hot money, the French will necessarily have to follow a very restrictive policy as regards international trade and financial transactions".

Basic Economic Conditions

1. "The French economy is basically in good condition Her industrial machinery is now obsolete in many lines, but in others is modern and well equipped. Although partly obsolete, it is not destroyed Although the level of French production and the French standard of living will not recover completely for some time, and help will be needed by France with respect to certain parts of her economy, there is no basic reason why France can not come out of the war in fairly good condition, measured by prewar standards, provided political and social stability can be attained. By comparison with what we know about current conditions in Italy and Holland and the probable condition of Poland, Norway and the Balkan countries, France is in a relatively strong economic position in Europe".

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statements Nos. 163 and 164 --
Aircraft Despatched -- for the weeks ended
November 10 and November 17th respectively.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D.C.

November 28, 1944.

STATEMENT NO. 169

Aircraft Despatched from the United States
Week Ended November 10, 1944.

BRITISH/U. S. SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA.</u>
<u>CONSOLIDATED</u>					
Liberator GR VI	India	India		1	
Liberator B VI	India	India		3	
Liberator GR VI	India	India		1	
Liberator GR VIII	U.K.	U.K.		1	
<u>NORTH AMERICAN</u>					
Mitchell III	U.K.	U.K.		8	
Mitchell II	Canada	Canada			2
Mustang	U.K.	U.K.	45		
<u>DOUGLAS</u>					
Dakota IV	Canada	Canada			1
Dakota IV	India	India		2	
<u>BOEING</u>					
Harvard	U.K.	U.K.	15		
<u>BEECH</u>					
Beechcraft UC45	India	Karachi	3		
<u>REPUBLIC</u>					
Thunderbolt	India	Karachi	9		
<u>GRUMMAN</u>					
Hellcat	U.K.	U.K.	13		
* Hellcat	Australia	Sydney	4		
<u>VOUGHT-SIKORSKY</u>					
* Corsair	Australia	Sydney	9		
<u>STINSON</u>					
Reliant	Australia	Sydney	4		
			Total:	102	16
					3

* with radio equipment.

Movements Freight I
 Royal Air Force Delegation.

November 17, 1944
 File V-17
 mmh

BRITISH/U. S. SECRET

STATEMENT NO. 164

Aircraft Despatched from the United States
Week Ended November 17, 1944

BRITISH/U. S. SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>LOCKHEED</u>					
Fortress III	U.K.	U.K.		7	
<u>CONSOLIDATED</u>					
Liberator B VI	India	India		11	
Liberator B VI	Canada	Canada			1
Liberator GR VI	India	India		6	
Liberator GR VIII	U.K.	U.K.		4	
<u>NORTH AMERICAN</u>					
Mitchell II	Canada	Canada			1
Mitchell III	U.K.	U.K.		5	
Harvard	U.K.	U.K.	1		
<u>DOUGLAS</u>					
Dakota IV	U.K.	U.K.		4	
Dakota IV	India	India		14	
<u>BOEING</u>					
Catalina IV B	U.K.	U.K.		2	
<u>STINSON</u>					
Reliant	India	Cochin		3	
<u>VOUGHT-SIKORSKY</u>					
*Corsair	India	Cochin		13	
R-4-B Helicopter	U.K.	U.K.		3	
<u>GRUMMAN</u>					
* Hellcat	India	Cochin		3	
Wildcat	U.K.	U.K.		2	
Avenger Replica	U.K.	U.K.		1	
<u>NOORDUYN</u>					
Harvard	U.K.	U.K.		20	
<u>VULTEE</u>					
Vengeance	U.K.	U.K.		3	
<u>FAIRCHILD</u>					
Argus	N.W. Africa	Algiers		20	
<u>CURTISS</u>					
Kittyhawk	Australia	Townsville		20	
			Total:	89	53
					2

* with radio equipment.

Movements Freight I, R.A.F. Delegation
November 22, 1944.

231
10/25/74

NEWSPAPER COVERAGE OF THE WAR REFUGEE BOARD'S
PRESS RELEASE ON GERMAN EXTERMINATION CAMPS--
AUSCHWITZ AND BIRKENAU

THE FOLLOWING NEWSPAPERS CARRIED THEIR OWN STORIES:

November 25, 1944
Christian Science Monitor
November 26, 1944
New York Times
New York Herald Tribune
Washington Post
Washington Times-Herald
Washington Times-Herald (C.T.P.S)
Chicago Tribune (C.T.P.S.)
Chicago Sun
Philadelphia Inquirer
Miami News (Reprint From NY Herald Tribune)
Louisville (Kentucky) Courier Journal
November 27, 1944
Camden (New Jersey) Courier
December 1, 1944
Aufbau

THE FOLLOWING NEWSPAPERS CARRIED THE UNITED PRESS
DISPATCH:

November 26, 1944
Denver (Colorado) Post
Rockford (Illinois) Star
Fort Wayne (Indiana) Journal-Gazette
Waterloo (Iowa) Courier
Lansing (Michigan) Star Journal
Great Falls (Montana) Tribune
Cincinnati (Ohio) Post
Dayton (Ohio) News
Pittsburgh (Pennsylvania) Press
Waco (Texas) Tribune-Herald
Wheeling (West Virginia) News Register
Madison (Wisconsin) Wisconsin Star Journal
November 27, 1944
San Bernardino (California) Sun

THE FOLLOWING NEWSPAPERS CARRIED THE INTERNATIONAL
NEWS SERVICE DISPATCH:

November 26, 1944
San Francisco (California) Examiner
Portland (Oregon) Oregon Journal
Portland (Oregon) Oregonian
New York Daily Mirror

THE FOLLOWING NEWSPAPERS CARRIED THE ASSOCIATED PRESS
DISPATCH:

November 26, 1944

Anniston (Alabama) Star
Decatur (Alabama) Daily
Phoenix (Arizona) Arizona Republic
Texarkana (Arkansas) Gazette
Little Rock (Arkansas) Arkansas Gazette
Oakland (California) Tribune
San Francisco (California) Chronicle
Colorado Springs (Colorado) Gazette & Telegram
Bridgeport (Connecticut) Post
Hartford (Connecticut) Courant
Jacksonville (Florida) Times-Union
Miami (Florida) News
St. Petersburg (Florida) Times
Augusta (Georgia) Chronicle
Macon (Georgia) Telegram-News
Des Moines (Iowa) Register
Wichita (Kansas) Eagle
New Orleans (Louisiana) Times-Picayune
Baltimore Sun
Worcester (Massachusetts) Telegram
Detroit (Michigan) News
Grand Rapids (Michigan) Herald
Minneapolis (Minnesota) Tribune
Kansas City (Missouri) Star
St. Louis (Missouri) Globe Democrat
Omaha (Nebraska) World Herald
New York Journal & American
Buffalo (New York) Courier-Express
Rochester (New York) Democrat & Chronicle
Syracuse (New York) Herald-American
Raleigh (North Carolina) News & Observer
Fargo (North Dakota) Forum
Cleveland (Ohio) Plain Dealer
Youngstown (Ohio) Vindicator
Lancaster (Pennsylvania) News
Providence (Rhode Island) Journal
Columbia (South Carolina) State
Nashville (Tennessee) Tennessean
Corpus Christi (Texas) Caller
Houston (Texas) Chronicle
Fort Worth (Texas) Star Telegram
Salt Lake (Utah) Tribune
Roanoke (Virginia) Times
Bluefield (West Virginia) Telegraph
Huntington (West Virginia) Herald-Advertiser
Madison (Wisconsin) Capital Times
Washington Evening Star

(ASSOCIATED PRESS CONTINUED)

November 27, 1944
 Pueblo (Colorado) Chieftain
 Portsmouth (Ohio) Times
 Pittsburgh (Pennsylvania) Post Gazette

*Nov 27, 1944
 Columbus, N.Y., Times*

THE FOLLOWING NEWSPAPERS CARRIED EDITORIALS

November 26, 1944
 Flint (Michigan) Journal

November 27, 1944
 Miami (Florida) News
 Lewiston (Maine) Sun
 Fall River (Massachusetts) Herald News
 St. Louis (Missouri) Globe-Democrat
 St. Louis (Missouri) Post-Dispatch
 Paterson (New Jersey) Call
 Buffalo (New York News)
 New York Daily News
 Philadelphia (Pennsylvania) Inquirer

November 28, 1944
 San Diego (California) Union
 Washington Evening Star
 Glens Falls (New York) Post Star
 Jamestown (New York) Post-Journal

November 29, 1944
 Topeka (Kansas) Capital
 Brooklyn (New York) Eagle
 Utica (New York) Observer-Dispatch
 Richmond (Virginia) Times-Dispatch

November 30, 1944
 Jacksonville (Florida) Journal
 Boise (Idaho) Idaho Statesman
 Cincinnati (Ohio) Enquirer

December 3, 1944
 Washington Post

THE FOLLOWING NEWSPAPERS CARRIED COLUMNS:

November 27, 1944
 Birmingham (Alabama) Age-Herald - John Temple Graves

December 2, 1944
 New York Post - Lowell Mellett
 Washington Star - Lowell Mellett

Special Survey, Supplemental Story (Dec 3) St. Louis Post-Dispatch

The Gallup Poll on December 3, 1944 devoted its survey to the number of people the average American thinks are put to death in Nazi concentration camps.

(This report is for the period ended December 8, 1944)

THE FOLLOWING NEWSPAPERS CARRIED THE ASSOCIATED PRESS REPORT OF CONGRESSIONAL DEMANDS FOR ACTION ON GERMANY'S ATROCITIES:

- November 27, 1944
- New York Post
- Philadelphia Evening Bulletin
- Detroit News
- Pawtucket (Rhode Island) Times
- Jacksonville (Florida) Journal
- Cincinnati (Ohio) Times-Star
- Memphis (Tennessee) Press-Scimitar
- Stamford (Connecticut) Advocate
- Mt. Vernon (Illinois) Register
- Kansas City (Missouri) Times
- Reading (Pennsylvania) Eagle
- Bloomington (Illinois) Pantagraph
- Milwaukee Journal
- Casper (Wyoming) Tribune-Herald

THE FOLLOWING NEWSPAPERS CARRIED THEIR OWN STORIES OF REACTION TO THE WAR REFUGEE BOARD'S RELEASE ON NAZI ATROCITIES:

- November 27, 1944
- Christian Science Monitor
- November 30, 1944
- New York World Telegram

This report covers the period ending December 8, 1944.

Report on Press and Public Reaction to War Refugee Board
Release of Accounts of Auschwitz and Birkenau

I. Domestic Press

a. News dispatches - 83 newspapers

United Press	- 13 newspapers
International News Service	- 4 newspapers
Associated Press	- 51 newspapers
Independent coverage	- 13 newspapers

b. Editorials - carried in 23 newspapers

Main reaction was argument for hard peace and punishment of war criminals.

c. Special Articles

- (1) Lowell Mellett - syndicated column - discussed authenticity.
- (2) Gallup Poll - majority of Americans believe accounts of Nazi mass murders but underestimated numbers killed - average belief that 100,000 involved.
- (3) St. Louis Post Dispatch - full page Sunday supplement with 9 drawings by staff artist.

d. Radio Broadcasts

- (1) Drew Pearson, November 26th.
- (2) Quincy Howe (C.B.S.), November 27th.

II. Foreign Press

- a. Russia - "Izvestiya" carried 15 inch spread on WRB release. Press reports that American reports were introduced into record in recent Lublin trial of war criminals.
- b. Great Britain - WRB representative Mann reports wide press comment in England. O.W.I. confirms this.

III. O.W.I.

Copies sent to O.W.I. outposts all over world.

IV. Coordinator of Inter-American Affairs

Sent copies to all South American countries.

V. Congressional Interest

About 25 Congressmen have received copies. Congressman Celler commented on the report in the House. Requests for copies have been received from 10 Congressmen. No unfavorable Congressional comment.

VI. Requests from the Public

Approximately 450 organizations, government agencies and private individuals requested copies of the report. The majority of these requests came from unidentified individuals. However, numerous requests were received from publishers, lawyers, doctors, churchmen, teachers and libraries.

VII. Impact on Bond Drive

O.W.I. had feared adverse criticism because of timing of release so close to Sixth War Bond Drive. No such criticism has appeared in the press. On the contrary, two dispatches (Birmingham Alabama Age-Herald and St. Louis Globe-Democrat) highlighted the purchase of war bonds as a means whereby Americans could wreak vengeance against the Nazis for atrocities such as those described in the War Refugee Board reports.

VIII. Authenticity Questioned

- a. John Crider, New York Times, claimed inconsistencies in several dates.
- b. Oswald Schuette (Washington, D. C., attorney) questioned authenticity in letter to Secretary Stimson.

UNRESTRICTED

From: London
Dated: Nov. 28, 1944
Recd.: December 5, 6 p.m.

Secretary of State

Washington

A-1418, November 28, 1944.

With reference to Embassy's despatch No. 18700, October 18, 1944, transmitting the Record of the Proceedings of the Eighth Meeting of the Executive Committee of the Intergovernmental Committee on Refugees, at which the budget estimates for administrative expenses of the Committee for the year 1945 were approved, there is quoted below a letter dated November 24, 1944, received from the Treasurer of the IGC requesting a remittance as soon as possible of £1944, the contribution of the United States Government, for the 1945 administrative expenses and inquiring when this payment may be expected:

"I am directed by the Chairman to inform you that at the last Meeting of the Executive Committee the budget estimates for Administrative Expenses for the year 1945 were approved. These expenses are defined in paragraph III (a) of the Financial Regulations of the Committee approved by the last plenary session.

"The estimates submitted to the Committee provide for the expenditure during 1945 of £21,700 as compared with a revised estimate of expenditure for the year 1944 of £10,000.

"The administrative expenditure of the Committee has been rising during the past few months and will increase considerably as large territories in Europe are liberated. Further appointments to the staff will be necessary and, as the present office accommodation is inadequate, additional accommodation is needed, including the provision of a Committee Room.

"In considering what sum should be fixed as a basis of contributions from Member Governments it is necessary to provide for a sufficient working balance to enable the Committee to function during the early part of each year, as the collection of contributions is spread over the whole year and no considerable part of them can be expected at the beginning. It is necessary that the working balance should also include a small margin for unforeseen contingencies. The Executive Committee have provided a working balance of £10,000 for both of these purposes. On these assumptions the calculations of the amount to be recovered in contributions is as follows:

Estimated expenditure	£21,700	
Working balance	<u>£10,000</u>	
	Total	£31,700
Estimated opening balance, 1945		<u>£17,300</u>
Amount required in contributions		<u>£14,400</u>

- 2 -

"The total number of units allotted to the present Member Governments in accordance with the Intergovernmental Scale is 791.5. There are still several Governments who have not replied to the invitation to join the Committee, and should any of these accept, the total number of units will be increased accordingly. For the present purpose, however, the actual number of units of existing Members is taken as the basis for the allocation of contributions. A single unit will thus be £14,400 divided by 791.5 or £18 approximately. It will be noted that this compares with the unit of £37 for the 16 months ended 31st December, 1944.

"The contribution of Your Excellency's Government will, therefore, be:

$$£18 \quad \times \quad 108 \quad = \quad £1944$$

"I have, therefore, the honour to request Your Excellency's Government - (a) to remit the above contribution as early in 1945 as may be convenient and (b) to intimate the date or dates on which payment may be expected."

The Department's instructions are respectfully requested.

WINANT

CABLE TO AMERICAN CONSULATE, JERUSALEM, FROM WAR REFUGEE BOARD.

Please deliver following message to Charles Passman from M. A. Leavitt
of American Jewish Joint Distribution Committee:

QUOTE RECEIVED YOUR 268. ON BASIS YOUR 233 WE ASSUMED YOU HAD
SUFFICIENT SUPPLIES TO CARRY ON PARCEL SERVICE FOR FIRST MONTH 1945
AFTER SHIPMENT 50 TONS TO POLAND. REGRET DELAYS BEYOND OUR CONTROL
IN OUR COMMUNICATION BUT REST ASSURED WE DOING UTMOST KEEP YOU
CURRENTLY INFORMED. SHIPMENT 50 TONS TO SOMMERSTEIN SHOULD BE
MADE AS QUICKLY AS POSSIBLE VIEW APPROACHING WINTER. PLEASE
ADVISE STATUS YOUR NEGOTIATIONS FOR PURCHASE ADDITIONAL LENDLEASE
SUPPLIES AS REPORTED BY YOU FROM TEHERAN. CAN THESE SUPPLIES BE
UTILIZED IN PART FOR PARCEL SERVICE AND PART FOR BULK SHIPMENT TO
SOMMERSTEIN. ADVISE WHETHER WE COULD BE HELP WASHINGTON TO FACILITATE
FAVORABLE DECISION. YOU CORRECT YOUR ASSUMPTION WE PURCHASING SUPPLIES
HERE FOR BULK SHIPMENT TO SOMMERSTEIN BUT CANNOT ESTIMATE TIME OF SHIPMENT.
STRONGLY DOUBT WHETHER THESE SUPPLIES WILL BE SHIPPED VIA TEHERAN AS WE
PLAN SHIPPING THROUGH RUSSIAN CHANNELS AND ROUTE NOT KNOWN TO US. UNQUOTE

9:35 a.m.
November 28m 1944

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

RDrury 11/27/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Madrid
TO: Secretary of State, Washington
DATED: November 28, 1944 (Rec'd 2:42 a.m., 29th)
NUMBER: 3873

CONFIDENTIAL

Following repeated to Bern.

Reference is made herewith to Department's cable of November 11, no. 3005.

In memorandum and discussion at Foreign Office on November 15 the situation of Sephardic Jews at Bergenbelsen was treated. The Embassy was informed that adequate covering instructions had been sent to the Spanish Embassy in Berlin subsequent to Bern cable November 4 quoted by the Department but that additional instructions in the desired sense would be sent to the Spanish Minister at Bern.

The November 16 Foreign Office note confirmed that appropriate instructions have been sent to the Spanish Legation in Bern to request the Swiss Government's collaboration to the end of obtaining the transfer to Swiss territory of the group of Sephardites in whose liberation from the Bergenbelsen camp interest had already been taken by the Spanish Embassy in Berlin.

HAYES

DCR:VAG 11/30/44

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: November 28, 1944
NUMBER: 4014

SECRET

FOR MEELELLAND FROM WAR REFUGEE BOARD.

We are advised that Sternbuch is of the view that thousands of Jews in enemy-occupied countries can be saved if large sums of money are made available. The Vaad Hahatzala has asked that a message be sent to Sternbuch indicating that they agree to send all funds necessary. Please discuss his plans with Sternbuch at once and send us your views.

THIS IS WRB BERN CABLE NO. 298.

STETTINIUS
(Acting)

CABLE TO MINISTER HARRISON, BERN, FOR MC CLELLAND, FROM WAR REFUGEE BOARD.

Please deliver the following message to Isaac Sternbuch, St. Gall,
from Vaad Hahatzala Emergency Committee:

QUOTE PLEASE ADVISE WHICH CAMPS UNDER SUPERVISION OF REDCROSS.
DO EVERYTHING YOUR POWER RESCUE DEPORTED LITHUANIAN JEWS AND
REMAINDER 1694 HUNGARIAN JEWS. WITHIN NEXT FEW DAYS WILL FORWARD
MONIES TO YOU TO SUPPORT YOU IN YOUR RESCUE WORK. EXPLAIN EVAUCTIONS
SHANGHAI WHEN AND WHERE. CABLED POLISH GOVERNMENT. UNQUOTE.

THIS IS WRB BERN CABLE NO. 300

4:22 p.m.
November 28, 1944

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

RDrury 11/28/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: November 28, 1944
NUMBER: 7802

CONFIDENTIAL

The following has reference to Germany American interests.

Please refer to Legation's message of November 15, No. 7542. It is stated in last paragraph of Swiss note of November 24 that Albrecht, Chief of Legal Section German Foreign Office was advised of contents of Department's No. 3852 of November 11 by representative of Swiss Legation, Berlin. The actual dissolution of Marian Kacamp by German authorities was indicated by Albrecht, but eight American nationals were left there by the German authorities. These eight persons are considered of Jewish origin by the German authorities. "Slovak Government" has been asked by German Government if they concur with the transfer of these eight internees to Germany so that they might be included in the German-American exchange which is now proposed.

The decision of the Slovak Government is being awaited by Albrecht, who commented that he reserves the right to furnish more definite information to Swiss Legation, Berlin, in writing and that his verbal comments constitute only a provisional answer.

HUDDLE

DCR:GFW
12-13-44

JP-1122

Ankara

Dated November 28, 1944

Rec'd 11:40 p.m., 27th

Secretary of State

Washington

2256, November 28, 3 p.m.

FROM KATZKI TO PEHLE WAR REFUGEE BOARD ANKARA'S NO. 191

Jewish Agency sources inform us (see Embassy's 2226, Ankara's 189) that at the present there are 278 refugees from Rumania en route to Palestine detained at Stara Zagora Bulgaria and 320 additional at Kazanlik near Stara Zagora. All the emigrants we are advised are Rumanians and Poles. A fourth group comprising 300 persons was turned back to Rumania at Ruse, Bulgaria within the past few days. Part of the group at Stara Zagora, Bulgaria has been permitted to leave the railroad cars and has found accommodations in that city where, however, facilities are exceedingly limited as they are at Kazanlik. 70 persons at Stara Zagora according to reports have become ill, some with infectious diseases.

The Bulgarian Legation at Ankara in response to our request for information was advised by Sofia that the refugees have been detained pursuant to Russian instructions the day their passports are to be reviewed after which they will be permitted to depart. In this connection it should be noted that the first group already has been held for more than a week.

We have not yet received a report from Barnes in Sofia to whom a telegram was sent by the Embassy in Ankara. We have been informed, however, that he advised a Jewish Agency representative in Sofia that this matter is not within his power. Presumably therefore, it is a matter for Military Control Commission.

We recommend that the question of the release and onward voyage of the refugees be pursued with the military especially with the Russians if at all possible. Should it appear that

Miss Chauncey (for the Sec'y) Abranamson, Ackermann, Alesh, Cohn, Drury, Davis, Friedman, Gaston, Hodel, Lesser, Mills, Howard McCormack, Poole, Ties.

-2-

the review of passports is being made to determine whether their holders might be originally from areas now claimed as part of Russian territory and therefore subject to repatriation as Russian nationals, those Rumanians and Poles to whom it may be clear that the Russians have no claim should be released without delay in order to reduce the number of detainees and the arrival of more refugees at the same time than the Turkish railroad system can carry. The questionable cases can be dealt with thereafter. The interruption of the emigration of the detainees seriously threatens the entire emigration scheme from the Balkans and is causing grave hardships for the persons involved. Prompt action on the part of the Board or other competent agencies is urgent.

STEINHARDT

MJF
ELB

NOT TO BE RE-TRANSMITTEDCOPY NO. 3SECRETOPTEL No. 386

Information received up to 10 a.m., 28th November, 1944.

1. NAVAL

(UNCLASSIFIED)

First convoy consisting of 20 ships sailed for Antwerp yesterday.

ADRIATIC. On 23rd/24th two MTB's ran aground between Zara and Fiume and had to be destroyed.

EAST INDIES. One of H.M. Submarines recently sank an escort vessel and 9 junks off Nicobars.

2. MILITARY

WESTERN FRONT. Further progress in Southern Vosges, French troops have tightened their grip on Strasbourg though earlier reports that they hold west end Rhine Bridge are incorrect. 3rd U.S. Army made limited advances in area south west Sarreguemines, east of Metz and near Merzig. At Metz two further forts occupied and a third found abandoned. Unconfirmed reported street fighting in progress St. Avold. Troops of 1st U.S. Army have cleared Weiswiler, west of Duren, whilst 9th U.S. Army troops made small advances west of Julich. Little to report from British sector. Germans still hold Western outskirts Venlo in strength.

ITALY. North East of Faenza Germans resisting our attacks strongly between Rivers Lamone and Montone. South West of Faenza British troops have occupied more ground east of Lamone.

3. AIR

WESTERN FRONT. 26th. Subsequent reports state 65 medium bombers (1 missing) attacked railway bridges Deventer and Zwolle and Gestapo Headquarters, Amsterdam. Latter attack successful.

26th/27th. 784 tons including 15 12-thousand bombs dropped Munich in good visibility. Bombing concentrated. One Halifax missing from night's operations.

41 Mosquitoes (1 missing) successfully attacked 31 trains in Holland and North West Germany.

27th. 164 Lancasters (1 missing) attacked Cologne Marshalling Yard - 845 tons. 325 U.S. heavy bombers visually bombed railway centre Offenburg - 775, with results believed good. 148 Fortresses (1 missing) bombed Bingen - 277 through cloud. 743 fighters and fighter bombers provided escort and carried out supporting sweeps and scored 98, 4, 11 in action and destroyed 4 on the ground for loss of 14. Owing to adverse weather only 329 fighters (1 missing) operated in close support of Allied troops. Coastal Command Beaufighters scored repeated rocket hits on a trawler and tank landing craft off Dutch coast and also on two merchant vessels off Norway.

27th/28th. 846 Bomber Command aircraft despatched:-

Freiburg	351	
Neuss	290	
Berlin	67	
Seaminging	30	
Other Missions	108	2 missing

MEDITERRANEAN. 26th. Bad weather curtailed operations. 323 fighter and fighter bombers (4 missing) attacked objectives Northern Italy.

4. HOME SECURITY

To 7 a.m. 28th. 3 rocket incidents.