

January 13, 1945
12:29 p.m.

212

HMJr: Anything that you want today that won't keep until tomorrow?

John Pehle Not if you want to make it keep.

HMJr: Well, what's

P: No, it's just a series of things that I wanted to clear -- a couple of personnel cases that I wanted to move ahead on, and so forth.

HMJr: Wait a minute. Wait a minute. (Pause) Three o'clock Monday, have you got anything?

P: Nope. No, that will be all right.

HMJr: All right?

P: Right.

HMJr: How long do you need?

P: Huh?

HMJr: How long do you need?

P: Oh, fifteen minutes.

HMJr: Fair enough.

P: Huh?

HMJr: Fair enough.

P: Right. Okay.

HMJr: Bye.

JAN 13 1945

My dear Madam Secretary:

Thank you for your letter of January 9 forwarding to me a copy of a memorandum relating to relationships between your Department and the State Department on ILO matters.

I have frequently in the past taken a position very analogous to the one which you have taken on this general subject. I feel that this whole matter is one which should be reconvened in the light of the problems which we will face in the postwar period.

Sincerely,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

The Honorable

The Secretary of Labor.

HDW: JED/jm
1/12/45

DEPARTMENT OF LABOR

OFFICE OF THE SECRETARY

WASHINGTON

44-81945

The Honorable

The Secretary of the Treasury

My dear Mr. Secretary:

I thought you might be interested in the attached memorandum which I am submitting to the Bureau of the Budget relative to the relations between the Department of Labor and the Department of State in connection with United States membership in the International Labor Organization.

It is my confirmed opinion that whenever any matter is to be the subject of international negotiation, the agencies charged with the formulation and administration of domestic policy within that particular field should be responsible for recommending the course to be followed in the international sphere. For example, whenever policies relative to labor are to be decided upon for purposes of international collaboration or discussion, the executive specifically charged by Congress with the responsibility in this field should be the agent for formulating proposals in collaboration with all other agencies of the government which have an interest. Similarly, the executive whose responsibility lies in the field of finance, or agriculture, or minerals should formulate proposed policies in his specific field and be responsible for coordinating all other agencies which might have a particular interest in the issues involved.

The determination of the effect of such proposals upon our international relations and the extent to which they accord with our foreign policies, must, of course, be vested in the State Department. The same is also true of the responsibility for international negotiations and the implementation of international agreements.

Sincerely,



MEMORANDUM

RELATIONS BETWEEN STATE DEPARTMENT AND DEPARTMENT OF LABOR ON ILO MATTERS

1. The actual selection of delegates and advisors should be vested in the Secretary of Labor. The official appointment should, of course, be made by the Secretary of State.

In the event that the Secretary of State should have any question relative to the competence of any delegate or advisor, such question should be discussed with the Secretary of Labor by the Secretary of State.

The items usually included on ILO Conference and Governing Body agenda are mostly of a highly technical nature. The competence of persons available to handle such items would normally be known only to people who are responsible for similar fields of activity. It is natural to expect that such people would be on the staff of the Secretary of Labor.

The existing practice of having the State Department designate a technical advisor on political matters to attend all Conferences should be continued.

2. The general formulation of policies to be followed by our delegates and representatives should be vested in the Secretary of Labor. Insofar as any items on the agenda come within the concern of other departments of the Government, the Secretary of Labor should be responsible for securing their points of view and reaching an agreement as to the policies to be included in instructions. Matters of political policy which involve our relationships with other governments should, of course, be formulated by the State Department.

3. All instructions relative to the policy to be followed by delegates and advisors in attendance at Governing Body meetings should be formulated by the Secretary of Labor, insofar as they bear upon the labor policy of this Government. They should be supplemented by instructions from the Secretary of State whenever matters affecting the relations of this country with other countries are involved.

4. In view of the fact that all Conventions and Recommendations of the ILO involve labor policy, decisions as to what shall be referred to the Congress for ratification should vest in the Secretary of Labor. Other interested departments of the Government should be consulted and an agreement on policy reached whenever the Conventions or Recommendations are of concern to other departments of the Federal Government.

The present practice of the State Department serving as the vehicle for submission of Conventions to the Congress should be continued.

5. The responsibility for submitting reports to the ILO on compliance with Conventions should be shared jointly by the Department of Labor and the Department

of State. The actual statement of the facts of compliance should be formulated by the Department of Labor because of the technical nature of compliance and its relationship to the Departments of Labor of the individual States of this country. In view of the fact, however, that the ILO has the legal right to cite the Government of the United States before the World Court in matters of compliance, the State Department should be equally responsible in the formulation and submission of compliance reports.

6. The present method of handling communications between this Government and ILO through the office of the United States Labor Commissioner should be continued. When the International Labor Office is transferred to its permanent seat, wherever it may be, the United States Government should continue its practice of having a United States Labor Commissioner, appointed by and responsible to the Secretary of Labor, assigned to the ILO on a permanent basis. Copies of all formal communications should, as in the past, be made available automatically to the State Department. Requests, telegraphic or by mail, for instructions on policy and other official matters should also be made available to the State Department.

7. Financial negotiations with the ILO should continue to be handled by the Labor Commissioner. He should be assisted by a representative of the State Department, as has been the practice in the past. The actual handling of the budget of the ILO before the Budget Bureau and the Congress should be the responsibility of the State Department, assisted by the Department of Labor.

8. The existing practice of having formal reports of all delegates and Governing Body representatives on Conferences and Governing Body meetings submitted to the Secretary of State should be continued.

January 13, 1945

My dear Sir John:

Your letter of December 22nd was most kind and generous. I like to think that as a result of the work of the mission headed by Lord Keynes and myself that we have contributed in a small way towards the post-war recovery of Great Britain.

May I congratulate you on the admirable quality of the members of the mission that you sent. Lord Keynes, as usual, did an outstanding job aided particularly by Sir Robert Sinclair.

I am sorry that you could not have been here yourself because it would have given us an opportunity of getting better acquainted. However, I hope that an occasion will arise which will bring you and Lady Anderson to visit our shores in the not too distant future.

With warm regards, I remain

Yours sincerely,

(Signed) Henry Morgenthau, Jr.

Sir John Anderson,
Treasury Chambers,
Great George Street, S.W.1,
London, England.

22nd December, 1944.

My dear Mr. Morgenthau,

Having now had a full report from Lord Keynes of his mission to Washington, may I express to you the warm thanks of myself and of His Majesty's Government - and in particular the Prime Minister has asked me to associate his name specially with this message - for the very great, and indeed indispensable, help we have had from you in the task of adjusting the Lend-Lease programme to the new circumstances which will exist after V-E day? We are, in particular, well satisfied with the new understandings about export policy and especially appreciate the part you played, as I have heard from Lord Keynes, in securing so satisfactory a final outcome.

Our financial problems do not get easier or their future settlement less perplexing as time goes on and the magnitude of the sums at issue increases. Only on the basis of complete frankness on both sides about the difficulties with public opinion and with Parliament and Congress which each of us has to face, can we hope to reach understandings and arrangements which are fair and advantageous to all parties. We have done our best, and will continue to do so, to let you know the factual position in full detail; and the frankness with which you have let us know how your mind is moving in these matters and in all that concerns the future of Europe, as reported to me by Lord Keynes as a result of the many talks he has had with you, makes our task easier.

/The

The Hon. Henry Morgenthau, Jr.

January 13, 1945

My dear Lord Cherwell:

I was delighted to receive your letter of December 20th bringing a note of cheer and encouragement.

Mrs. Morgenthau unfortunately had to go to the hospital on Thanksgiving Day, but is now almost recovered. Both of us enjoyed our visits with you and I am only sorry that we did not get far enough along to be calling each other by our first names.

I certainly am looking forward to accepting your hospitality whenever I should come to England. In the few days that you and I spent together at Quebec I felt that I had started a friendship that would last through the years.

As I write today, I feel that the war has taken a turn for the better. I am particularly encouraged by the opening of the Dardanelles as this ought to be most helpful to the Russians in their Spring offensive.

I don't know whether you have been following the American Army's administration of civil affairs in Aachen, but from my viewpoint they have been doing an excellent job and if we treat the rest of Germany in the same manner, I believe that both you and I will see our objectives carried out, namely, that Germany will be deprived of the power to make war again.

We are getting ready to introduce the Bretton

Woods legislation and I am quite encouraged from conversations that I have had with Republicans in the Congress and from recent talks with American bankers. I think that we have a good chance of getting the legislation passed fairly promptly.

hoping that this year will be a happier one for all of us and that our paths will cross in the not too distant future, I remain with warm regards,

Yours sincerely,

(Signed) Henry Morgenthau, Jr.

The Right Honorable Lord Cherwell, FRS,
Paymaster General,
Paymaster General's Office,
Great George Street,
London, S.W. 1,
England.



*I had almost slipped into
the more friendly
French "Cher ami"
but my nerves failed
me.*

GREAT GEORGE STREET,

S.W. 1.

20th December, 1944.

Dear Mr. Secretary,

I hope this letter will arrive in time to convey to you and Mrs. Morgenthau and if I may be allowed to do so, to any members of your family who are with you my very best wishes for Christmas and the New Year. Especially do I hope that there may be an opportunity in 1945 of seeing you again. Not only am I grateful for all your help which has resulted in finalising our agreement; but quite apart from your assistance in this matter I feel particularly indebted to you for the personal kindness you showed to me in my endeavours to assist in solving these complicated questions. Nor shall I easily forget the very friendly reception Mrs. Morgenthau and you extended to me in your home and the most delightful evening we spent at one of the best plays I have seen in very many years. I only hope I may have the pleasure of seeing you over here and even the privilege after the war of entertaining you at Christ Church though I can never hope to extend one ~~time~~ of the hospitality to you which you offered to me.

It is not for me to speak on the broader issues, but you may well believe that I share the feelings of my colleagues in my gratitude to you for your appreciation of our difficulties and your readiness to help in solving them. I am sure that there should be no obstacle in our two countries working together for the benefit of all, given good sense and good will.

The Hon. Henry Morgenthau, Jnr.,
Treasury,
Washington, D.C.

Unfortunately, as you must have observed on your side as well as we do on ours, these attributes are not quite as universal as one might hope. It is easy for a few grains of sand to bring a big machine to a standstill. It is not always easy to get rid of the grains of sand. I am sure that at any rate you, and I in my small way, will do our best to eliminate them.

The sudden German resistance which has now developed into a counter attack together with the bad weather has set back the probable date of the end of the war in Europe. This appears to have held up for the moment decisions on the treatment of German industry. I gather from Keynes that the President takes the same view as he did when we discussed it, and I hope, though the matter has not been discussed, that there is no reason to fear a change over here. In the meanwhile our bombers are taking their own measures which may well prejudge the issue, which would solve many problems and salve many ultra sensitive consciences.

I need scarcely tell you even at risk of some impropriety how delighted I was at the result of the election. It is wonderful how the President always seems to be able to pull something out of the bag at the critical moment. I only hope that he will find expedients to surmount the post-war difficulties which are already beginning to emerge. If our action in Greece, which we only entered to bring order and help at the request of the All Party Government, can be so misunderstood it makes one despair of the future. It is a pity we did not announce that we had to cut off supplies to E.L.A.S. because they were co-operating with the Germans when it happened a long time ago. But the amount of

public support for the rule of the tommy gun is none the less disheartening.

We must hope that all these things will be cleared up in due course but I fear it will be some time before public opinion the world over, especially in the countries which have suffered from the Nazis, becomes normal again.

Once more with warmest regards to Mrs. Morgenthau and yourself and the best of good wishes,

believe me

yours very sincerely

Cherwell.

P.S.

I very much enjoyed both the book and the candy. If conditions are anything like those pictured in the book I understand your anxiety about the Argentine.

1/13/45

MEMORANDUM FOR THE SECRETARY

You inquired concerning our progress in obtaining confirmation of the explanation given to us by Lazard Freres concerning the remittance to France. The present status of the matter is as follows:

1. On Wednesday, January 17, Lazard Freres will furnish us with documentary evidence obtained from Europe which they say will substantiate their explanation.

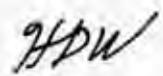
2. We have not as yet instructed our representatives in France to conduct an investigation of records of Lazard Freres in France. This decision was based on the following considerations:

(a) To attempt to investigate a French firm would probably have required clearance with the French Government.

(b) To have raised the matter with the French Government might have confused the issues involved in our investigation of American institutions in France and jeopardized our ability to conduct these investigations.

(c) In view of the fact that we were not in a position to conduct investigations of such French institutions as the Banque de Paris et des Pays Bas and the Banque Worms, we did not consider it advisable to stigmatize Lazard Freres by singling it out for investigation.

Upon examination of the evidence submitted to us on January 17, we will be in a better position to decide what further action should be taken with respect to this matter.





White
made of green
finished

DEPARTMENT OF STATE
WASHINGTON

Coffey White
Finished

January 13, 1945

CONFIDENTIAL

My dear Mr. Secretary:

In the absence of the Secretary I wish to say in reply to your note of January 10th that the French Lend-Lease document which was before the President at Quebec last September was completely superseded by a document providing for a more restricted arrangement which was discussed on January 6th by Mr. Clayton with Mr. White and Mr. Oscar Cox.

At that time Mr. Cox suggested that under the present circumstances an overall master lend-lease agreement with the French would be desirable. Mr. White was sympathetic with this approach but indicated that he would wish to consider the matter further within the Treasury. The Department has been waiting, therefore, for an indication of the Treasury's views on the appropriate type of lend-lease program.

Sincerely yours,

Acting Secretary

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.



CONFIDENTIAL

*Feb 1 -
Labs 7.*

EXCERPT OF
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris
TO: Secretary of State, Washington
DATED: January 13, 1945 (Rec'd January 14th)
NUMBER: 187

SECRET

Reference is made herein to my cable of November 14,
No. 516.

Last night General de Gaulle repeated to me what Bidault has told me on several occasions, as follows: although France hopes most firmly that an international organization in which she will play a very prominent part, will be set up for governing the well-known Rhine regions, France is not interested in annexing German territory. No semblance of war industry or near-war industry should be retained within that region. In addition no war industry or near-war industry should be allowed to exist in the future in any part of territory occupied by Germany. De Gaulle maintains also with Bidault that as a whole German industry should not be destroyed, but only that part should be destroyed which has to do with war. De Gaulle remarked that what he was saying embodies in general lines his present thinking on this matter. Notwithstanding, a study of the whole business is still occupying the attention of French technicians.

CAFFERY

DC/L:MAS:MEM
1/18/45

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



OFFICE OF THE
EXECUTIVE DIRECTOR

JAN 13 1945

My dear Mr. Secretary:

I am pleased to send you herewith a copy of the report of the War Refugee Board for the week of January 1 to 6, 1945.

Very truly yours,


J. W. Pehle
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.

Report of the War Refugee Board
for the Week of January 1 to 6, 1945

JEWIS IN GERMAN-CONTROLLED TERRITORY

It now appears to be a well-known practice for the Germans, before evacuating any area, to undertake to exterminate the surviving Jews in that area. Considering it necessary for this reason that the attention of Swiss and International Red Cross authorities be once more drawn to the danger faced by the Jewish survivors in German-controlled territory, we cabled our Legation in Bern and Representative McClelland requesting that the Swiss Foreign Minister and the President of the International Red Cross Committee be visited and urged to make continued efforts from now on to keep the surviving victims of Nazi persecution alive during the coming stages of hostilities in Europe.

In this connection, it was requested that specific reference be made to the three major concentrations of Jews known to exist in Axis territory, viz., Lodz with 60,000 to 80,000 inmates, Theresienstadt, where there are 40,000 to 60,000 inmates, and camps in Vienna with 18,000 inmates, as well as any other localities or regions where Jews are believed to survive. We asked that it be made clear that it is the view of this Government that frequent and extended visits of Swiss Consuls and Intercross delegates to places and regions where Jews are concentrated constitute one of the most effective means of preventing their further extermination, and pointed to the proved efficacy of this method in Budapest where, thanks to the presence of Swiss and Intercross personnel, many lives appear to have been saved. We indicated the desirability of emphasizing the mounting evidence of confusion among local German officials and their increasing accessibility to psychological pressure directed to dissuading them from carrying out the extermination policies ordered by central German authorities and of urging that full advantage be taken of this state of mind, through unofficial as well as official channels, in the interest of saving lives. With particular reference to German consent to permit Intercross inspection and care for Hungarian Jews engaged in forced labor in Germany and German-occupied territory, we suggested that immediate and continuing Intercross action to safeguard the lives of this largest group of Jews surviving under German rule be requested. We further urged that it be made clear to the Swiss and to Intercross that this approach is not a plea for one-time acts of intercession but is a request for unremitting pursuit of the suggested activities as long as the danger continues.

At the same time, in view of this situation and in view of his recent reports indicating the effectiveness of publicity and other forms of psychological pressure upon German officials, we requested Representative McClelland to make special efforts through all

channels available to him to increase such pressure with a view to safeguarding the lives of the surviving victims of Nazi persecution.

PSYCHOLOGICAL MEASURES

In a letter to the Director of the Office of War Information, we advised him of the information available to the Board indicating that confusion and division of views within the rank and file of German officialdom have set in with regard to the Jewish question and that, whether because of fear of punishment or a desire to establish an alibi or as a result of defects in the Nazi machinery of control, officials on the spot seem not so determined as they once were to follow to the letter instructions from the authorities in Berlin with regard to the treatment of Jews. We pointed out that the policy of the central German authorities has, nevertheless, grown even more ruthless, if anything, and that they apparently intend to exterminate the Jews still alive in German-controlled territory as such territory is evacuated in the face of Allied advances, so that, ironically, the danger to these Jews becomes greater with every Allied military success.

We expressed the view that our reports demonstrate the compelling importance of increasing at this time the psychological warfare pressure on the local Nazi and satellite officials and suggested that heavy emphasis on General Eisenhower's statement of November 8, 1944, would be particularly helpful for this purpose. We indicated that the value of such psychological pressure is clearly shown in reports received by the Board from Hungary attesting to the important role which OWI programs played in halting the deportations of Jews from Hungary. For the assistance of the OWI in formulating a psychological warfare program along the lines requested, we listed the principal concentrations of Jews remaining in German-controlled territory, including in addition to the three groups mentioned above 100,000 to 200,000 Hungarian Jews in labor camps, presumably on the Austro-Hungarian border, in Austria, Czechoslovakia, and Southern Germany, 1,000 to 2,000 internees at Bergen Belsen, and 16,000 Lithuanian Jews in labor camps in East Prussia.

SITUATION IN HUNGARY

Minister Johnson advised us that he had conveyed to the Swedish Foreign Office our request for action by the Swedish Legation in Budapest to extend protection and special treatment to Jews in Hungary with Spanish papers and visas. He was informed that for the time being the Foreign Office has no means of communication with the Swedish Legation in Budapest.

A report received from a private source through our Legation in Bern referred to a project to admit 14,000 Hungarian Jews into Switzerland

and indicated that official information has been received that 1,000 are now ready to leave Budapest and may arrive in Switzerland shortly.

EVACUEES FROM BERGEN BELSEN

Following the request of Swiss authorities that the removal from Switzerland of the group of 1,355 Jewish evacuees from Bergen Belsen be facilitated, we cabled Representative Mann information concerning the composition of the group and the temporary nature of the accommodations arranged in Switzerland for them and requested that the question of their admission into Palestine be taken up with the British.

FOOD PARCELS

Representative McClelland cabled us of the receipt of a report from the International Red Cross that the freight cars which left Gothenburg some time ago with 15,023 War Refugee Board parcels have been inexplicably held up by German authorities at a point near Lubeck for almost two months and have not yet been forwarded to the concentration camps for which they were destined. He advised us that he had urged Intercross to investigate immediately the cause of the delay and that the latter has wired its Berlin delegate to take energetic steps to move these parcels.

With respect to the proposal for sending food parcels to Poland, McClelland advised us that Intercross will undertake to forward test shipments of 250 parcels each to a number of accessible camps in Poland.

EVACUATIONS THROUGH TURKEY

We learned from Representative Katzki that the British Embassy has received authorization for the issuance of Palestine entry certificates to a group of more than 600 emigrants en route from Rumania to Palestine and that it has also requested the Turkish Foreign Office to admit them into Turkey in transit.

SITUATION IN SLOVAKIA - LATIN AMERICAN DOCUMENTS

A cable from our Legation in Bern brought information, given by the Swiss in an informal statement, that a report from a Swiss representative at Bratislava indicated that nothing is accomplished by the transmission of Salvadoran identity papers to Jews in Slovakia since, according to the Permanent Intercross delegate, the Jews considering themselves Salvadorans underwent voluntary internment at the Marienka camp but were removed from this camp and probably by now have been deported. The Swiss representative observed that most of the Jews concerned were born of Slovakian nationality and have met with difficulty in their assertions to the German authorities

that they were of Salvadoran nationality. It was said that persons applying anti-Jewish measures simply tore up the Salvadoran papers in the possession of these Jews.

Upon receipt of this information we cabled our Legation in Bern and Representative McClelland asking them to request the Swiss Government to protest such action in the name of the United States Government, and to point out to the German authorities that, as is well known to the German Government, the persons holding such identity papers had been recognized by the United States Government as eligible for exchange against civilian internees of German nationality and that, pending such exchange, it had been understood that they would be accorded the same treatment as the German Government would expect this Government to accord to civilian internees of German nationality. We also asked that the Swiss request information from the German Government concerning the present whereabouts of these holders of Salvadoran identity papers and assurances that they will be held in civilian internment camps pending exchange, and that they urge the German Government to give instructions to appropriate German officials that in the future they are to respect the rights of all persons declared by the United States Government to be eligible for exchange. We suggested that, if the names of the Salvadoran document holders deported from Marianka are available, they be furnished to the Swiss.

Supplementing this action, we asked that the attention of the Swiss Political Department be drawn to the fact that Salvador has informed Switzerland of its recognition of documents of this kind, and that inquiry be made as to the possibility of Switzerland, as protective power for Salvador, protesting to Germany against the reported destructions of documents issued in the name of Salvador and the deportation of the holders.


J. W. Fenic
Executive Director

Report of the War Refugee Board
for the Week of January 8 to 13, 1945

EVACUEES FROM BERGEN BELSEN

Incident to the matter of evacuating from Switzerland the group of Jews who recently arrived from Bergen Belsen, Representative McClelland cabled us that the Swiss Federal Police have requested that an earlier group of 320 persons who arrived in Switzerland from Bergen Belsen in August 1944 be included in the evacuation of refugees from Switzerland now being worked out by the Board in cooperation with the War Department and UNRRA. The two groups comprise a total of 1,672 persons to be removed from Swiss territory. It was indicated that, if necessary, the Swiss Federal Railways are prepared to furnish trains for the transportation of these people to a French port of embarkation. Representative Mann was advised that the first group of 320 persons should be included in discussions with the British with respect to the question of the admission of these refugees into Palestine.

According to information which was furnished to McClelland by responsible members of the group which arrived in Switzerland in December, the number of Jewish deportees in the camp at Bergen Belsen at the end of November 1944 was as follows:

1. From Holland and Belgium	4,500
2. Slovak and Hungarian women and girls, including a few children transferred from Auschwitz during September 1944	3,500
3. Poles holding Latin-American documents	349
4. Jews of unspecified nationality in a punitive block	300
5. Jews of such nationalities as Portuguese, Argentine, Brazilian, etc., in a so-called "Spanish" block	300
6. Greeks	150
7. Hungarians, chiefly craftsmen recently transferred from Vienna	89
Total	<u>9,188</u>

It was indicated that a fairly accurate list of some 1,700 persons in the first group is available in Switzerland. Several hundred persons in this group are said to hold Latin-American documents or are registered for Palestine immigration. Most of those in the second group are housed in tents and are in a very needy condition, especially with respect to clothing. They are expected to be gradually shifted to work camps in

Germany. The majority of group three are classified as Palestine subjects, about thirty claiming United States nationality. McClelland has secured a list of the persons in this group, which includes some Jews who took part in the defense of the Warsaw ghetto in April 1943 and later escaped into Hungary. A list of the names of the persons in group seven is also available.

SITUATION IN RUMANIA

From the United States Mission in Bucharest a report concerning the position of Jews in Rumania was received. On December 15, 1944, the Radescue cabinet approved and the King signed a bill which abolishes all legal discrimination on the basis of race and seeks to reestablish Jews in the country upon a basis of equality. The provisions of the bill include:

The re-appointment of Jewish officials and the rehiring of Jewish employees for those dismissed under the previous discriminatory laws.

Under certain conditions, committees with a judge or a Labor Ministry agent will decide upon reappointing dismissed employees on considering existing capacities of designated firms. Rehiring preference is given to those hardest hit by the old racial legislation.

Properties which Jews lost through the racial laws are to be restored and any sales or mortgages of such properties are to be annulled. Jewish owners and tenants can return to houses from which they were evicted.

A grace period is provided to permit civil servants, pensioners, low-paid workers and artisans, war disabled, war widows, and war orphans to remain until April 23, 1945, in view of the difficulties of changing homes in the middle of the winter. This provision also applies to certain public authorities and institutions.

With regard to the possible later issuance of a law to deal with the financial rights of Jews where the State is the debtor, a Rumanian newspaper held that for the assistance of the national economy and the fulfillment of the armistice terms it has been considered "right and reasonable not to burden the State with the execution of considerable financial obligations arising from the repeal of the racial laws." The entire Bucharest press of December 15 agreed that the new law constitutes a beginning in furthering a better atmosphere of harmony and in eliminating a "disgraceful blot upon Rumania's history." One paper emphatically approved the new bill, while two others suggested amendments to assist Jews in being reinstated in their places of employment and in being restored to their homes with more speed, one of the latter taking the position that the decree seems more concerned with safeguarding the interests of those who have profited, in most cases cruelly and brutally, by the wrongs done to the Jews than in repairing those wrongs.

The local Jewish reaction to the bill was unfavorable, the general feeling, as expressed by Dr. Filderman, the head of the Jewish Association in Rumania, being that it grants to Jewish employees, owners, and tenants not a right, but a favor, depending on costly, long-drawn-out law suits, resulting not in the repeal, but in the maintenance of racial laws. It is their view that the bill's provision for the maintenance of all employees who replaced Jews through the effect of the racial laws compels Jews to go from employer to judge and leaves them at the mercy of employers and commissions. The provision for the postponement of the payment of damages until after the war they regard as tantamount to a refusal to pay damages, and the extension of the validity of leases to April 23, 1945, they apparently fear may be the first move to delay indefinitely the restoration of Jews to their homes by subsequent extensions of the grace period. To the argument of government officials that it is impossible "to lay fresh burdens on the State" by paying now the damages due to Jewish owners Dr. Filderman advanced the opinion that it is easier for a population of 15,000,000 to share the damages incurred than for a population of 750,000--half of whom have been murdered, while the other half are ill-clad, barefoot, and hungry--to be compelled to beg for posts and dwellings and to wait for peace to receive the compensation due them.

INTER-GOVERNMENTAL COMMITTEE ON REFUGEES

Representative Mann recently advised us that the Inter-governmental Committee proposes to send the equivalents of \$300,000 to Rumania and \$50,000 to Northern Italy and to raise by credit the equivalent of \$300,000 in Hungary for refugee relief, transfers in the first two instances to be accomplished by buying currencies of those countries in Switzerland with precautions to see that no assistance is thereby given to the enemy. Approval of the British Treasury for the proposed transfers was obtained, and the Inter-governmental Committee requested the approval of United States authorities before proceeding with its instructions. A cable was sent to Representative Mann advising him that, in view of the urgency of the relief needs in those areas, the State Department, the Board, and the Treasury Department approve the proposed methods of transfer for Inter-governmental Committee expenditures.

VATICAN COOPERATION

The Apostolic Delegate in Washington, in a letter to the Board, advised us of the receipt of a communication from the Holy See, in response to renewed appeals for intercession by the Vatican to stop the extermination of Hungarian Jewry, stating that the Holy See has never interrupted its intense activities in behalf of Hungarian Jews. It was further stated that the Apostolic Nunciature of Budapest and the Hungarian Bishops have constantly lent themselves to this work with every resource and effort possible and that a substantial contribution was recently made to the Apostolic Nunciature for alleviating the sufferings of the Jews. It was indicated that since it has become impossible for the Holy See to correspond

with Budapest, the Ambassie Nunciature in Berlin has been directed to concern itself with this matter.

PSYCHOLOGICAL PROGRAM

We received a letter from the Office of War Information indicating that that office shares the view of the Board that everything must be done to combat the increasing ruthlessness to be expected on the part of the Germans during the closing period of the war. We were advised that careful attention will be given to our suggestions for the preparation of German programs for the greatest possible effect in preserving the lives of Jews remaining in German territory.

FOOD PARCELS

Representative McClelland advised us that, according to information received by the International Red Cross from its delegate in Germany, the retention of a shipment of approximately 15,000 Board parcels near Lubeck is part of a general stand-still of all parcels transshipped during the last two months from Gothenburg via Lubeck, including those for prisoners of war. Apparently, a closed east-west transport corridor was established by the Germans for bringing up supplies for their recent western offensive, and no non-military freight traffic in a north-south direction was permitted to traverse the corridor. For some weeks InterCross has been negotiating to move the stocks which were held up, and on January 10 an unconfirmed report was received that three cars containing Board parcels went forward on January 4. It is expected that the shipment of some 60,000 Board parcels via Toulon can be handled with greater facility, since they will be moved into Germany from the south.

UNITED STATES VISAS FOR PERSONS IN ENEMY TERRITORY

Following the approach made by our Embassy in Ankara to the Turkish Government with respect to the special visa programs developed to benefit certain categories of persons in enemy territory, the Turkish Ministry of Foreign Affairs has informed our Embassy that the rupture of diplomatic relations between Turkey and Germany has made it impossible to carry into effect our proposal for the issuance of Turkish visas to affected categories of persons in Germany. While the liberation of the Balkan countries by the Allied armies was regarded as solving the problem of persecuted persons in those countries, Turkish Consulates in the Balkans have received appropriate instructions with respect to Turkish visas for persons with qualifications for United States visas.

EVACUATIONS THROUGH TURKEY

Representative Katzki advised us that a group of approximately 360 persons, including children repatriated from Transnistria, refugees from Hungary, Slovakia, and Poland who had succeeded in escaping into Rumania, and Rumanian nationals, arrived in Istanbul by railroad on January 5. On

January 6, a second group of approximately 260 persons, mainly Polish nationals who had succeeded in escaping to Rumania and had been in that country for some time, also arrived by train. Both groups left Istanbul en route for Palestine on January 7, the Turkish authorities having provided a special train for the purpose despite the difficult seasonal transportation problems of the railroads.

According to statistics reaching us from a private source, a total of 2,405 immigrants to Palestine transited Turkey during the months of October, November, and December 1944; 1,701 came from Rumania, 3 from Hungary, and 701 from Bulgaria. These numbers included 566 Hungarian refugees, 140 Polish refugees, and 380 Transnistrian orphans.



J. W. Pehle
Executive Director

CABLE TO WINANT, LONDON, FOR MANN FROM WAR REFUGEE BOARD

Reference our No. 66 of January 3, 1945.

We have just received another cable from McClelland indicating that the Swiss are pressing for the immediate evacuation of the Bergen Belsen group from Switzerland. McClelland advises that this group comprises a further 320 Hungarian Jews who arrived in Switzerland in August 1944 in addition to the persons mentioned in Department's No. 66 of January 3. This brings total up to 1672 persons.

Please reply urgently with regard to possibility of having this entire group admitted to Palestine.

THIS IS WRB LONDON CABLE NO. 37.

4:45 p.m.
January 13, 1945

Miss Chauncey (for the Sec8Y) Ackermann, Akzin, Cohn, Drury, DuBois, Gaston, Hodel, Marks, McCormack, Pehle, Files.

MJM:BA:FH:pd 1/13

Regraded Unclassified

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

January 13, 1945
Midnight

AMEMBASSY

LONDON

308

The following for Mann is WRB 37.

Reference our number 66 of January 3, 1945.

We have just received another cable from McClelland indicating that the Swiss are pressing for the immediate evacuation of Bergen-Belsen group from Switzerland. McClelland advises that this group comprises a further 320 Hungarian Jews who arrived in Switzerland in August 1944, in addition to persons mentioned in Department's 66 of January 3. This brings total up to 1672 persons.

Please reply urgently with regard to possibility of having this entire group admitted to Palestine.

GREW
(Acting)
(GHW)

WRB:MMV:KG
1/13/45

BC

WE

NE

Miss Chauncey (for the Sec'y) Ackermann, Akzin, Cohn, Drury,
DuBois, Gaston, Hodel, Marks, McCormack, Pohle, Files

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Dublin
DATED: January 13, 1945
NUMBER: 12

SECRET

War Refugee Board informed that Robert Briscoe, member of Dail, stated on the authority of the Irish Department of External Affairs that German authorities stated that the rumor that they intend to exterminate Jews in Oswiecim and Birkenau camps is a pure invention devoid of all foundation and that if camps should be abandoned, inmates will be evacuated.

Please investigate truth of this information and report results.

CREW
(ACTING)

CABLE TO AMERICAN LEGATION IN LISBON, FROM WAR REFUGEE BOARD.

Please deliver following message to Louise Payson from Dr.
Charles R. Joy of Unitarian Service Committee:

QUOTE 248 REURTEL THROUGH WAR REFUGEE BOARD JANUARY
ONE REGRET INVOLVEMENTS HERE PREVENT USE UNITARIAN MONEY
FOR BRYAN CASES FUNDS FOR RELIEF WORK IN SPAIN CAN BE
USED ONLY TO PAY PRESENT DEFICIT THIS ACCOUNT PLEASE
REDUCE COSTS IMMEDIATELY REGARDLESS OF CONSEQUENCES TO
AMOUNT SENT MONTHLY BY BRYAN FOR THESE CASES AND MAINTAIN
AT THIS LEVEL REURTEL 405 DISTRESSED BY GREENE'S DEPARTURE
DID HE HAVE PROPER PASSPORT VALIDATION DID CABLE DIRECTING
HIM TO REMAIN IN LISBON ARRIVE BEFORE HIS DEPARTURE NO ANSWER
RECEIVED FROM YOU REGARDING POSSIBLE RESUMPTION AND COST
PACKAGE SERVICE CAN YOU SHIP CARLOAD SARDINES TO NONMILITARY
ZONES IN FRANCE WHAT IS PURCHASE COST AND QUANTITY PER CARLOAD.
UNQUOTE

THIS IS LISBON CABLE NO. 128.

9:00 a.m.
January 13, 1945

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

RDrury 1/12/45

CABLE TO AMERICAN DELEGATION, VATICAN CITY, FOR MR. MYRON TAYLOR

WRB has been informed by rabbinical group of a cable from Chief Rabbi Herzog and Rabbi Eliezer Finkel of Palestine stating that a message had been received from the Vatican to the effect that Japanese government agrees to removal of refugee rabbinical scholars interned in Shanghai provided this is done under an exchange scheme.

Please ascertain precise facts regarding this matter and cable to War Refugee Board such information as you may be able to obtain.

4:45 p.m.
January 13, 1945

CABLE TO MINISTER JOHNSON, STOCKHOLM SWEDEN

The following information reached WRB from Jerusalem:

QUOTE CHIEF RABBI ISAAC HERZOG JERUSALEM RECEIVED MESSAGE SWEDISH GOVERNMENT MADE REPRESENTATIONS JAPAN INFORMED SCHEME REMOVING FROM SHANGHAI IMPOSSIBLE MESSAGE FROM VATICAN JAPANESE GOVERNMENT AGREE ONLY UNDER EXCHANGE SCHEME UNQUOTE

Bearing in mind your 100 of January 9, your comment would be appreciated.

THIS IS WRB STOCKHOLM CABLE NO. 290.

4:45 p.m.
January 13, 1945

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

BAkzin:ar 1/13/45

CABLE TO AMERICAN LEGATION, BERN, FOR MC CLELLAND, FROM WAR REFUGEE BOARD.

Please deliver following message to Noel Field, Geneva, from

Dr. Charles R. Joy of Unitarian Service Committee:

QUOTE 2 SILBERSCHN MATERIAL JUST RECEIVED MUCH PLEASED BY LETTER NOVEMBER 15 AND FINE SPIRIT ALL DIFFERENCES AND MISUNDERSTANDINGS WILL BE QUICKLY REMOVED BY CONFERENCE STILL AWAITING MY PASSPORT VALIDATION THANK GOD FOR YOUR ESCAPE AT LYONS INFORM US LENGTH OF STAY AT PARIS AND OTHER TRAVEL PLANS GREENE LEFT LISBON FOR FRANCE CONTRARY TO COMMITTEES INSTRUCTIONS NEVERTHELESS HE SHOULD PROVE TO BE ADMIRABLE LIAISON OFFICER YOU ARE ALWAYS FREE TO USE PERSONNEL AS YOU PLEASE AND TO RETURN THEM TO AMERICA IF UNSATISFACTORY IT IS URGENTLY IMPORTANT THAT YOU CONFER SOONEST WITH COMMITTEE RECENTLY REESTABLISHED AT TOULOUSE 15 RUE TOURNANT DE LUPPE TO AID SPANISH REFUGEES IN FRANCE CHAIRMAN MANUEL ALGARATE REGARDING POSSIBILITY ASSOCIATION WITH US AS ADVISORY COMMITTEE INFORM THEM THAT BARSKY COMMITTEE INSISTS ON NEW NONCOMMUNIST CHAIRMAN AND COMPLETELY NONPARTISAN COMMITTEE PROBABLY WISE TO ADD PICASSO TO THIS COMMITTEE IF YOU ADVISE THIS ASSOCIATION LARGE SUMS PROBABLY AVAILABLE TO BE SPENT UNDER YOUR DIRECTION ALSO IMPORTANT YOU GO OR SEND SOMEONE TO EXPLORE POSSIBILITIES COLONY FOR 200 CHILDREN NEAR MANOIR DE LAHARRAGA GUETHARY BASSES PYRENEES WHICH IS OFFERED TO US CONSULT MME. GONI LARRIGRAND IN CHARGE ALSO COMMISSIONER FERDINAND HIRIGOYEN AT BIARRITZ ALSO DR. LEREMBOURE SARE BASSES PYRENEES ALSO MME. LEONIE LEREMBOURE PRESIDENT FRENCH RED CROSS RUE MAZARIN ST. JEAN DE LUZ STUDY PROBLEM HOUSING EQUIPMENT AND SUPPLIES NEARLAHARRAGA SUGGEST SEND FOR STUDY MR. FISERA FORMER HEAD VENCE SCHOOL AND WIFE NEE DR. MINOR NOW AT VALENCE SUR BAISE GERE CONSIDER POSSIBILITY EMPLOYING THEM FOR SUCH COLONY SEPARATE EARMARKED FUNDS AVAILABLE PLEASE PUSH TO UTMOST DELEGATION TO POLAND IT MIGHT OPEN ENORMOUS POSSIBILITIES TO US DO NOT HESITATE SHOW YOUR CHARACTERISTIC INITIATIVE IN GETTING COMMITTEE ESTABLISHED SOONEST BY SENDING PERSONNEL CZECHOSLOVAKIA OR HUNGARY BUT BE CAUTIOUS ABOUT LARGE COMMITMENTS AT OUTSET WE ARE ALL PROUD OF YOU HERTA AND ALL YOUR ASSOCIATES. UNQUOTE

THIS IS WRE BERN CABLE NO. 3631

9:00 a.m.
January 13, 1945

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

REDrury 1/12/45

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

January 13, 1945

1 p.m.

ALLEGATION

BERN

192

The following for McClelland is WRB 360.

Information said to originate with Irish Department of External Relations reached the Board to the effect that German authorities stated that the rumor that they intend to exterminate Jews in Oswiecim and Birkenau camps is a pure invention devoid of all foundation and that if camps should be abandoned, inmates will be evacuated.

Please investigate truth of this information and report results.

GREW
(Acting)
(GLW)

WRB:MMV:KG
1/12/45

WE

BC

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

PERSONAL TO AMBASSADOR STEINHARDT, ANKARA, FROM J. W. PEELE, WAR
REFUGEE BOARD.

I am happy to note your successful personal intervention
with the Turkish Government with respect to the transportation
of the 626 emigrants from Rumania who are now in Palestine.

I want to take this opportunity to extend to you my personal
thanks for all that you have done for the War Refugee Board in
Turkey and I wish you luck and success on your new assignment.

THIS IS WRB ANKARA CABLE NO. 136.

4:45 p.m.
January 13, 1945

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

FH:hd 1/13/45

RESTRICTED

OFFICE OF STRATEGIC SERVICES
WASHINGTON, D. C.

216 ←

13 January 1945

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

My dear Mr. Secretary:

I have thought that the attached radio-
telephone message from our representative in Bern
may be of some interest to you.

Respectfully yours,



E. J. Putzell Jr.
Lt. (j.g.), USNR
Asst. Executive Officer

Attachment

RESTRICTED

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

DATE 12 January 1945

#264

FROM	Berne	PRIORITY
TO	DIRECTOR, OFFICE OF STRATEGIC SERVICES	ROUTINE
DISTRIBUTION		DEFERRED
(FOR ACTION)		(FOR INFORMATION)

GPO 16-4000-1

RECEIVED IN PLAIN TEXT**RESTRICTED**GERMANY

Weltwoche, January 12: A special correspondent, who claims to have seen Hitler lately, writes, "It is said in Berlin that from time to time the Fuehrer is stone deaf, probably one of the results of the attempt on his life. He cannot hear himself or others talking on those occasions, and that has had some effect on his brain. It is quite likely that for this reason he has turned over all military affairs to the General Staff and is confining himself to organizing new divisions, preparing new weapons and, strangely enough, the reconstruction of German cities. But he remains the Fuehrer, and his iron will is felt in every domain.

"I saw Hitler in his automobile. He is thinner, his cheeks are drawn, his mouth is tighter, so that his lips are like a thin, straight line. His moustache is longer than before. All that does not say much, but when he lifts his head one sees that his eyes are as sharp and penetrating as ever. They tell the story of terrible earnestness. The man seems almost to suffer under his great responsibility, which has tired him out physically. Wrinkles and gray hair speak of days and nights of incessant work, but the bright light in the pupils of his eyes convinces one that this man will never change. He is still obsessed with the one dominant idea of Greater Germany, Germany as a world power. He is still a fanatic, when it comes to that, and he will continue to fight for his ideals with all his tremendous energy unless he is stricken with disease or crippled or perhaps loses his hearing definitely, which many seem to fear. This is what he is quoted to have said recently in a private circle: 'If Germany can be saved from a total victory of its enemies, all the inhuman sacrifices in life and property will have been small in the face of that triumph, and Germany will have taken the decisive step leading to a future of success and happiness.'

"Hitler is still the strong man. Himmler would be lost without him. Only one of the leaders has dropped out of the picture. That is Goering, who was supposed to have done the job of total mobilization, which Goebbels is doing; but Goering is not the man like a rock in time of need."

RESTRICTED

Regraded Unclassified

OFFICE OF STRATEGIC SERVICES

OFFICIAL DISPATCH

REF. NO. 264

FROM Berne

TO DIRECTOR, OFFICE OF STRATEGIC SERVICES

16-59201-1 GPO

RECEIVED

RESTRICTED

Gazette de Lausanne, January 12, radio bulletin from Berlin correspondent; entitled "Success of Rundstedt's Offensive".

The battle of the Ardennes has become a defensive battle for the German troops. German communiques report that it is exceedingly severe, and stress the heavy losses of the Americans, 90,000 in twenty days. The presence of fresh American divisions recently landed is signalled.

The reply to the question, whether the German offensive was a success is given in the affirmative. It is pointed out that the German command anticipated that the battle of movement would turn into a battle of position and then into a defender's battle. The German objectives were limited from the beginning and did not envisage mere gains of ground. It is particularly stressed in Berlin how greatly the situation of the German troops has changed since December. A few weeks ago, they were under constant heavy enemy pressure on the Dueren, Saar, and Palatinate fronts, which compelled them to engage a costly defensive battle. The Americans had the possibility of opening a road deep into the German plain. The German commander-in-chief had to choose between yielding to the American will and assuming the initiative by means of an offensive necessitating the use of considerable forces. The latter solution was adopted and had unmistakable success. The present battle has no resemblance to the initial plan of the Allies. It is dominated by the German initiative. The German success corresponds exactly to the intentions of the High Command.

The Koelnische Zeitung writes that the enemy lost the initiative in the battle of Cologne; that the four battles for Aachen finally came out in favor of the Germans; and that the enemy advance on the upper Rhine has now been sidetracked. When the enemy advances two steps on the road to Berlin, he is in reality thrown back twice that distance. The winter battle in the West is very severe for the German troops. Constant bombings make it very difficult for the Germans to maintain their lines of communications with the Front.

RESTRICTED

SECRET

OPTEL No. 15

Information received up to 10 a.m., 13th January, 1945.

NAVAL

1. HOME WATERS. 11th. Small U.S. Tanker sunk south of Isle of Wight but crew rescued.
12th. Later reports of yesterday's attack off Egersund show that one M class minesweeper, one large tanker and one or two other enemy ships sunk with three or four others left on fire. Coastal battery fire was ineffective and U-boat was driven off. Attacking enemy aircraft driven off by fighters from two of H.M. Escort Carriers which shot down one for loss of two but pilots of the latter rescued.
2. MEDITERRANEAN. One of H.M. Fleet Minesweepers mined and sunk yesterday off Corfu.
3. ENEMY ATTACKS ON SHIPPING. Unnamed ship reported yesterday as torpedoed 10th 60 miles W. of Gibraltar is now aground.

MILITARY

4. WESTERN FRONT. In the south, North of Colmar, Germans made further small advances northward. Seventh U.S. Army Front: slight advances made in area Bitche and south of Saarbrucken. Ardennes salient: further gains made by Allied troops at western end.
5. BURMA. 12th. Arakan front: our troops made successful landing Myeson (Hunters Bay) E. of Chindwin our troops captured Budalin.
6. EASTERN FRONT. Germans report new Russian offensive from Vistula bridgehead. Russians have captured further areas Budapest and continue repel German attacks N.W. and W. of City.

AIR

7. WESTERN FRONT. 12th. 24 Lancasters (3 missing) attacked U-boat pens and 4 ships at Bergen, sinking 1 ship. Bad weather northern and central fronts prevented operations.
Night 12th/13th. 20 Mosquitoes attacked two benzol plants and 32 Halifaxes (4 missing) laid sea mines.
8. MEDITERRANEAN. 11th. 950 light bombers, fighter bombers and fighters (7 missing) attacked communications and other targets N. Italy, cutting railways in many places and destroying or damaging 126 M.T., 25 locomotives, 103 railway wagons and 6 bridges.
9. S.E. ASIA. 10th. Burma front: Aircraft 246 attacked targets in Arakan and Shwebo areas and in Shan States.
11th. 297 Dakotas carried 716 tons to N. Burma. Super Fortresses 41 (3 missing) bombed floating dock Singapore, George Town (Penang) and Mergui Harbour.

HOME SECURITY

- Up to 7 a.m. 13th.
10. ROCKETS. 10 incidents reported.
 11. FLYING BOMBS. 13 plotted early this morning.

Copy No. 4

SECRET

OP L No. 16

Information received up to 10 A.M. 14th Jan. '45.

NAVAL

1. MEDITERRANEAN. Jan. 10th. U.S. Coastal Forces torpeded two F-Lighters and probably third in Gulf of Genoa.

Jan. 12th A South African Ship sunk by mine in Aegean.

MILITARY

3. WESTERN FRONT. In the South heavy enemy pressure continue towards Benflé where French forces repulsed attack inflicting heavy casualties. S.W. of Karlsruhe U.S. troops heavily engaged by enemy tanks and infantry who penetrated beyond Hatten and Rittershofen: U.S. Armour is counter attacking both places.

In Salient South of Bitché fighting continues with slight gains by U.S. forces.

South of Ardennes Salient: U.S. Third Army troops have advanced east and N.W. of Bastogne from two to four miles and made contact, British troops near Champlon.

North of Ardennes Salient: British troops advanced approximately two miles Southwards while further west attack towards Houffalize by U.S. First Army troops has continued with gains averaging two miles. Late report states road Houffalize to Chersin cut 2,000 yards west of latter place.

Jan. 13th. From area Stavelot and Malmedy troops of U.S. First Army launched new attack at dawn gaining 3,000 yards against stiffening opposition.

4. Greece. British patrols have advanced along coast road from Chalcis to Atalante where hampered by demolitions.

At Patras our troops are opening up road to Araxos airfield. Opposition from ELAS being met at Kato Achaia.

5. BURMA. Arakan Front: night 11th/12th. Second landing by approximately 40 Japanese attempted 23 miles N.N.E. of Akyab when more than half of enemy killed or captured. Landing at Mybeon was made under cover smoke screen following bombing and Naval bombardment during which enemy artillery shelled our ships for approximately one hour without effect. Our Troops now reported 800 yards south of Mybeon.

Central Burma. Further slight advance South of Shwebo without contact.

6. EASTERN FRONT. Russians have started large scale offensive from Vistula Bridgehead West of Sandomierz where despite unfavourable weather advance of up to 25 miles on 40 mile front has been made in last two days.

AIR

7. WESTERN FRONT. Jan. 13th. Escorted U.S. heavy bombers 400 (missing 32 of which 23 believed safe) attacked seven bridges (1,033 tons) and four railway centres (655 tons) between Bingen and Karlsruhe. Pathfinder technique mainly employed.

Escorted Lancasters 152 attacked Saarbrücken railway bridge where bombing was concentrated.

Medium bombers 95 (147 tons) on four bridges behind central sector with good results.

Fighters and fighter bombers 1355 (missing 14) operated battle areas destroying or damaging 300 MT and cutting roads and railways in 90 places.

8. MEDITERRANEAN FRONT. Jan. 12th. Fighters and fighter bombers 356 (missing one) attacked communications Po Valley and Spezia area where 120 MT destroyed or damaged.

9. SIAM. Jan. 11th. Liberators 43 dropped 21 tons on ten railway bridges Bangkok/Chieng Mai railway with good results.

HOME SECURITY (up to 7 A. M. 14th)

- 11. Rockets. Nine incidents reported.
- 12. Flying Bombs. Eight incidents reported.

No para 2 or 10 received. Called for.

January 15, 1945
2:33 p.m.

HMJr: Hello.

Operator: Mr. Yost.

HMJr: Hello.

Charles Yost: Yes, sir.

HMJr: Mr. Yost, when you come over tomorrow, I wish you could bring me up to date on just what is going on in the way of transport through the Dardanelles.

Y: Good.

HMJr: I've been reading about it. I'd like to know....

Y: Good. I shall.

HMJr: When it started and how much is going through and what effect that has on our shipment of lend-lease through other routes.

Y: My impression is nothing has actually gone yet though it's planned that it shall. But I'll check that and bring you all the facts.

HMJr: Off-the-record, Landis was in here and I got the impression from him that it had started almost a month ago, and it was making considerable difference.

Y: Huh.

HMJr: And I wanted to check up on that.

Y: Good. I'll look into it.

HMJr: I mean, I got -- and then if we know what ports they're going to -- just how much difference is it going to make in the shipping picture, you see.

Y: Yes. Good, I'll be glad to look that up.

HMJr: And then the other thing: there was an article in today's New York Times by Reston -- R-e-s-t-o-n.

Y: Yes.

HMJr: A long account of what Jean Monnet had accomplished in this country in the way of shipping for France.

Y: Yes.

HMJr: Well, I read it very carefully and when I got through with it, I couldn't see that he had done anything.

Y: (Laughs)

HMJr: And I wondered if you could bring me up to date on that.

Y: All right. Fine.

HMJr: You might -- if you haven't read Reston's article, you might take a glance at it.

Y: I'll do that. I hadn't seen it.

HMJr: Right. Thank you.

Y: All right.

January 15, 1945
3:10 p.m.

PROCUREMENT

Present: Mr. Pehle
Mr. C. S. Bell

MR. PEHLE: I think the answer ought to go along these lines: you appreciate calling this to their attention and will try to do everything to straighten it out without arguing with them.

Now, you sent to me the other day this teletype.

H.M.JR: Yes.

MR. PEHLE: It's a little misleading. All it means is that these people are interested in surplus which may come along because of the change in circumstances in the war.

H.M.JR: I see.

MR. PEHLE: As a matter of fact, the change of circumstances in the war is resulting in less property being declared, and some of what was previously declared being taken away. In other words, it is giving us a breather to some extent.

On Judge Rosenman's father-in-law, the New York office, with a little urging on my part, is willing to take him on at thirty-two hundred which is just what he is getting now.

H.M.JR: You have to refresh my memory on that.

MR. PEHLE: Judge Rosenman called me and said his father-in-law is working with OPA in New York, and he is a textile man, and he felt that he would rather be with Surplus Property or with Procurement, provided it could be arranged, and that the OPA wasn't using his background. They had him evaluating jewelry. I told him I would look into it. I mentioned it to you and you said to tell you about it before anything happened.

-2-

H.M.JR: Yes.

MR. PEHLE: They are willing to take him on at thirty-two hundred. They are not too happy about it, but they will do it. That's the same salary he is getting now. He is a rather arrogant and difficult creature to get along with.

H.M.JR: I wonder if this is something we want to do.

MR. PEHLE: That's entirely up to you.

H.M.JR: The trouble is, you take him on--

MR. PEHLE: He is quite an older man.

H.M.JR: You haven't got the papers?

MR. PEHLE: I don't have his papers with me.

H.M.JR: Then what if he wants a raise, and then it's the same thing over again and you have to see me, see?

MR. PEHLE: You want me to get the application and send it to you?

H.M.JR: I'll get him on the wire.

Of course, on things like on the annual message, he was very good with us.

MR. PEHLE: Yes. The rumor now is that he is going back to New York.

H.M.JR: Yes.

MR. PEHLE: I would foresee a little trouble in the future with this guy.

None of the people in New York want to do it. It's just that it's--

-3-

H.M.JR: Let's see, I don't know--the name for the record is Sol Reuben. I didn't know his wife's name was Reuben.

MR. PEHLE: Apparently.

(Secretary holds telephone conversation with Judge Rosenman, as follows:)

January 15, 1945
3:11 p.m.

257

Judge
Rosenman: Well, I've got a little cold.

HMJr: Well, I'm -- are you at home?

R: No.

HMJr: Sam, Pehle brought my attention to the case about Sol Reuben.

R: Yes.

HMJr: Some time when you've got a little time -- if you're free, I'd like to talk to you about it.

R: All right.

HMJr: Because I want to be sure that if we do do something, that in the long run it's what you want.

R: Yes. All right. You know he's Dorothy's father.

HMJr: So I understand.

R: Yes.

HMJr: And we want to be cooperative but we want to be sure that when he's there, in the long run it will be what you want.

R: All right. Well, that's very nice of you and when should I come over?

HMJr: Any time. I mean, just any time you feel like it.

R: All right. Wait 'til I get over this cold. I don't like to go running around....

HMJr: No -- when you're ready, but I can explain it to you better than over the phone. Some times some of these moves work out well and some don't.

R: Yes.

HMJr: But we want to be helpful.

R: All right.

HMJr: So does Pehle.

- 2 -

R: All right. Thanks very much. I'll come over.

HMJr: All right, good bye.

-4-

H.M.JR: I'll tell you what to do. Send over to Mrs. Klotz a history of this fellow so I can get it the first thing in the morning. I have done this, I know, once for his brother and, I think, once for his sister.

MR. PEHLE: I think you have done enough. This is an older fellow and the sort of textiles we buy, he couldn't possibly do. It is physical work; you have to go out and do physical work, but the Surplus thing they thought he could do, but there was some resistance.

H.M.JR: The thing is, not enough salary, he isn't treated right--

MR. PEHLE: And he has a very high opinion of his own ability. That's what I am told. Well, I think the Alcohol Tax thing on this order--and I have also cleared with Charlie. We are doing the same thing as you did in Alcohol Tax with this one exception that you provided, that nobody in Alcohol Tax or Revenue could own any stock in liquor companies. Of course, that doesn't apply to this thing and we can't say they can't hold stock in any company; that's too broad, but otherwise, it is along that line.

H.M.JR: Isn't that a good order?

MR. PEHLE: It's good and strong and it did a lot of good to clear the air. You might be interested in Oscar Cox's recommendation on Ira Hirschmann for Ambassador to Turkey?

H.M.JR: Oscar is quite a busy boy.

MR. PEHLE: Isn't he?

Now, we are having quite a lot of trouble in connection with twenty-eight million bandages which the Army turned over to us for sale. We have made several mistakes in connection with it. We are learning a few lessons. In the first place, we should

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have anticipated--I should have myself--that when we advertised these things, that the people who are rolling these kind of bandages will wonder what in the world they are doing when the Army sells twenty-eight million bandages. We should have gotten the story from the Army as to why they were declaring these surplus, which we didn't do.

We provided in the contract of sale that these could not be sold for medical purposes, and when I went into that more thoroughly, there wasn't any good reason why that was in there. So we have to change all that. In the meantime, one of the Congressmen on the Hill got on to it, and is raising Cain, because the Army sold these things.

Somebody wrote Mrs. Roosevelt a letter and she sent it over to you, and here is the reply. I think it is a good reply. We are all right on that phase of it.

(Hands Secretary letter dated January 15, 1945, from The Secretary to Mrs. Roosevelt, which the Secretary signs.)

H.M.JR: Was the complaint something to do with selling Red Cross bandages?

MR. PEHLE: The complaint was that the Army shouldn't be selling bandages and at the same time getting women to roll them. We were saying they couldn't be used for medical purposes, when theoretically they can.

There are some personnel cases, one, Frank Seymour. He was a man that we selected as a Regional--

H.M.JR: Wait a minute. Let's let those go and get Charlie Bell in so there is some coordination in my office.

MR. PEHLE: I wanted to tell you that Macy's is putting on a big show called "The Preview of Tomorrow" emphasizing products that will be available after the war, and they have assigned some space to Surplus Property, and we are working with them. It will be a big thing. They expect

a large crowd, and Earl Harrison--that's the fellow who left in August 1944--he's in his own private practice of law in Philadelphia--and I am checking on whether he will be interested, and come in tomorrow.

We got a petition--War Refugee Board stuff now-- we got a petition signed by--

H.M.JR: Have Charlie Bell come in. He could listen.

MR. PEHLE: It will take just a minute--signed by various nationality groups at shelters, asking for more freedom. They want to go outside of the shelters to visit relatives.

I am writing a letter back, if you agree, to Myer saying that while we have no objection to people getting medical treatment out there--that was cleared with you the other day--that we are opposed to people remaining outside of the shelters overnight to go to colleges, medical schools, and so forth. Now, this is a policy that Dillon Myer believes in, and that I believe in. I think if you let these people go to medical school in this country away from the shelters at a time when all the young doctors who are starting through school are being yanked into the Army, that there would be a very bad public reaction.

H.M.JR: It doesn't sound too good.

MR. PEHLE: The only other thing I have is--if you have some time for reading--this is a report on one of the big problems we have in automobile parts. You can throw it in the wastebasket if you want to, but it shows a relative problem.

(Hands Secretary memo from Mr. L. W. Moran to Mr. R. C. Duncan, dated January 9, 1945.)

H.M.JR: What else?

MR. PEHLE: That's it.

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H.M.JR: We can start and see what happens.

MR. PEHLE: This is Frank Seymour. We are trying to select a man that we can use probably in our New York office, or if not in the New York office, in one of the other offices. The New York office is very weak at the top. The man who handles that isn't very good and he wants to be relieved. He appreciates the fact that he can't handle the job. Once you get a situation where a man says "For Gods sake! Get me out of this", and you don't, there is something wrong. This fellow has been in this position for a year. The job is much too big for him. Frank Seymour is a civil engineer. He was City Manager of several towns. He went in the Army. He was a full Colonel in the Army.

I have seen him myself, and I think he is a very competent man who would strengthen our organization a great deal. The other fellow is Leland Dedo.

H.M.JR: What did the Colonel do before he was in the Army?

MR. PEHLE: He was City Manager.

H.M.JR: Of Los Angeles?

MR. PEHLE: No, several small towns. He has been the city manager of about four different towns in the Middle West. He was promoted to Colonel from Major. He had charge of maintenance.

H.M.JR: Is he out now?

MR. PEHLE: The Army speaks very highly of him. The Army let him go when they thought the war was over and now they would like to have him back, but he said he would like to stay out. The Army speaks highly of him.

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We would first bring him here as Director-at-Large, both on the Procurement and Surplus side, and he would be a good man to put in as head of one Regional Office. The other man is Dedo, who is the candidate for this Surplus job or Procurement side of the job in San Francisco. The man there isn't any good. We have been trying to find a replacement. The only question on this man at all is that he was with WPA for some time, but he has a very excellent reputation.

H.M.JR: Why do you hold that against him?

MR. PEHLE: Charlie said we have lots of WPA people. It doesn't bother me at all.

H.M.JR: You sound like a Republican.

(Mr. C. S. Bell enters the conference.)

Lucky there is somebody in Charlie Bell's office.

MR. BELL: I had McDonald with me.

H.M.JR: Don't go out leaving me high and dry trying to get somebody.

MR. PEHLE: Now, do I have all the things cleared you would have objected to?

H.M.JR: Is Ted Wilson around?

MR. BELL: He relieved me on the Hill.

H.M.JR: Just make sure that when I am here and you are not, that either Wilson or McDonald is on hand.

MR. BELL: All right, sir.

H.M.JR: What are you out of breath for, Charles?

MR. BELL: You said go right down the line until they get somebody.

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H.M.JR: He is lucky. So am I. He showed up all right.

MR. PEHLE: I think this man Dedo is very good, and Charlie does too. Charlie thinks he has a very good record.

MR. BELL: The only thing against him would be WPA, and I don't think--

H.M.JR: You sound like a Republican. Pehle said that and you say it.

MR. BELL: We had a little riot on the Hill, oh, about two or three months ago, on WPA employees in Procurement.

H.M.JR: Hopkins kind of an organization. Sure we took over that thing, and I had him investigated, and right off the first bat we dropped to third on the first investigation. Did you know that?

MR. PEHLE: No.

H.M.JR: On the first investigation we dropped to third.

MR. PEHLE: This fellow is a good top-grade man. He's getting sixty-five, and that's what we would be paying.

H.M.JR: Sure. That's all right. What's the other fellow's name?

MR. PEHLE: Colonel Seymour?

H.M.JR: Is that all right with you?

MR. BELL: I think John ought to have that type of fellow if he wants him, because he has a strong opportunity to talk to him, and he sees more in the fellow than we can

-10-

see from the papers. The papers are not the strongest papers we have ever looked at for an eight thousand dollar man.

MR. PEHLE: They must have been a lot stronger than some of the papers you looked at, judging from some of the people around.

H.M.JR: Two wrongs don't make a right.

MR. PEHLE: This man is a very good man. He had major responsibilities in the Army. The Army speaks very highly of him.

H.M.JR: Which means nothing.

MR. PEHLE: It only means something if you check with people with some intelligence. That's all. He makes a fine impression, and we are not hiring this guy for life.

MR. BELL: I got the impression he had the personality for the kind of job he is going to do. As I understand it, John is going to use him as Director-at-Large for a while and send him around the country.

MR. PEHLE: He's a hard driving guy, that's what he is.

H.M.JR: Do you mind John trying him?

MR. BELL, No, sir. No, sir!

H.M.JR: Talk up now. This is the time to put in your objections.

MR. BELL: I think John is a pretty good judge of good men.

MR. PEHLE: Let me say this. I am not the best judge of a good man, but any guy I have had recommended has been

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checked by a number of people there who all think he is good; only then do we move. I am not just taking my own reaction.

H.M.JR: There will be a little difference of opinion on both of these fellows.

MR. PEHLE: There is no difference of opinion on them at all, and Charlie hasn't seen this fellow. Incidentally, I thought this fellow had been cleared, but he hadn't.

H.M.JR: Cleared with--

MR. PEHLE: I thought the Main Treasury.

H.M.JR: With the Democratic Committee?

MR. PEHLE: They haven't been in on this one yet.

MR. BELL: I think we ought to be along with both of them. He has a pretty heavy job.

H.M.JR: I clear these things. I am a great fellow for organization. You know, Bell's organization. I am not talking about Hannegan.

Well, say your piece, now that you have your breath.

MR. BELL: I agree that he should have both of them.
(Laughter)

MR. PEHLE: Don't give me this negative reaction.

MR. BELL: I say he should have both of them.

H.M.JR: We ought to have a television report and get Charlie's eyebrows going up. All right.

MR. PEHLE: That was the fellow you were talking about.

H.M.JR: Yes.

MR. PEHLE: I'll see if I can find out something about him.

H.M.JR: Eddie Greenbaum might know about him.

MR. PEHLE: I had a talk with Colonel Heller. I was quite surprised. I expected a young vigorous guy. Gentlemen, I didn't--

H.M.JR: He is just out of the hospital.

MR. PEHLE: He looked sort of washed out, and he brought along Mason Britton.

H.M.JR: Who's he?

MR. PEHLE: He was Clayton's right-hand man.

H.M.JR: I don't remember him.

MR. PEHLE: I would have been more free in what I told him if we had been alone. The only thing they suggested right off the bat that I didn't particularly care for is they wanted to put people in our Regional offices, which we probably will have to go along with, but I don't particularly like it. See, it raises the whole issue of who's doing the opening anyhow, and I think I told them if I were in their position, I wouldn't start out with that.

H.M.JR: Divided authority. You could talk to Heller.

MR. PEHLE: Heller?

H.M.JR: Sure.

MR. PEHLE: They had been told to clear their budget through General Clay, and I said to Heller, "I am probably asking you an impertinent question, but is the Board working for Jimmy Byrnes," and there was a silence, and he said,

"Let me ask your informal advice. We have been told to clear the budget with General Clay, and I think we ought to raise a fuss about it," and I said, "You will have to decide if you want to fight, but the best time is right now, if you want to."

H.M.JR: I don't get the point.

MR. PEHLE: General Clay is Byrnes' Assistant. They are in the Office of War Mobilization and Reconversion.

H.M.JR: Why shouldn't they clear it?

MR. PEHLE: On paper. The question is whether Mr. Byrnes is going to issue them policy orders or other kind of orders.

H.M.JR: Why shouldn't he? I'm just arguing.

MR. PEHLE: The Board has been appointed by the President and is operating under Congressional Act, and I should think they have got enough people checking on them without another layer, so apparently Byrnes is between them and the President.

H.M.JR: He got in on all these appointments. He sent for Heller.

MR. PEHLE: I guess they are reporting to Jimmy Byrnes to some extent, but Heller was thinking of fighting the budget. He was thinking of it.

H.M.JR: Personally, I don't see why they wouldn't report to Byrnes.

MR. BELL: I kind of feel as John does.

MR. PEHLE: You wouldn't feel that way if you were involved. That's all I have to say.

H.M.JR: I wouldn't be on that spot.

MR. PEHLE: We are reporting on policy to the Board, and if the Board has to report to Byrnes, there are too many layers. That's why I raised the thing at all, see?

H.M.JR: Yes. I'm not going to worry.

MR. BELL: Another thing is, Mr. Secretary, the Colonel felt he should have a strong investigating organization associated with the Board, so I acquainted him with the investigative organizations that the Treasury and others have, and he concluded by saying he might want just a central office with half a dozen fellows in it that would deal with our fellows on investigations.

MR. PEHLE: I'm afraid they are going to make a mistake of getting too much in operation. I had the same discussion and I told them the same thing; they ought to start on policy and not operations.

H.M.JR: They have to have money.

MR. PEHLE: They are going to ask for money. They are going to ask for one appropriation to take care of everybody that is dealing with Surplus Property. They are leaving Procurement out this year, but next year they are going to put it in. We are going to get our money from the Board, which I don't particularly like. I told them on investigations that maybe they ought to talk to Elmer Irey before they went very far, and told them, "For God's sake! Don't get FBI on it." That shocked Heller a little. He said, "Why not?"

MR. BELL: Heller had one of our men on the Coast, Mal Hanks. Hanks is in the service, Coast Guard. He's a good fellow.

H.M.JR: He's tops. Hanks is one of my boys. He did a great job on the West Coast for me.

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MR. BELL: He could be. Everybody speaks well of him.

H.M.JR: We got an administrative fellow in and we have a Treasury--

MR. BELL: A good administrative man.

H.M.JR: ...investigator, and maybe a Treasury lawyer out of the service, who want the General Counsel--

MR. PEHLE: I say for God's sake get somebody with Government experience! It would be a mistake to get him out of private industry.

H.M.JR: I saw, according to Drew Pearson, they are going to take the Senator's lawyer who did investigating work.

MR. PEHLE: I saw that too.

H.M.JR: Yes.

MR. PEHLE: That's all right.

H.M.JR: O.K. boys.

MR. BELL: Mr. Cannon--while I am here--wants us to loan him four men to do investigative work on Government departments. They have a law to make requests for details. They want to look into the questions of travel and communications and telephones. We have already had a couple of boys do that in the Treasury. They have finished with us.

MR. PEHLE: You have to do that.

MR. BELL: Yes.

MR. PEHLE: I did Mr. Taber a favor today you will be glad to know.

H.M.JR: What did you do?

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MR. PEHLE: This City of Auburn, which is his home town in New York, had some equipment. Under the law they are entitled to get title to it under certain conditions which they only dubiously met. But we looked at it in the right direction and fixed it up.

H.M.JR: Does he know?

MR. PEHLE: Yes, he knows. He called Mr. D. W. Bell and requested it, and talked to him.

H.M.JR: D. W. Bell. O.K.

MR. PEHLE: All right. Thank you.

JAN 15 1945

Dear Eleanor,

This letter refers to the letter sent to you under date of January 9 by Mrs. Rose L. Brown, of the General Federation of Women's Clubs, in which Mrs. Brown refers to recent publicity regarding the sale of 28,000,000 first-aid dressings by the Treasury Procurement Division.

I am sorry that this publicity has been disturbing to those women who have contributed of their time so generously in the making of bandages for the Red Cross. Unfortunately, the publicity did not give an adequate explanation of the facts surrounding the declaration of these bandages as surplus.

The Treasury Procurement Division did not, of course, make the decision that the bandages should be declared surplus. That decision was made by the War Department, which gives the following reasons for this declaration:

The dressings were bought by the Army in 1942 as a part of the stockpile of medical equipment built to meet anticipated Lend-Lease needs. In purchasing for the stockpile, the Army provided centralized procurement for various Lend-Lease countries and assured rapid delivery of essential supplies. Purchases for the stockpile were made on the basis of the best information available on war needs. Eighty per cent of the total Lend-Lease requirements were satisfied from this stockpile.

After the bandages were acquired, the anticipated heavy requirements for this item

from Lend-Lease did not develop. At the same time, the Army shifted from the use of white to a brown first-aid bandage, as a result of its combat experiences. In the Southwest Pacific, white first-aid bandages made wounded men a target for snipers. Because of this, brown dressings replaced white in kits issued to troops in all theatres of operation.

Unwrapping the white first-aid dressings, dyeing the outside bandage and rewrapping and repackaging proved more expensive than to buy the brown bandages new.

The above information has been made public by the War Department.

These bandages which have been declared surplus and turned over to Treasury Procurement for disposal are machine-made and are designed for use only as the first dressing applied to a wound. They have almost no hospital use. They are not to be confused with dressings made by the American Red Cross, which are folded by hand and are used primarily in surgery. I am advised that there is still an urgent need for Red Cross bandages.

I trust that this information will be useful to Mrs. Brown in assuring the ladies of her organization that their efforts in making bandages have not been wasted in the slightest degree.

Affectionately,

(Signed) Henry

Mrs. Franklin D. Roosevelt,

The White House.

THE WHITE HOUSE
WASHINGTON

January 12, 1945

Dear Mr. Secretary:

Mrs. Roosevelt has asked me to bring to your attention the enclosed letter from Mrs. Rose L. Brown, of the General Federation of Women's Clubs, on the subject of sale of sterilized dressings as surplus property.

Very sincerely yours,

Malvina C. Thompson

Secretary to
Mrs. Roosevelt

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

8A St. Louis Globe-Democrat. Monday, Jan. 8,

275
Army Surplus First Aid Dressings Put on Sale

More than 25,000,000 sterilized first-aid dressings designed for use by the Army have been offered for sale as surplus property to wholesalers and others who would use them as dust cloths, window wipers and machinery wiping cloths, the Treasury Department announced yesterday.

The dressings come in two sizes, one five by six inches, cotton filled, and to which are attached 26-inch-long cotton ties. The smaller dressing is three by five inches and has ties of gauze. The large dressing also contains four safety pins.

A Treasury spokesman said the dressings could not be used as medical bandages. It was pointed out that the dressings might be used by firms which manufacture paper, composition roofing, insulation and mattresses and furniture stuffing.

GENERAL FEDERATION OF WOMEN'S CLUBS



January Ninth
1945

My dear Mrs. Roosevelt-

If Goebbels himself had planned the enclosed article from a local paper he would have been very satisfied with the reaction. Frankly I am very disturbed.

Yesterday many honest and sincere woman almost cried when they thought of the many HOURS spent on making those same bandages that were now going for dustrags. Why, Oh why is such a thing permitted? It is about the worst way of encouraging normal love and devotion to country. "We are all trying to do the right thing and then this-----" said one older woman with two boys at the front. Honestly, I cannot blame her. Can you? Please see what you can do about this. (At least save those valuable safety pins)

Thanks for helping us so well in that article on Soldier Memorials. There has been a fine reaction and my article had been featured many times, thanks to you.

I hate to bother you but I know you have the welfare of the country closest to your heart.

Most cordially

(Mrs.) Rae L. Brown

Chairman Press and Publicity
General Federation of Womens' Clubs

6403 San Bonita, 5
St. Louis, Mo.

After January 15th- Address will be 8038 Davis Drive
St. Louis, 5, Mo.

January 15, 1945
3:41 p.m.

Operator: Go ahead.

HMJr: Hello.

Donald
Nelson: Hello, Henry. How are you?

HMJr: Fine. What's more important -- how are you?

N: Why, I'm fine, thank you.

HMJr: I read, or heard, that you were indisposed.

N: Oh, no, that was -- that was a little bit exaggerated.

HMJr: Just a little bit.

N: Say, whenever you have a few minutes time, I'd like to run over and see you. I've got several matters in connection with China that I wanted to tell you about.

HMJr: Would three o'clock tomorrow be agreeable?

N: Three o'clock tomorrow would be agreeable, sir.

HMJr: I'll look forward to seeing you.

N: I'll be there at three o'clock tomorrow.

HMJr: All right.

N: Okay, sir.

January 15, 1945
3:55 p.m.

PRE-PRESS

Present: Mr. Gaston
Mr. D. W. Bell
Mr. O'Connell
Mr. Blough
Mr. White
Mr. Shaeffer
Mrs. Klotz
Miss Chauncey

H.M.JR: Now I am just going to say those kind of people are cleared by the State Department. If there is any investigation to be made, it is made by the State Department. Right Herbert?

MR. GASTON: I think so.

MR. WHITE: About the French? Yes. We had written a letter to the State Department asking them what their view is about our meeting those obligations, and we have not received an answer yet. That was sent on December 29. Although they are working on a loan arrangement--

H.M.JR: That matter is also being handled by the State Department.

MR. WHITE: Being mishandled.

H.M.JR: Charlie?

MR. WHITE: We have had a committee over this morning from the CED but they don't want any publicity on it.

H.M.JR: Charlie?

MR. SHAEFFER: Podesta is all I have.

H.M.JR: Well, we have taken care of that.

MR. SHAEFFER: I understand we have the Finnish debt.

MR. BELL: Have you cleared on Finland?

They owed us some money on December 15, and we sent a letter to the State Department saying we didn't think we ought to take it because we refused to release Finnish money to pay their private obligations in this country and didn't think we ought to release funds to pay Government obligations.

H.M.JR: I'll ask you.

MR. BELL: I don't like to really tell it.

H.M.JR: No?

MR. BELL: I think we are getting into a snarl with the State Department. Since this happened they sent Hamilton to Finland. That raised a question in the minds of the newspaper boys, in view of this sort of recognition, do we now take the money? And I think it is clearly a Foreign Funds problem.

MR. WHITE: It is a very different matter. We don't want the Government to be a preferred creditor, for we have turned down private creditors. There is only a small amount of money they had, and we think claims ought to be examined in full.

H.M.JR: I am not ready to answer that. I would like to have it out first--cleared with the State Department. I won't tell them that. It's too complicated.

MR. WHITE: We are now waiting for a letter from State as to what action they want us to take, and they have had the letter for three weeks.

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H.M.JR: Notice the one, two and three letters I got back from Grew. He came back pretty snappy. I sent you copies of three letters from him.

MR. WHITE: I saw one you got back.

H.M.JR: I got three. You better look them all up.

MR. WHITE: They want an answer even more quickly. They have called me up twice Saturday and once again today.

H.M.JR: I was invited to a dinner tomorrow night for General Monnet to meet the French Ambassador. Fortunately, we had a previous engagement. I wasn't going to sing for my supper to the extent of two billion dollars. I want a perfectly good evening. It's too expensive.

January 15, 1945
4:25 p.m.

(Post-press)

CURRENCY

Present: Mr. Gaston
Mr. O'Connell
Mr. D. W. Bell
Mr. White
Mr. Shaeffer
Mrs. Klotz
Miss Chauncey

MR. BELL: This fellow from the Philadelphia Record, Stern, is writing you another letter. We have had quite a bit of correspondence with him for a year or a year and a half and he is writing another letter. This man called me Saturday night and wanted to know if it got in and what reply we are going to make, and I couldn't tell what kind of a reply until I saw the letter.

MR. GASTON: About currency?

MR. BELL: Oh, yes, it's the old story Stern has. He has received editorials on it.

H.M.JR: I thought it better to tell them about it. The stuff was rumoring and Gaston will have something for me tomorrow.

MR. WHITE: They ought to be able to write at least a full page on what they have.

MR. O'CONNELL: There has been a great deal written.

H.M.JR: I thought by having you top fellows here, you know how I work this, and if they ask me something, I can ask you, and I think it makes better team-play. I am going to do it regularly from now on.

MR. BELL: It is better from our point of view, because if they call us, we don't know what they are talking about.

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H.M.JR: It makes for better team-play, don't you think Herbert?

MR. GASTON: It's good.

H.M.JR: You get the flavor of the thing. Otherwise, I would have to talk on this background on currency, and every one of you would say, "You never should have done it," but if you are here, at least you can understand why I did, because they are going out of here and will be writing something. Of course, the fellow that ran up on the Hill--you know who that was.

MRS. KLOTZ: He was so guilty, he was twitching. He knew he meant him.

H.M.JR: He tipped off Taft that I was going to do something.

MR. BELL: Mike Flynn was a little guilty too.

MR. O'CONNELL: I thought it was Nick Gregory?

H.M.JR: No, it was the banker, Wilcox.

MRS. KLOTZ: He was very uneasy. He immediately asked you a question. I had no idea until I looked at his face, and then I knew it was he.

MR. GASTON: I thought it was Wilcox.

MR. BELL: He's good at that.

H.M.JR: It's the first time he got caught red-handed.

MRS. KLOTZ: Did he know before this that you knew?

H.M.JR: I don't think so. I have kept it. You know, I hold these things, and what happened was it was in connection with the Federal Reserve--when Eccles was up there and I said something about it. As far as I was concerned, I had no interest in the bill. It was in

-3-

connection with FDIC, these charges, you know, the exchange charges, and I think you said that--I think you said something about our conversation Wednesday on it, and we are going to report favorably, but with qualifications--something to that effect. Taft intimates that you were against the bill, and you weren't against the bill.

H.M.JR: You are invited regularly to come if you would like to, and tomorrow sometime, maybe Herbert, you will have me a little draft on this if I am going to say something?

MR. GASTON: I don't know. I am afraid that talking about--I am afraid that a retirement of the bills--the announcement of the retirement of the bills is going to be just about as dangerous as the other thing. What do you think, Dan?

MR. BELL: I am inclined to think so, but let's take a look at the statement.

MR. O'CONNELL: I haven't thought particularly about its being terribly dangerous, but I didn't think the retirement of the bills on voluntary basis does much in either field we are hitting, either black market, tax or foreign, because it--

MR. WHITE: I think the danger is they are liable to interpret it as the Secretary's method of contending with it, and they will find all the reasons why it isn't effective. You won't be able to discuss the matter because of the publicity angle, so you will have to take the criticism without being able to defend yourself.

MR. GASTON: It contains some of the very same dangers and is pretty ineffective as far as getting results is concerned.

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MR. WHITE: It will be effective in getting results-- preliminary steps, but in order to make your case reasonable, you will have to tell them the whole situation which you are not able to do.

MR. O'CONNELL: You will have to tell them why you are doing it.

H.M.JR: Wheeler likewise criticized the so-called Morgenthau Plan for deindustrializing Germany. He said it was costing American lives by stiffening Nazi resistance.

MR. BELL: That's Senator Wheeler.

MR. O'CONNELL: It's a rehash of the thing he said a week ago.

H.M.JR: He criticized Vanderberg's Plan for immediate allied treaty. "We are not fighting this war just to make it impossible for Germany to start another conquest of aggression and violence."

Shall I try to answer Wheeler about my plan costing American lives?

MR. GASTON: We haven't answered anybody's letters.

MRS. KLOTZ: Send him a copy of Stimson's letter.

MR. BELL: It wouldn't do any good.

MR. WHITE: It would only open up a controversy.

MR. O'CONNELL: No, Wheeler is a dirty fighter.

H.M.JR: I don't see why I should worry any more about Wheeler than I do about Mr. Hitler saying things about me. What?

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MR. O'CONNELL: Same category. He's a dirty fighter.

MR. WHITE: The only comment you might make is that it's funny how sometimes Hitler and Wheeler say the same thing so often.

January 15, 1945
4:45 p.m.

David
Niles: on your man.

HMJr: Yes.

N: He's a black-hearted Republican.

HMJr: A black-hearted Republican?

N: Yes.

HMJr: Not even a little white spot, huh?

N: No.

HMJr: You don't know what his attitude is toward
Roosevelt?

N: Well, I talked with a lot of our people up there,
including your man, who is a big political power.

HMJr: Who?

N: Including your man, Denny Delaney.

HMJr: Delaney?

N: Yes. You know, your collector up there.

HMJr: Delaney?

N: Yes.

HMJr: Oh, Internal Revenue.

N: Internal Revenue.

HMJr: Oh, yes.

N: Yes. And I checked with him, among others,
without of course telling him why.

HMJr: Yeah.

N: And nobody could find that he ever did anything
in our corner.

HMJr: Well, then, he's just been giving me a song and
dance.

N: Of course, Henry Dennison is on that Board with him, you know.

HMJr: Well, is Dennison

N: Dennison.

HMJr: the -- the paper man?

N: Sure.

HMJr: Well, let me ask you this: this fellow Dennison -- there's a new man who is the President there -- what's his name.

N: Creighton.

HMJr: No, from a tool and die company.

N: Oh, I know who you mean but I can't think of his name.

HMJr: Well, he's from this -- he's on the committee here with Fred Vinson, I think. Well, he's just been made President of that bank.

N: That I don't recall.

HMJr: Oh, he -- you -- there's a small tool and die company up in Vermont -- this fellow is quite well known.

N: Tool and die?

HMJr: Yes.

N: I don't know. I'll -- let me look it up.

HMJr: He's president of the bank. Creighton is chairman of the Board.

N: Yes, Creighton is President. Well, the board is com -- here's the list: Forbes, Holmes -- Alan Holmes, Leon A. Dodge, Philip R. Allen, Roy L. Patrick, Lawrence F. Whittemore, Henry S. Dennison, Henry I. Harriman.

HMJr: No, none of those people are the people -- that -- these -- the President is somebody else. But is Dennison all right?

N: Sure. Oh, Dennison is a hundred percent. You know him.

HMJr: Well, I don't think I've ever met him.

N: He's a great pal of Lincoln Filene. He's -- Henry Dennison is always in our corner.

HMJr: Of course, he was down here originally with -- with what's-his-name -- the Governor of Puerto Rico -- I don't know what's the matter with my memory this evening. Rex Tugwell.

N: Rex Tugwell -- oh, no.

HMJr: Yeah, he worked with him in his early days.

N: Well, Henry's an older man than Rex.

HMJr: Yeah, but I mean he worked with him.

N: Yeah, but he was very active in NRA and

HMJr: Is anybody using Dennison now?

N: No, I think he's -- I -- all I -- the last I heard was he's a member of some Advisory Commission.

HMJr: Yes. Well

N: And he was to be -- he was one of the members of the National Resources Planning Board.

HMJr: That's right. That's right. Well, thank you very much.

N: Righto.

HMJr: Thank you.

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1/15/45

Reading copy of mm, Jr's statement before
house Appropriations Committee on the Treas-
ury Appropriation Bill for the fiscal year
1946.

MR. CHAIRMAN:

I am pleased to have this opportunity of appearing before your Committee to discuss the Treasury Department's appropriation requirements for the fiscal year 1946.

In preparing these estimates, it has been our aim to reduce the requirements to the minimum amounts which we believe to be necessary for the efficient performance of the essential work of the Department.

As you know, the Treasury is essentially a service agency. In addition to other major functions, including the sale of bonds and the collection of revenue, this Department is called upon to provide service to practically the entire Federal establishment in connection with its disbursing, procurement, accounting, and check-clearance operations.

The volume of these services depends largely upon the activities of other Federal establishments. The large expansion in the Government's activities resulting from the War continues to be reflected in the Treasury's functions, and particularly in its disbursing and check-clearance operations. For these purposes we are compelled to ask for such funds as will enable us to handle the work.

With reference to these increased workloads, however, I should like to refer to the improvements that have been made in our operating procedure, enabling us to handle a heavy volume of work with little or no increase in operating costs.

This is particularly true with respect to the clearance of checks, the manufacture of coins, and the printing of securities. In these operations we have established a splendid record, and I would like to take this opportunity to express my appreciation of the initiative and enthusiasm displayed by those responsible for introducing the improved methods of operation.

In this connection, I might add that the Treasury plans to submit legislation which will permit the payment of cash awards to its employees who contribute meritorious suggestions resulting in more efficient operations or reduced expenditures.

The War and Navy Departments have had authority to make such payments to their civilian personnel for a considerable period of time, and recently several other Federal agencies have been granted similar authority. The functions engaged in by the Treasury offer a wide field for suggestions by employees, and I believe that it would be highly desirable if we were granted similar authority. Early action on such a measure is deemed very important, since it would have the effect of encouraging employee initiative in making suggestions during this emergency period, when our workload is at its highest level.

Other major functions of the Treasury include the collection of internal revenue and customs duties, and the sale, issue, and retirement of bonds and other public debt securities.

While slight increases are anticipated in 1946 in customs and internal revenue activities, the Department's public debt operations are expected to continue at about their present level. This latter forecast, however, is tentative, being subject to such revision as might be found necessary to meet future demands arising from the War.

Before taking up the details of our 1946 requirements, I should like to point out that the estimates now before you do not include any funds for the payment of overtime compensation.

Public Law 49, which authorizes such overtime payments, will expire on the 30th of next June, and while Congress will no doubt consider the question of extending the law, we have included no funds for this purpose in our 1946 estimates. It should be understood, therefore, that any reference hereafter made to items of increase or reduction is exclusive of the funds available this year for the payment of overtime.

The 1946 estimates under the Treasury's regular annual appropriations total about \$297 million, as compared with the current year's requirements of about \$294 million for similar purposes.

Specific items of increase include \$444,000 to cover the cost of penalty mail, as required by Public Law 364; \$4,884,000 for surplus property activities of the Procurement Division; \$940,000 for the Customs Service; \$940,000 for the Bureau of Engraving and Printing; \$850,000 for the Bureau of Internal Revenue, and \$546,000 for the Division of Disbursement. Of the increases requested, \$1,150,000 represents automatic salary adjustments which are compulsory under the law.

Partially offsetting the foregoing items of increase, the estimates of certain other bureaus reflect reductions for 1946, as, for example, a reduction of over \$400,000 under the Office of the Treasurer of the United States, a reduction of \$1,440,000 under Foreign Funds Control, and a reduction of \$4,850,000 under the Bureau of the Public Debt.

- 8 -

FOREIGN FUNDS CONTROL

The 1946 requirements of the Foreign Funds Control are estimated to be nearly 1-1/2 million dollars less than the current year's funds. This substantial reduction is the result of streamlining the operations of the Control, and continuously adjusting its activities in the light of experience and changing conditions.

DIVISION OF DISBURSEMENT

An increase of \$546,000 is requested for the Division of Disbursement, due to the additional number of items to be handled. Under the current year's program, it is expected that this Division will be called upon to handle about 84 million payments and collections, while the total for next year is estimated to be in excess of 95 million.

- 9 -

BUREAU OF THE PUBLIC DEBT

For a number of years the principal requirements of the Bureau of the Public Debt for handling transactions relating to the sale, issue, and retirement of public debt securities have been provided under two separate appropriations, one being an annual appropriation and the other a permanent indefinite appropriation.

Last year your Committee asked us to consider the feasibility of combining these requirements in a single appropriation.

Accordingly, for 1946, the Bureau of the Public Debt is submitting a new annual appropriation entitled "Administering the Public Debt", which merges the funds estimated to be necessary to perform all functions pertaining to the public debt except those performed by the Office of the Treasurer of the United States, the Office of the General Counsel, and the Secret Service Division. As to the latter three offices, the requirements currently provided from the indefinite appropriation "Expenses of Loans" have been included for 1946 in the regular estimate of each office.

- 11 -

This change in the method of appropriating for public debt operations marks the suspension, for the time being, of the permanent indefinite appropriation "Expenses of Loans", which, since 1917, has been the Treasury's principal source of funds for handling its public debt transactions. It is believed that under this new policy of combining the operating requirements of the Bureau of the Public Debt under a single annual appropriation, with a similar consolidation in each of the other three offices previously-named, consideration of the estimates by the Appropriations Committees will be greatly facilitated.

- 12 -

The amount included in the 1946 estimate under the new title "Administering the Public Debt" is \$85,500,000. Comparable funds available this year total about \$109 million, of which approximately \$19 million will not be spent.

Contributing to the large amount of savings accomplished this year by the Bureau of the Public Debt is the introduction of improved methods and procedures in its Chicago office. As a result of these changes, it has been possible to perform certain operations with fewer employees than were originally estimated.

There is also the problem of recruitment. The volume of work in connection with the war savings bond operations requires a much larger force than that employed by the Chicago office.

- 13 -

Due to the man-power situation, however, it has been impossible to recruit this force to the desired strength, and since the situation is not expected to improve materially next year, the Bureau's 1946 estimate for its Chicago office has been limited to the number of people expected to be actually employed, rather than on the basis of the volume of work to be handled. If recruitment conditions next year should be more favorable, we shall probably find it necessary to ask for additional money in order to dispose of the backlog which will accumulate under our present program.

Requirements of the War Finance Division, as now estimated for 1946, are less than \$9 million, as compared with this year's estimated expenditures of over \$13 million. In explanation of this large reduction, it should be stated that the 1946 estimate represents merely the amount that will be required if our war bond promotion is not accelerated beyond its minimum level. It is very difficult to forecast, months in advance, the scope and nature of our war bond drives. For this reason it was decided that we would reduce our 1946 estimate to the minimum, with the understanding that if at a later date it should become necessary to obtain additional funds, we would ask for a supplemental appropriation.

OFFICE OF THE TREASURER OF THE UNITED STATES

The amount requested for 1946 under the appropriation "Salaries and Expenses, Office of the Treasurer of the United States", is about \$418,000 less than the funds available for these purposes during the current year, including the allotment from the indefinite appropriation "Expenses of Loans".

BUREAU OF CUSTOMS

The Bureau of Customs is requesting an increase of about \$940,000 for 1946, as compared with its current appropriation.

Of this increase, \$300,000 will provide a working capital fund to be used in anticipation of reimbursements and to be returnable to the Treasury after the close of the fiscal year.

It does not, therefore, represent an appropriation for expenditure purposes. The remaining \$640,000 requested by the Bureau of Customs is comprised of funds necessary for the adjustment of automatic salary increases under Public Law 200, and to provide for the reallocation of certain field positions on a full year's basis.

BUREAU OF INTERNAL REVENUE

The 1946 estimates for operating expenses of the Bureau of Internal Revenue reflect a net increase of about \$850,000, as compared with the funds available this year for the same purposes.

It should be explained, however, that in view of the expiration of the Stabilization Act on June 30, 1945, the estimates submitted by the Bureau of Internal Revenue include no funds for continuing the bureau's Salary Stabilization Unit beyond that date. No funds will be requested for continuance of this activity until such time as Congress has extended the Stabilization Act, in accordance with the President's recommendation.

BUREAU OF ENGRAVING AND PRINTING

The Bureau of Engraving and Printing will require an increase of about \$939,000 in 1946, due principally to the printing of a larger volume of United States currency than it will be possible to produce this year with funds currently available.

As to the current year's currency program, however, it is expected that a deficiency appropriation will be required.

PROCUREMENT DIVISION

The Procurement Division's requirements for its 1946 surplus property program will be nearly \$5 million more than the funds available for the current year. In view of the nature of this program, it is impossible to predict with any degree of accuracy the volume of surplus property to be handled by the Treasury Department next year. The estimate for 1946 is based on an annual business of approximately \$540 million. It is believed that the volume of work to be performed next year will require expenditures at approximately the same level as those to be incurred during the latter months of the current year.

- 19 -

The additional funds requested for 1946 represent, therefore, only the amount necessary to provide on a full year's basis the same facilities which will be available for only a part of the current year.

PENALTY MAIL

With respect to funds covering the cost of penalty mail weighing four pounds or less, in accordance with the Act of June 28, 1944, the Treasury's additional requirements for 1946 will approximate \$444,000. This amount will be needed to pay for 30 million mailings not provided for in the current year's appropriation.

INTEREST ON THE PUBLIC DEBT

The 1946 requirements for Interest on the Public Debt, on the basis of the information now available, are estimated to be about four and one-half billion dollars.

This concludes my general statement, Mr. Chairman.

I have not attempted, of course, to discuss the Treasury's entire budget, but merely some of the outstanding items. The Department's bureau heads are prepared to present their detailed justification in support of their requirements. If you should need any additional information, or if I can assist your Committee in any other way, please let me know.

JAN 15 1945

Fellow Employees:

As we enter another year I take this occasion to extend my best wishes and to thank each of you for your valued contribution to the work of the Treasury. It is sometimes difficult for us to relate our individual jobs to the war effort, or to feel sure that we are making our maximum contribution toward a speedy victory. Let me assure you that the work of the Treasury Department is vitally important and that the job of every employee of the Department plays a significant part in the total war effort.

Your splendid past cooperation makes me confident of your continued support during 1945. Particularly, I should like to have your help in these ways:

1. Stay on the job.
2. Do everything in your power to conserve vital war materials.
3. Be a regular Blood Donor.
4. Buy War Bonds and keep them. This helps you and your Government.

If each of us in the Treasury Department will make this his personal war during 1945, we can end the war sooner and bring our fighting men home. I know I can count on your continued help in an all-out war effort.

Sincerely,

(Signed) Henry Morgenthau, Jr.

(This is the first of a series of letters to be issued by the Secretary's Office. On the reverse side you will find items of current interest.)

ITEMS OF EMPLOYEE INTEREST

Law authorizing payment in a lump sum for leave on separation from the service.

Public Law 525, 78th Congress, provides for paying employees in a lump sum for their accumulated annual leave when they leave the service, or enter on military furlough. The amount involved is added to the employee's last salary check.

No retirement deductions are made from the lump sum payment. Tax deductions, however, are still required.

If an employee dies, his retirement account beneficiary (or estate, if no beneficiary was named) receives a lump sum payment for his leave. Before the passage of the act, leave which the employee had to his credit when he died had to be cancelled out. No one received its benefit.

What your "War Service-Indefinite" Appointment means.

Many of you are serving on a "War Service-Indefinite" appointment. If so, you may have observed that your appointment notification carries the notation: "For the duration of the war and six months thereafter." This may give you some concern. You may feel, for instance, that your discharge is absolutely required within six months after an armistice is signed terminating hostilities.

The Civil Service Commission states that the phrase "duration of the war" refers to the duration as legally fixed. It does not refer to the duration of hostilities. Quite probably, the date of legal termination of the war will be some time after hostilities cease. The First World War was not legally terminated until passage of a resolution by Congress on July 2, 1921. This was more than 2½ years after signing of the armistice terminating hostilities.

A War Service appointee can, of course, be separated before the legal termination of the war, or six months thereafter. For instance, the appointee could be separated in a reduction in force. However, Treasury does not anticipate that it will be necessary to make any appreciable reductions in force of War Service appointees at the end of the war.

The Commission has also stated that the opening of positions to competitive examinations will be gradual and, except in the categories of positions where competition is limited to veterans, incumbent War Service appointees will have the opportunity to compete in examinations which are opened for appointments conferring classified civil service status.

H. V. KALTENBORN
167 EAST 84TH STREET
NEW YORK 21, N. Y.
REGENT 4-3344

man -
File -

January 15, 1945

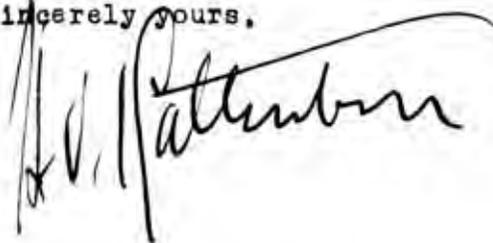
Hon. Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Morgenthau:

Many thanks for your telegram, which arrived on schedule, and gave me just the information I required.

It was a great pleasure to talk with you about the problem which interests us both, and I wish that I might do an interview with you on line with the one with Van Sittart. When you are ready, let me know.

Sincerely yours,



HVK:GS

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**Expenses of Loans, Act of
9/24/17, Amended and Extended, 1945
(Public Debt)**

JAN 12 1945

**Mr. H. V. Kaltenborn
167 East 64th Street
New York City**

**In accordance with our conversation last evening Federal
Government expenditures (including net expenditures of
Government corporations) were 246.3 billion dollars from
December 1, 1941 to December 31, 1944 and taxes and other
receipts were 96.6 billion dollars for that period.
Similar figure for expenditures for calendar year 1944 was
97.8 billion dollars and for taxes and other receipts
44.4 billion dollars.**

Henry Morgenthau, Jr.

Hoige -

GA 945
BOT:rh 1/12/45

524
Copy of letters which were sent to the following Presidents of railroad companies.

- Mr. R. L. Williams, Chicago and Northwestern System, Chicago, Ill.
- Mr. G. Metzman, New York Central System, New York, N.Y.
- Mr. R. B. White, The Baltimore and Ohio Railroad Company, Baltimore, Md.
- Mr. M. W. Clement, Pennsylvania Railroad Philadelphia, Pennsylvania
- Mr. F. G. Gurley, Atchison, Topeka and Santa Fe Railway, Chicago, Ill.
- Mr. W. M. Jeffers, Union Pacific Railroad, Omaha, Nebraska.
- Mr. A. T. Mercier, Southern Pacific Lines, San Francisco, California.
- Mr. J. D. Farrington, Chief Executive Officer, Rock Island Lines, Chicago, Ill.

JAN 16 1945

Dear Mr. Farrington:

I want you to know that the Treasury Department appreciates very greatly the splendid cooperation of your railroad during the 6th War Loan Drive.

In the face of unprecedented war-time travel, your organization ably assisted the Treasury's program for War Finance by providing accommodations, many times with little advance notice, for those who found it essential to travel in promoting the sale of Government securities.

Please extend my thanks to your fellow officials and employees.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. D. Farrington,
Chief Executive Officer,
Rock Island Lines,
LaSalle Street Station,
Chicago, Illinois.

CWA:MR

January 15, 1945

Herbert Gaston
Secretary Morgenthau

In Sunday's New York Times there is a very critical editorial on the Sixth War Loan. I wish you would read and get up the answer, if there is an answer, from George Haas and his people. Then I would like to discuss with you the idea of a letter to the New York Times about it. In fact, you might be drafting a letter in answer to this. I'd like to take this up with you not later than Tuesday.

As I remember the editorial they refer to some bulletin of the National City Bank. You might have that on hand when we discuss it.

See group - 1/17/45 - Decided not to send letter -

2A
January 15, 1945.

Memorandum

TO: Secretary Morgenthau
FROM: Mr. Gaston

Wesley Lindow is working up some material, which we can show you tomorrow, on the New York Times editorial and similar articles from other sources, of which there have been many recently. It might be advisable to discuss the whole situation frankly in a letter to the New York Times, but we can't combat their point of view very effectively because it is substantially true, although they seem to be slightly in error on the figures. There seems to have been about 9 billions of bank absorption during the 6th loan, reducing the non-inflationary financing to about 12½ billions. Net sales to individuals during the last year have not amounted to more than half of net savings. About the only point of argument is whether any other system than the one we are using would work better. Of that there may be serious doubt, although I have a feeling that in spite of all that has been said to them the state chairmen over-emphasize the over-all quota and under-emphasize the E bond and legitimate sales to individuals.

MSG

WAR LOAN ILLUSION

War bond drives have a twofold objective: first, to raise the money required to meet our war needs, and, second, to raise this money from current earnings in order to reduce the pressure for inflationary price rises. The Sixth War Loan recently completed raised some \$21,000,000,000, as compared with the goal of \$14,000,000,000.

The first of these two goals, therefore, was attained by a very wide margin. We failed, however, to reach the second objective—namely, raising these funds from non-inflationary sources. The best approximation of the magnitude of inflationary borrowing is found in the amount of bank credit extended. A study prepared by the National City Bank shows that during November and December, when the Sixth War Loan was being conducted, commercial banks acquired \$6,900,000,000 of Government securities and increased loans on securities by \$1,800,000,000. During the same period the Federal Reserve Banks expanded their holdings of Government securities by \$1,500,000,000. Thus bank credit was used to buy more than \$10,000,000,000 of Government bonds while the Sixth War Loan drive was in progress and immediately thereafter.

In other words, while non-banking purchasers were actually acquiring the \$21,000,000,000 of bonds sold during the drive, the net increase in their holdings was only about half that amount. Some holders of previously issued bonds sold them and then acquired the new bonds. Some persons acquired bonds in order to profit by reselling them to the banks immediately upon the conclusion of the drive. The only difference between this situation and that which would prevail if we had sold \$10,000,000,000 in bonds directly to the banks and \$11,000,000,000 worth to other buyers who retained in full their previous holdings is the illusion we now have of highly successful non-inflationary financing.

The fact is that a large part of our war effort is still being financed by an expansion of bank credit. With 1945 apparently destined to be a year of tighter civilian supplies, while the volume of Government spending is maintained at its wartime peak, we need a revision of our war-finance policy. Renewed efforts must be made to divert current earnings into war bonds and to reduce the dependence upon inflationary bank financing.

January 15, 1945

My dear Mr. Green:

I am very glad to receive your letter of January 8 transmitting to me a copy of an interesting letter which you had just received from William A. Ring of Los Angeles, a regional representative of the Labor Section of our War Finance Division. I quite agree with you that Mr. Ring's description of the various events which took place in Los Angeles under American Federation of Labor auspices during the Sixth War Loan drive is most impressive and encouraging. These events exemplify the splendid spirit which has permeated your great organization throughout the war emergency.

We of the Treasury are especially proud of the remarkably fine work which the labor unions of this country have done in making possible the sale of United States War Bonds to almost eighty-five million Americans. This achievement is one of the finest by-products of the war and Organized Labor has been a powerful factor in attaining it.

Ever since I talked this matter over with you in early April, 1941, I have known that I could count on the unreserved support of yourself and the entire American Federation of Labor. You have, from time to time recommended for positions on our War Finance staff a number of members of your constituent unions and they have all given us loyal and energetic service of the highest order. Mr. Ring is the most recent of them and I am glad to learn, from your letter and from the advice of Mr. Gamble, Mr. Houghteling and our Southern California War Finance Committee, that he is maintaining this high standard of service.

Please accept my best wishes for the New Year and my thanks for the support of your great organization in our War Finance efforts.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. William Green,
President,
American Federation of Labor,
Washington 1, D. C.



AMERICAN FEDERATION OF LABOR

Executive Council

President, WILLIAM GREENE

Secretary-Treasurer, GEORGE HENRY

A. F. of L. Building, Washington, D. C.

First Vice-President, WILLIAM L. RUTHERFORD

Corporation Bldg., Indianapolis, Ind.

Second Vice-President, MERVIN RING

220 Lexington Ave., New York, N. Y.

Third Vice-President, JAMES H. WEAVER

212 Aliso Drive, Beverly Hills, Los Angeles, Calif.

Fourth Vice-President, G. M. BRONKHORST

2201 Fitzsimons St. N. W., Washington, D. C.

Fifth Vice-President, GEO. M. HANCOCK

Railway Clerks' Bldg., Cincinnati, O.

Sixth Vice-President, DAVID J. THOMAS

277 West Michigan St., Indianapolis, Ind.

Seventh Vice-President, HENRY G. BROWN

211 Fitzsimons St. N. W., Washington, D. C.

Eighth Vice-President, W. D. HAZEN

2227 Jackson St., P. O. Box 211, Baltimore, Md.

Ninth Vice-President, PAUL H. KRAMER

401-402 DuPont's Bldg., Kansas City, Mo.

Tenth Vice-President, EDWARD PALMER

222 Broadway Building, Buffalo, N. Y.

Eleventh Vice-President, KENNETH W. BROWN

Madison's Bldg., Washington, D. C.

Twelfth Vice-President, W. C. BROWNE

Delaware at Third St., Indianapolis, Ind.

Thirteenth Vice-President, W. C. DOMINARI

222 A. F. of L. Bldg., Washington, D. C.

LONG DISTANCE TELEPHONE NATIONAL 3870-1-2-3-4
CABLE ADDRESS AFL.

Washington 1, D. C.

January 8, 1945

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

Dear Mr. Morgenthau:

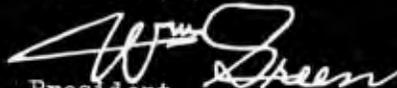
Because I was tremendously impressed with the information submitted in a letter I received from William A. Ring, Regional Representative of the Labor Section, War Finance Division, at Los Angeles, California, I deemed it advisable to send you a copy of said communication. Regional Representative Ring makes it clear that the officers and members of labor at Los Angeles rendered outstanding service in the recent bond selling campaign.

One can scarcely comprehend the tremendously important service rendered by Mr. Ring and the members of the American Federation of Labor unions referred to in this report which he sent me. A high standard of excellency for service was rendered by these groups in Los Angeles. Evidently the plans for the great event which was held at the Ambassador Hotel, Coconut Grove, on December 11th, were well thought out and constructively arranged. Please note that Brother Ring advises that they raised in excess of \$11,000,000 at this event. The musicians and the variety artists who entertained and the cooks and waiters who provided the service are all members of the American Federation of Labor.

I am sure you will be deeply moved as I was when you read this report sent me by Regional Representative Ring. He sent me a number of pictures of the event which are impressive. I am passing this on to you in order that you may see, know, and understand the great service which labor rendered in this particular instance in the bond selling campaign.

With best wishes for a happy and successful
new year, I am

Sincerely yours,



President
American Federation of Labor

Hon. Henry Morgenthau, Jr.
Washington, D. C.
Jan. 8, 1945 - p. 2

hfc
Encl.

War Finance Division
621 S. Spring St.,
Los Angeles 14, Calif.

TREASURY DEPARTMENT
WASHINGTON

25

December 28, 1944

Mr. William Green,
President,
American Federation of Labor,
A. F. of L. Building,
Washington 1, D. C.

Dear Sir and Brother:

At the suggestion of Charles West, my predecessor in office, I am making this report, and will attempt to give you some of the highlights of labor's participation in the 6th War Loan Drive just past.

One of the events about which I am particularly pleased and which brought great credit to the American Federation of Labor was the 6th War Loan Million Dollar Dinner held at the Ambassador Hotel, Cocoanut Grove, on December 11th. This event was sponsored by the Cooks' Union Local #468, Waiters' Union Local #17, Musicians' Protective Association Local #47 and the American Guild of Variety Artists Local #2. The dinner was called one of the outstanding social events of the entire drive. The head waiters of every night spot in the city of Los Angeles, who are members of Waiters' Union Local #17, acted as bond salesmen. Admission to the dinner was a \$1,000 War Bond per plate, and they raised in excess of \$11,000,000 of which we can well be proud. The Musicians' Union furnished the music of Freddie Martin's and Xavier Cugat's bands and the Cooks' provided the services of the chefs and the Variety Artists gave us such outstanding acts as Veloz and Yolanda and Eddie Garr, etc.

Large signs advertising the dinner and emphasizing that it was being sponsored by the above mentioned local labor unions were made up and displayed prominently in all the better night spots in Los Angeles.

What particularly pleased me was the fact that a cross section of the community was present. We had labor leaders, society people, civic leaders and motion picture celebrities, and it was definitely established that the American Federation of Labor in itself can stage an outstanding party. While our press here in Los Angeles is quite anti-labor, we nevertheless were able to secure adequate publicity. However, the labor angle was not stressed as much as I desired. We were fortunate,

Mr. William Green

- 2 -

however, in having a radio broadcast on the Blue Network from 10:30
till 11:00, Pacific war time, which was carried by the following stations:

KPRO	Riverside	KFMB	San Diego
KTMS	Santa Barbara	KHUB	Watsonville
KEX	Portland	KPQ	Wenatchee
KGA	Spokane	KOH	Reno
KWG	Stockton	KTKC	Visalia
KERN	Bakersfield	KVOD	Denver
	KENO	Las Vegas	

On this broadcast labor's participation was fully stressed.

Twenty four of the Hollywood studio labor unions affiliated with the American Federation of Labor presented to the Treasury Department, over the air, a hospital plane which they purchased from their own treasuries at a cost of \$125,000. Miss Jane Wyman, the prominent motion picture star, made the presentation on behalf of the group. This, coupled with the credits to the sponsoring labor unions and the music of Freddie Martin and Xavier Cugat, made a very fine broadcast, about which we have received many fine reports. In fact, many of the people on the so-called "other side of the fence" have expressed themselves as being amazed at what these four unions accomplished, and want to be back again if a similar program is again staged.

As you will see by the menu enclosed, full credit was given to the sponsoring unions, and organized labor, as typified by the American Federation of Labor, was well represented on the advisory committee. The unions participating in this event have been very happy about the whole affair, and its value from the standpoint of public relations is inestimable as it has gone a long way toward showing that the American Federation of Labor is a definite part of the community life and many barriers that have existed heretofore between our group and other interests in the community have been badly dented, if not completely removed.

On December 12th a very successful dinner was held in the Biltmore Hotel for all American Federation of Labor unions in Los Angeles County. At that time each local representative made a report as to how much money the local union had invested in bonds from its treasury and the amount of money invested in bonds by its individual members. The total was well over \$14,000,000, and made a tremendous impression on the guests of honor who were outstanding business men of the city and civic officials. The attendant publicity was also very favorable toward the American Federation of Labor. Affairs of this kind help to make the average citizen conscious of the growing stature and responsibility of the American Federation of Labor.

On the 15th of December a luncheon was held by the Santa Barbara County Committee in behalf of the American Federation of Labor and I was honored as being the principal speaker. I am taking the

Mr. William Green

- 3 -

liberty of enclosing a clipping of this event from the Santa Barbara News Press. The thing that pleased me most in regard to this luncheon was the break given labor by the Santa Barbara News Press, which is noted for its anti-labor attitude. After showing this to the various labor leaders in Santa Barbara they were very much elated and promised to increase their efforts in forthcoming drives.

I am also enclosing some of the pictures taken at the Coconut Grove dinner which you might like to keep in your files as they are quite colorful and show how our group participated in this event.

Hoping that the above report meets with your approval, I remain

Very sincerely and fraternally yours,

/s/ William A. Ring

William A. Ring,
Regional Representative,
Labor Section,
War Finance Division.

cc: Mr. Fenton

Jan. 15, 1945

Mr. Gaston
Secretary Morgenthau

I have decided to accept this invitation from the
A. F. of L. Would you please speak to me about it
the next time you see me. *Harje will speak*

2/11/45. See group 1/17/45

*Gaston
Will do*

January 13, 1945.

Memorandum

TO: Secretary Morgenthau
FROM: Mr. Gaston

Larry Houghteling came in to see me yesterday to make a further plea on behalf of the American Federation of Labor which wants you to appear on a radio program on the 11th, 18th or 25th of February. You will recall that when I discussed it with you on Tuesday, the 9th, it was our thought that it was not necessary that you take it on and Bell might do it.

Houghteling feels embarrassed to give such a reply to the A.F. of L. inasmuch as we initiated the request that they make one of their weekly broadcasts a War Bond session and Phil Pearl, their publicity man, replied that he would do it if you would appear. In view of the fact that you had to cancel an appearance before the A.F. of L. last year because of your trip across the water, Larry thinks we owe them something which would be paid by such an appearance. All that would be required in the fifteen minute program would be a three minute talk by you and then answers to questions by each one of the three members of the panel, which you would have well in advance for preparation of replies. The remainder of the program would consist of discussion by members of the panel in which you could participate or not, as you pleased.

The hours are all Sunday afternoons at 1:15. Since three different dates are offered, it is hard to claim a specific conflict of engagements.

MJG

January 15, 1945

Dear Eleanor:

Miss Thompson has forwarded me your memorandum containing recommendations for a plan for the sale of War Bonds by employees of the various industrial plants throughout the country, which was left with you by Mr. Charles P. Dake.

I find that Mr. Dake had discussed this plan some time ago with some members of the War Finance Division of the Treasury. The idea, which is closely comparable to that which was used by certain utility companies in the 20's to sell securities, that is, by having all employees go to the public as salesmen, is interesting and perhaps might be made use of if the War Finance Organization now being used were less widespread and complete. We have, as you know, integrated into the War Bond program the schools, retailers, theatres, security salesmen, labor organizations, banking groups and others, each of whom are active during the war loan drives and to a lesser degree during the period between drives. It is felt that the plan suggested by Mr. Dake would produce a duplication of effort that would be very confusing and would cut across the present theory of organization. We have found it good business to build competition between plants not by their employees selling to the public, but by their own employees' participation. The sales to the public have been handled well, we feel, by capitalizing on town, city and State pride in the fulfillment of quotas, and in this activity the plants of the country and the employees thereof have been prominently featured.

I wish you would thank Mr. Dake for his interest, and if the situation should develop so that his plan might be used, he will be advised. I am returning the memorandum you forwarded, having retained a copy for our files.

Affectionately,

(Signed) Henry

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

Enclosure.

THE WHITE HOUSE
WASHINGTON

January 11, 1945

My dear Mr. Secretary:

Mrs. Roosevelt saw Mr. Charles
P. Dake, 1380 Peabody Street, N. W. on
January 10th, and he left the enclosed
statement which she asks me to send to
you for your consideration.

Very sincerely yours,

Malvina C. Thompson
Secretary to
Mrs. Roosevelt

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

I appreciate your graciousness in giving me a few minutes of your time.

As you noted in your column in the article last summer I had also been reading in the papers about E bond sales lagging and for more than a year had been thinking of my idea as one possible way to build up E sales--I even tried to get in to see Mr. Morgenthau--did get in for few minutes with one of assistants on bond sales but he didn't really get my idea--and net sales not lagging as much then as now. We are a nation of competitive and team minded people--group efforts such as War Fund and Red Cross drives are examples. We like to DO Things--and being human are most interested in OUR efforts and their results. As Raymond Clapper once said, "Give the American people something positive to do and they'll do it magnificently." Therefore, this plan is proposed to give the workers of America, that vast group with the bulk of the nation's swollen war income, a definite, positive and active part in the distribution of Series E War Bonds--beyond the worker's mere passive signing a payroll deduction authorization, which, while a very fine program for the systematic savings of the average American doesn't get his active interest nor give him an outlet for his inherent liking to DO Things through competitive team action. From my background of seven years experience and study in the widespread distribution of securities to the average citizen the following roughly outlined program is suggested for consideration by the State War Finance committees.

1. Organize each plant, office and factory of all industries in a city "from the ground up" for the sale of E Bonds by all employees in the next campaign

(NOTE- The plan should be set up and tried out in a few cities beforehand)

ORGANIZATION OF A PLANT-

A. The smallest unit of a department under a foreman or other supervisory person to be a team group, competing with all other similar units of the department

1. No quotas need be assigned--highest average sales per person determines the winning unit each week, with widespread publicity to the winning units and the individuals with the best records, with pictures and laudatory articles about these employees to be in weekly bulletin passed out all over the plant.

2. Each foreman would be an unofficial sales manager, urging each one of his employees to help keep the group ahead of the competing units.
3. Each employee to sell E Bonds outside working hours to himself, his family or friends for cash or savings payroll plan.
 - a. If any conflict with bond activities of his union they could also be credited with employee's sales (with duplication noted and to be deducted in total sales of the city).
 - b. Experience in private financing shows that about one out of seven employees will really do a very good job selling others, but ALL employees will purchase more for himself and relatives for cash or on payroll savings plan than he would sign up for under Payroll Savings plan only.
- B. Each department to compete with all others on same basis.
- C. Awards at end of campaign to winning units, possibly a certificate of excellence—the employee of each unit selling the most E Bonds to get a special badge or similar emblem to show his superior results and possibly a War Bond might be offered by the plant management to person in plant making greatest sales record.

ORGANIZATION OF CITY AND STATE

- A. All plants of an industry in a city to compete against each other—weekly reports.
- B. Various industries of a city to compete against each other—weekly reports to show number of employees by industry and total sales.
- C. Different cities in a state, all organized as above, to be in competition with each other.
 1. Have publicity in all cities play up the competitive spirit between cities. (Montana through competitive civic spirit, has more concert music per capita than any other state. See Business Week, page 34, August 19, 1944)

RESULTS

- A. More E Bonds will be sold, both for cash and on payroll savings plan.
- B. Positive, active interest and enthusiasm will be aroused among employees.
- C. Fewer bonds should be cashed in, other things being equal.
- D. Such occasional outside activity, tied into his daily work, makes the employee more interested and efficient in his job, according to experience.

OBTAINED FROM COMPETITION-TEAM PLAY-RECOGNITION OF EMPLOYEE'S EFFORTS AS AN INDIVIDUAL
This competitive idea has worked well, I understand, at Marshall Field's of Chicago in war stamp sale by their employees and also in Fort Wayne, Indiana.

COPI

January 15, 1945.

My dear Mr. Trohan:

I note that in your article in the Times-Herald of today you write:

"Morgenthau recently sought out Byrnes to protest against the latter's interference in the Treasury domain by suggesting tax revision. Byrnes coolly countered by reminding Morgenthau that the latter had projected himself into the State Department by suggesting that German industry be destroyed and Germany reduced to an agricultural nation after war."

In order to keep the record straight, I should like to inform you that this incident did not take place. I had no such conversation with Mr. Byrnes, nor he with me.

Very truly yours,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

Mr. Walter Trohan
Chicago Tribune Press Service
815 Albee Building
Washington, D.C.

WEG/mah

My dear Mr. Trohan:

I note that in
In your article ~~today~~ in the Times-Herald, ~~that you state as follows:~~

of today you write!

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Very truly yours,

President and Assistant at Odds?

It Is Widely Told That Byrnes And F. D. Are 'Not Speaking'

Staggering Succession of Directives Reported Issued Without Consultation

By WALTER TROHAN

From the stately halls of the Supreme Court, through the corridors of Congress, down Pennsylvania Avenue to the White House and on through the labyrinth of alphabetical agencies and departments, the major item of gossip during the past week has been that President Roosevelt and War Mobilization Director Byrnes, the man who has given the country a succession of jolts, are not speaking.

Many Directives Issued

Byrnes has issued a staggering succession of directives banning horse racing, ending conventions, calling for assignment of 4-F's to war jobs, demanding reductions in heat and light and promulgating the work-or-fight order.

These bold strokes were delivered either without consulting the Chief Executive or through consultations carried on through intermediaries. Friends of the former Senator and Supreme Court Justice predict he will continue to take the bit in his teeth and issue directives he thinks are needed on manpower without risking the checkrein of White House vacillation.

The rift between the President and the man widely known as "the Assistant President," who has come to be known in the past two weeks as the strong man of the Administration, dates back to the Democratic Convention in Chicago last July.

Ambitions Thwarted

Byrnes broke off relations with the President because he felt that the latter had broken a promise to make Byrnes his fourth term running mate. Others, who felt a similar pledge had been made to them, but who did not become angry when they were forgotten, included Vice

President Wallace, Senate Majority Leader Barkley and Supreme Court Justice Douglas.

The South Carolinian has long cherished the ambition to preside over the Senate and possibly succeed to the White House. In 1940, when he felt he was a certain choice, he was sidetracked for Wallace. Shortly before the Chicago convention he again let it be known he was in the running and put the matter before the President.

Mr. Roosevelt always amiable to office seekers and plan proposers, said the Byrnes candidacy was acceptable to him, and as an evidence of good faith gave Byrnes a letter of indorsement. Mr. Roosevelt also gave Wallace a letter and in other letters listed various acceptable candidates.

Not until he reached Chicago did Byrnes learn that the convention was being cleared through Sidney Hillman, CIO leader who had turned thumbs down on the War Mobilization Director because of his antilabor record. At the same time Byrnes was staggered by the discovery that his letter of indorsement was written after Senator Truman had been selected as the fourth term running mate.

Persuaded to Remain

Byrnes returned to Washington determined to submit his resignation. He was persuaded not to do so by Bernard Baruch, capitalist, who aspires to be a White House adviser. Baruch argued that Byrnes owed it to his country to stay for the duration of the war. According to reports, Baruch was eloquent because Byrnes is his only remaining post in the White House.

During the campaign, when it was feared stories of the Roosevelt-Byrnes feud would injure the New Deal cause, the war mobilizer was persuaded to make a speech for the fourth term. He delivered the required radio address but did not resume friendly relations with the Chief.

As a sidelight to the Byrnes-Roosevelt feud, the Capital is chuckling over the discomfiture of Secretary of the Treasury Morgenthau in being caught in the crossfire of the feud.

Morgenthau recently sought out Byrnes to protest against the latter's interference in the Treasury domain by suggesting tax revision. Byrnes coolly countered by reminding Morgenthau that the latter had projected himself into the State Department by suggesting that German industry be destroyed and Germany reduced to an agricultural nation after war.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE January 15, 1945

TO Secretary Morgenthau
FROM Mr. Haas
Subject: The Business Situation,
Week ending January 13, 1945.

Summary

Materials supplies: In sharp contrast to conditions prevailing early last fall, the materials supply situation is showing a progressive tightening. Supplies of steel, lead, copper, brass, lumber, paper, cotton textiles and coal, among others, are becoming increasingly short.

War production: The war production program for 1945 has been raised to \$64.5 billions as compared to an original estimate of \$56.5 billions last October. Among other large increases, ammunition schedules have been increased \$2.5 billions while schedules for ships and combat vehicles have been increased \$1 billion each. The 1945 aircraft program has been increased 9 percent above the original estimates.

Civilian goods: Rising military requirements and tight materials supplies have necessitated cuts in allocations of metals for civilian goods production under the spot authorization program in the first quarter of 1945. Carbon steel allocations have been cut from 250,000 tons to 150,000 tons, while allocations of alloy steel and copper wire mill products have also been cut heavily.

Steel prices: Price ceilings on 5 basic steel products were raised \$2 to \$5 per ton last week, covering products representing about one-third of total steel shipments last year. These were the first industry-wide price rises for basic steel products since 1939.

Commodity prices: The BLS index of 26 basic commodities declined slightly last week, due in part to an appreciable drop in steer prices, which reflected the imposing of ceiling prices on beef cattle and calves. A lowering of ceiling prices for Florida oranges, grapefruit and tangerines effective January 1 was partly responsible for a decline of 5 percent in average wholesale prices for fruits and vegetables in the first week in January.

- - - -

Many materials in short supply as war needs rise

Under the impact of rising military requirements, materials supplies have tightened considerably recently and a marked transformation in the whole materials supply outlook has occurred within the past 3 months. As recently as early October, the WPB discontinued the preparation of the Materials Substitutions and Supply List and at the same time removed 42 materials from the "insufficient supply" description. In contrast, the materials supply situation at the present time is showing a progressive tightening tendency. Confronted by increased war orders, and hampered by manpower shortages and recent loss of production due to unusually severe weather in northern areas, the steel industry is said to be operating under the heaviest pressure since the war began. As a result, delivery dates are being extended and civilian allocations cut. Likewise a severe pinch is being felt in supplies of various nonferrous metals, particularly lead, copper and brass.

The shortage of lumber and pulpwood is characterized as critical. A recent WPB bulletin stated that lumber is in such short supply that a number of important military programs are seriously affected, and supplies for the first quarter of 1945 are estimated to be 18 percent below requirements. Much of the available wood pulp is being devoted to non-paper uses, such as explosives, rayon and cellophane. Moreover, military demand for its use in making explosives and shipping containers is rising rapidly.

In view of existing shortages of raw materials for paper manufacture, some further cuts in the amount of paper available for civilian use are expected in coming months. Severe shortages are reported in many civilian textile lines, with cotton goods particularly difficult to obtain. In this connection the president of the Cotton Textile Institute recently asserted that "over the next 6 months at least, consumer or civilian cotton goods will be scarcer than at any time within the memory of textile or garment manufacturers."

In addition to the existing materials shortages in many other lines, special attention has been focused on the status of coal supplies by the action of the War Mobilization Director in calling for a reduction in heating temperatures in homes and public buildings and the institution of other measures to conserve coal. Stocks of bituminous coal, after declining from an estimated 41 days' supply on November 1 to a 39 days' supply on

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The shortage of lumber and pulpwood is characterized as critical. A recent WPB bulletin stated that lumber is in such short supply that a number of important military programs are seriously affected, and supplies for the first quarter of 1945 are estimated to be 15 percent below requirements. Much of the available wood pulp is being devoted to non-paper uses, such as explosives, rayon and cellophane. Moreover, military demand for its use in making explosives and shipping containers is rising rapidly.

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In addition to the existing materials shortages in many other lines, special attention has been focused on the status of coal supplies by the action of the War Mobilization Director in calling for a reduction in heating temperatures in homes and public buildings and the institution of other measures to conserve coal. Stocks of bituminous coal, after declining from an estimated 41 days' supply on November 1 to a 39 days' supply on

December 1, are believed to have dropped sharply to about 1 month's supply as of January 1. Due in part to severe weather conditions, soft coal output in December dropped about 11 percent below the previous month. Moreover, the Solid Fuels Administrator has estimated soft coal requirements for 1945 at 620 million tons, as compared with estimated production of only 580 million tons. It should be noted, however, that despite the drop in December, preliminary figures indicate that soft coal output in 1944 was at least 619 million tons as compared with only 589 million tons in 1943.

Further increase in war production scheduled

The tight materials supply situation will be accentuated in coming months as a result of recent upward revisions in the war production program. Last week the WPB Chairman revealed that the entire war production program for 1945 has been raised to \$64.5 billions from the estimate of \$56.5 billions made last October. Part of the increase is attributed to programs being developed to arm French forces.

The 1945 aircraft program is to be increased 9 percent above original estimates, with the "must" programs in aircraft showing a very sharp rise. Thus output of certain aircraft now in heavy demand, such as Super Fortresses, jet propelled fighters, C-54 cargo planes and Navy fighters, is scheduled to rise from \$367 millions per month last October to \$925 millions per month by the beginning of April. Among other large increases, ammunition schedules have been raised \$2.5 billions, while ships and combat vehicles have been increased \$1 billion each.

Allocations for civilian goods production cut

As a result of the increased demand for materials for military requirements, allocations of metals for civilian goods under the "spot authorization" program for the first quarter of 1945 have been cut sharply. Carbon steel allocations for the first quarter have been reduced from 250,000 tons to 150,000 tons, while alloy steel allocations have been reduced from 25,000 to 10,000 tons. Stainless steel allocations have been withdrawn entirely. Moreover, no new allotments of either carbon or alloy steel will be made under the spot authorization program except to fill out

unbalanced inventories and finish schedules already authorized. Further allocations of copper and most copper base alloy products have been stopped. Moreover, first quarter allocations of copper wire mill products have been cut from 1.5 million pounds to 500,000 pounds.

While outstanding authorizations to produce civilian goods under the spot reconversion program have not been canceled, the latest restrictions imposed, together with the generally tight materials and manpower situation, will limit output to very small proportions. By the end of last month spot authorizations to produce civilian goods through 1945 were reported to have risen to more than \$620 millions, but present indications point toward a curtailment in civilian goods output under the program in coming months.

Employment and payrolls declined in November

With top military authorities pressing for a stepping up in draft inductions, manufacturers will be confronted with even more severe manpower problems in coming months. Reference to Chart 1 will disclose that factory employment has shown an almost uninterrupted decline since the wartime peak was reached in November 1943. By November 1944, the aggregate decline was nearly 1.5 millions, or approximately 10 percent.

As a result of the decline in employment, factory payrolls also have receded from the wartime peak, but the drop has been relatively less than in employment due to longer working hours, premium pay rates and other factors. Consequently, average weekly earnings of factory workers in November were still 3 percent above year-earlier levels, and nearly 96 percent above the 1939 average, despite a moderate decline during the month. (Refer to Chart 1.)

The current drive to increase war production seems likely to carry average weekly earnings of factory workers to even higher levels in the near future. For example, to overcome the labor shortage and increase war output in foundries and forging shops the WLB recently announced that it will approve wage increases in certified plants in order to attract additional workers. Furthermore, the wage adjustments granted steel workers last month will probably result in increased pressure from other labor groups for wage increases.

Steel prices raised

Price ceilings on five basic steel products, representing about one-third of total steel shipments in 1944, were raised \$2 to \$5 per ton last week. These are the first industry-wide price rises for basic steel products since 1939. The advances were not due to last month's steel wage increases, so the OPA says, but were authorized to compensate for higher costs prior to the wage increases. Further price adjustments on these products may be granted on completion of a cost survey now being made. At that time the OPA will also make whatever price changes are found necessary for other steel products.

Since steel enters into a large proportion of the war goods now being made, as well as in civilian goods, the steel price increases may have an appreciable direct and indirect effect on the general price level. Steel interests have expressed disappointment over the size and coverage of the increases, declaring that much greater price advances covering many additional steel products are needed to offset losses on current sales.

Ceilings placed on live cattle

In an effort to distribute beef supplies more evenly and protect consumers against price advances, Stabilization Director Vinson last week directed the OPA to establish an "over-riding" price ceiling (effective January 29) at \$18 per 100 pounds, Chicago basis, on live cattle and calves. The ceiling is to be lowered to \$17.50 on July 2.

The Defense Supplies Corporation was instructed at the same time to increase subsidy payments on higher grades of beef. The stabilization price range on these grades is to be similarly raised. Chicago meat packers reportedly feel that the Vinson order will not solve the recent difficulties in the New York meat market, but on the contrary will reduce the flow of cattle to market until after the new program becomes effective on January 29. It is felt, however, that the new controls will help curb black market operations.

The War Food Administration has opposed the placing of ceilings on live cattle. WFA officials reportedly believe that the \$18 "over-riding" ceiling will result in lower prices to cattle raisers, and that it represents merely a peak price which packers will pay for cattle of unusually good quality, since packers'

prices for the month must average within the stabilization range (\$16 to \$17 for choice cattle.) Any amount above or below the range is deducted from their subsidy payment, and in addition, packers face OPA prosecution if their average exceeds the top limit. Under the new regulation, slaughterers are also made subject to prosecution for exceeding the top limit.

Butter to be scarcer

A recent order of the War Food Administration indicates that butter for civilians will become even scarcer in the next few months, since the Government will enter the market two months earlier than it did last year to get supplies urgently needed for overseas shipment. The WFA order directs that 20 percent of all creamery butter produced during February and 25 percent of that produced during March be reserved for the armed forces. The set-aside order last year did not go into effect until April, and it amounted to only 10 percent.

Price indexes show narrow changes

The BLS price index of 28 basic commodities last week was slightly lower, with an appreciable downturn in steer prices, and slight declines in wheat, hogs and lard, offset in part by a slight advance in cotton prices. (See Chart 2.) The decline in steer prices apparently reflected the imposing of ceiling prices on beef cattle and calves. Cotton prices responded to the recent steady flow of military orders to the textile mills and a considerable movement of cotton into the Government loan. Cotton prices are now about 60 points above the loan level, however, as compared with 20 points a month ago.

The BLS all-commodity index in the week ended January 6 declined 0.1 percent as a result of seasonally lower prices for eggs and citrus fruits and a decline in steer prices. (Refer to Chart 2.) Ceiling prices for Florida oranges, grapefruit and tangerines were lowered by OPA effective January 1. This was partly responsible for a decline of nearly 5 percent in average wholesale prices for fruits and vegetables. Wholesale food prices were reduced nearly 1 percent during the week.

Retail prices show marked advance

The stability in the BLS all-commodity index of wholesale prices is somewhat deceptive as an indication of actual price

trends to consumers, judging from an index of retail prices compiled by the Department of Commerce. (See Chart 3.)

The Commerce index advanced rather strongly during 1944, and in November (the latest available) the index was 3.0 percent above the temporary peak reached in May 1943. The BLS all-commodity index, on the other hand, showed a comparable advance of only 0.3 percent. The two indexes began to diverge after general price control was first imposed in early 1942. While the all-commodity index in November 1944 was not quite 30 percent above the 1935-39 average, the retail price index was nearly 40 percent above.

The index of retail prices is built up from ten component indexes, one for each major group of retail stores represented in the Department of Commerce estimates of retail sales. The indexes used are, for the most part, those compiled by the Bureau of Labor Statistics for its cost-of-living index, but certain retail price series compiled by the Bureau of Agricultural Economics are also used, together with other price data in the case of gasoline and automobiles.

The stability in the all-commodity index is partly due to the fact that many price quotations are merely held unchanged where goods are no longer being produced or where price quotations are no longer available. In other cases, goods are being produced at a loss at the prices quoted, but the loss is recovered indirectly by the manufacturer through higher prices to the Government on war materials, which are not included in the all-commodity index.

St. Louis house now costs \$8,064

Indicating the extent of the rise in retail prices of building materials and in labor costs, the St. Louis house now costs \$8,064 to build, an increase of 6.4 percent over the cost of \$7,581 a year earlier (December 1943.) When the war started in 1939 the house cost \$5,923, hence costs have risen 36 percent since that time.

Stock prices irregular after reaching new high

Stock trading on the New York Exchange showed a further expansion last week but prices turned irregular after reaching new highs for the year on Wednesday. As a result of the sharp rise of recent weeks, heavy profit taking appeared in railroad stocks in the latter part of the week. Nevertheless,

at the close on Saturday, the Dow-Jones railroad and utility averages were fractionally higher than a week earlier, while the industrial average showed a net gain of 2 points for the period. (See Chart 4.)

Publication of short interest figures for the end of December last week revealed a drop of 46,000 shares in the short interest on the New York Exchange during the month. However, the short interest still approximated 1,391,000 shares and was not far from the highest levels attained since 1938. It may thus be inferred that short covering was not an important factor in the sharp rise in stock prices last month.

The recent rise in stock prices in New York has been accompanied by a gradual rise in industrial stock prices in London. Near the end of last week the London industrial stock price average rose fractionally above the highest level attained last summer, thus reaching a new high since the beginning of 1937. (See Chart 5.)

Freight carloadings to be sustained at high level

The advance in railroad stocks and bonds in recent weeks has probably arisen in part from lengthening war prospects and the probability that heavy wartime traffic will be sustained for a longer time than earlier seemed likely. After running above the previous year's levels in the first half of 1944, ton-miles of freight carried dropped slightly below year-earlier levels in the latter half of the year, with figures for November (the latest month available) showing a year-to-year decline of about 1 percent. However, freight carloadings in November were 1 percent above November 1943. (See Chart 6.)

Preliminary figures indicate that both freight carloadings and ton-miles of freight for the full year 1944 reached the highest levels on record and exceeded 1943 figures by around 2 percent. During the first quarter of 1945 the Shippers Advisory Boards expect freight carloadings to exceed year-earlier levels by 0.2 percent, with fresh fruits other than citrus, and agricultural implements and vehicles other than automobiles, showing the largest percentage gains.

FACTORY EMPLOYMENT, PAYROLLS AND WAGES

1939=100, Unadjusted

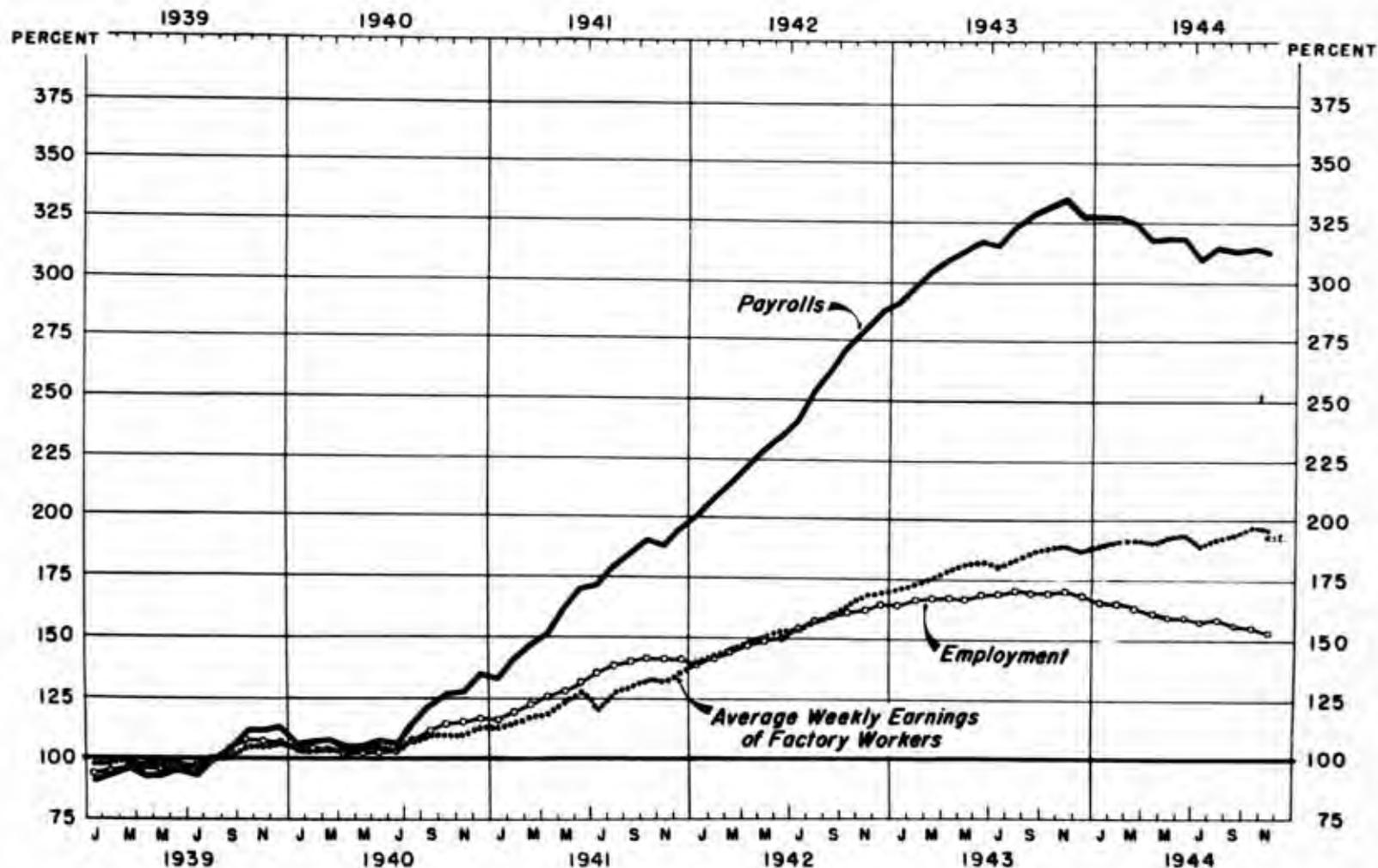
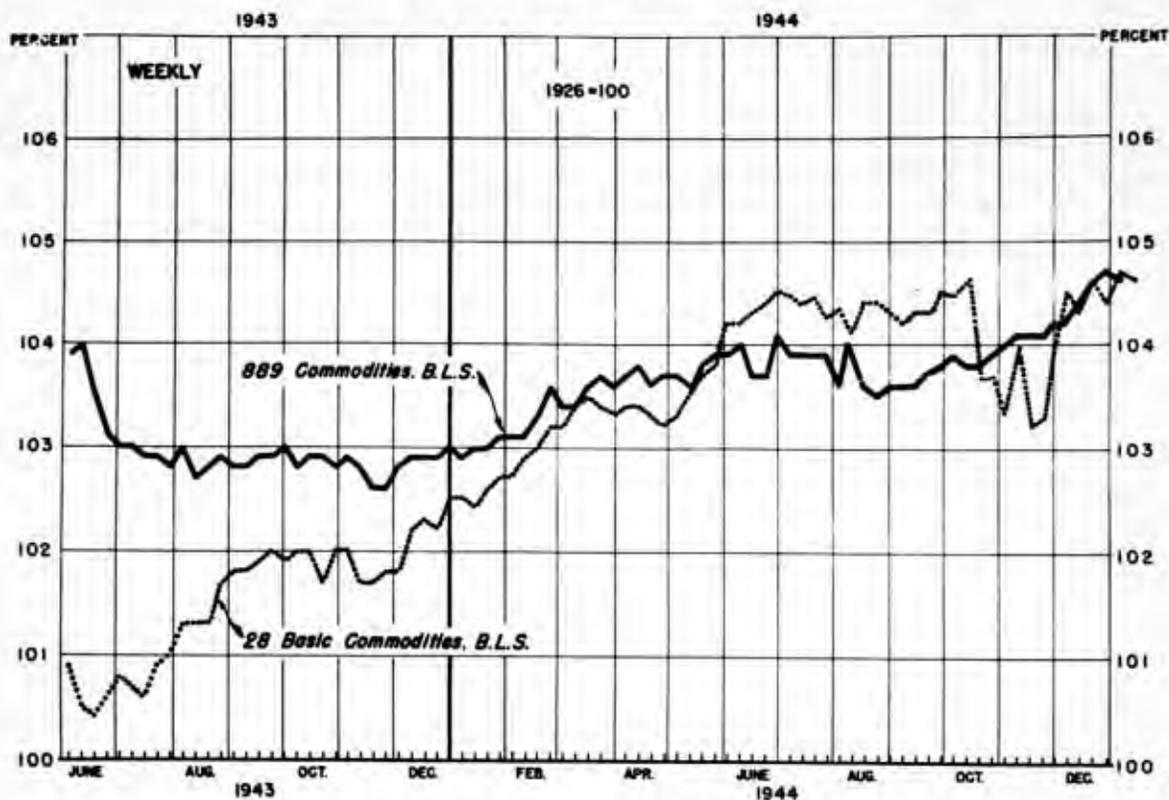
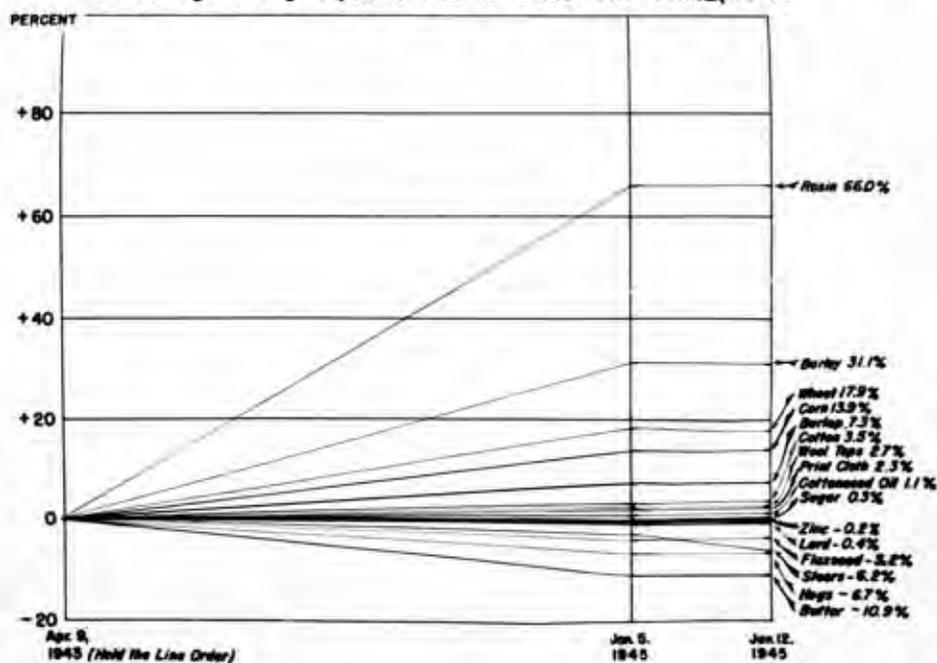


Chart 1

WHOLESALE COMMODITY PRICES

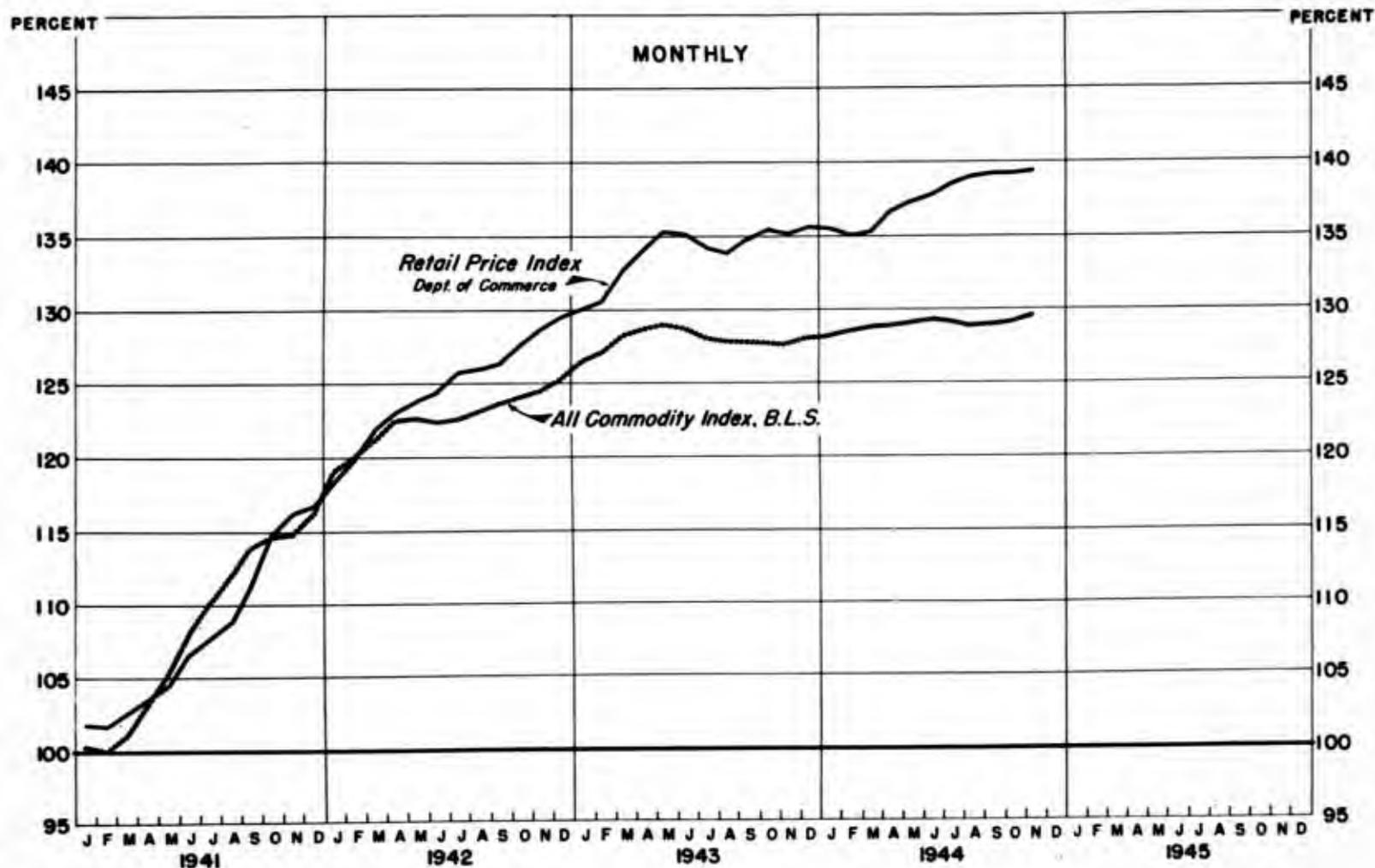


SELECTED BASIC COMMODITIES
Percentage Change April 9, 1943 to Jan. 5 and Jan. 12, 1945

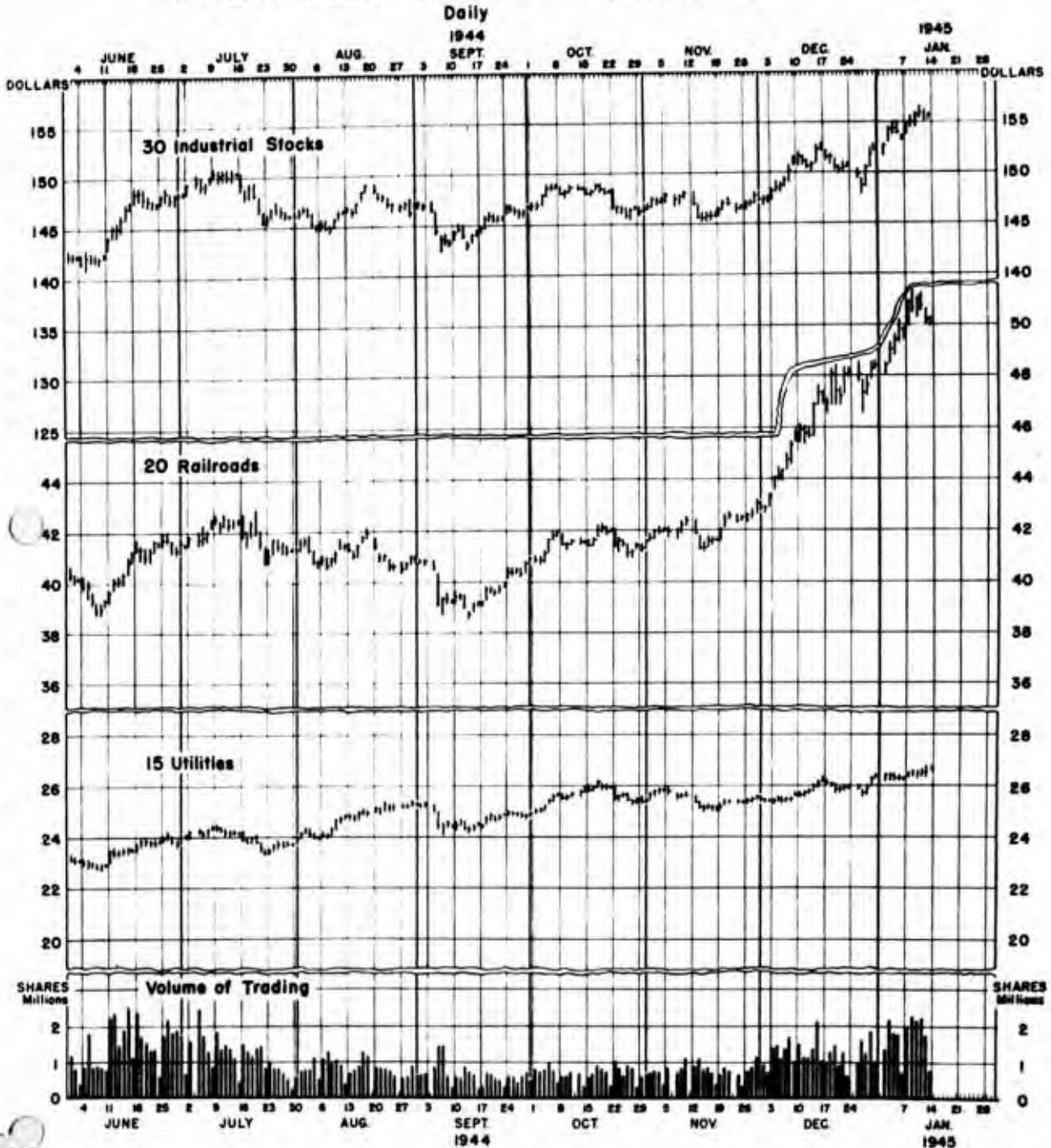


RETAIL AND WHOLESALE PRICE INDEXES

1935 - '39 = 100



STOCK PRICES, DOW-JONES AVERAGES



INDUSTRIAL STOCK PRICES IN U.S. AND U.K.

August 1936 = 100

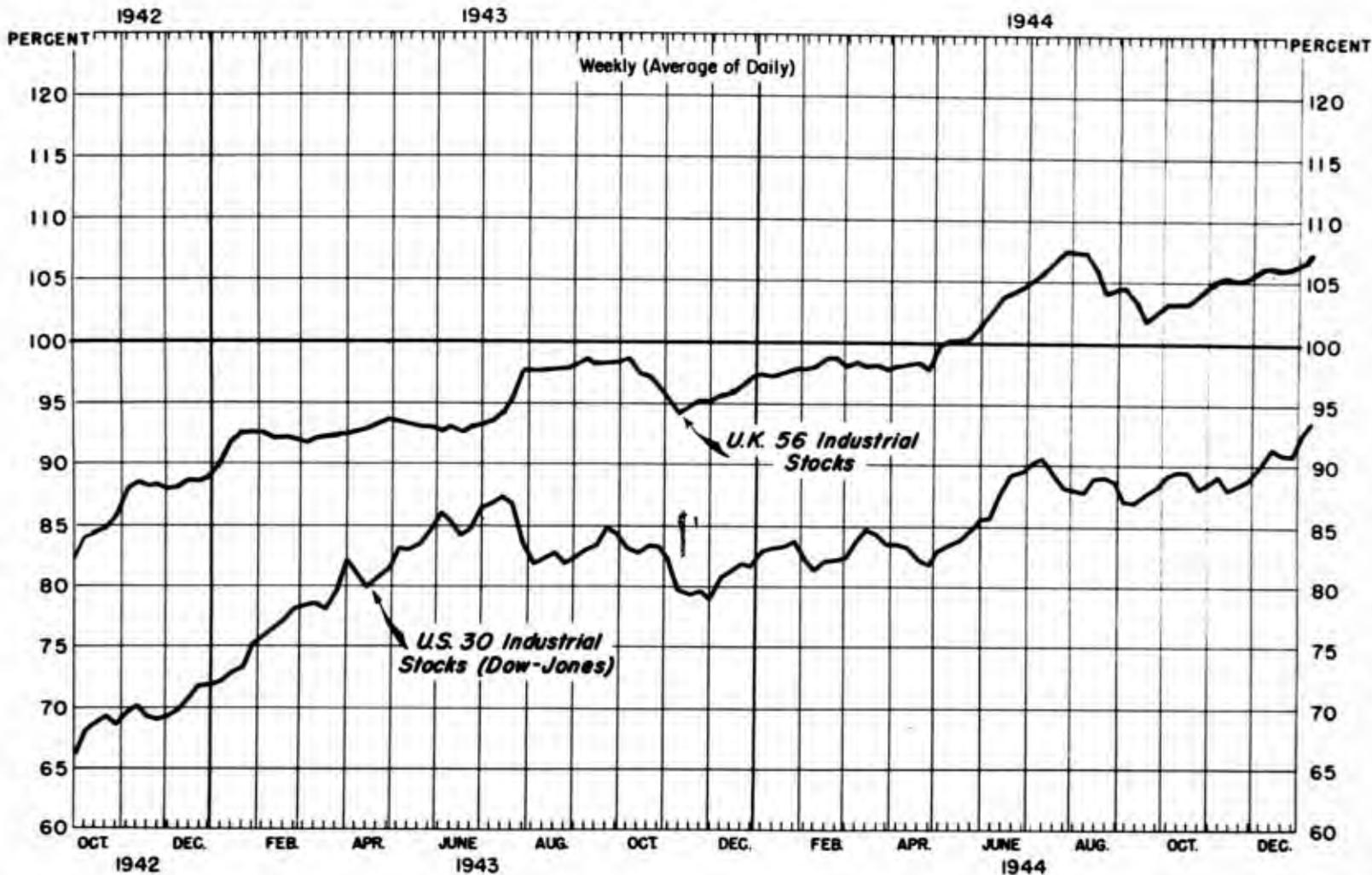
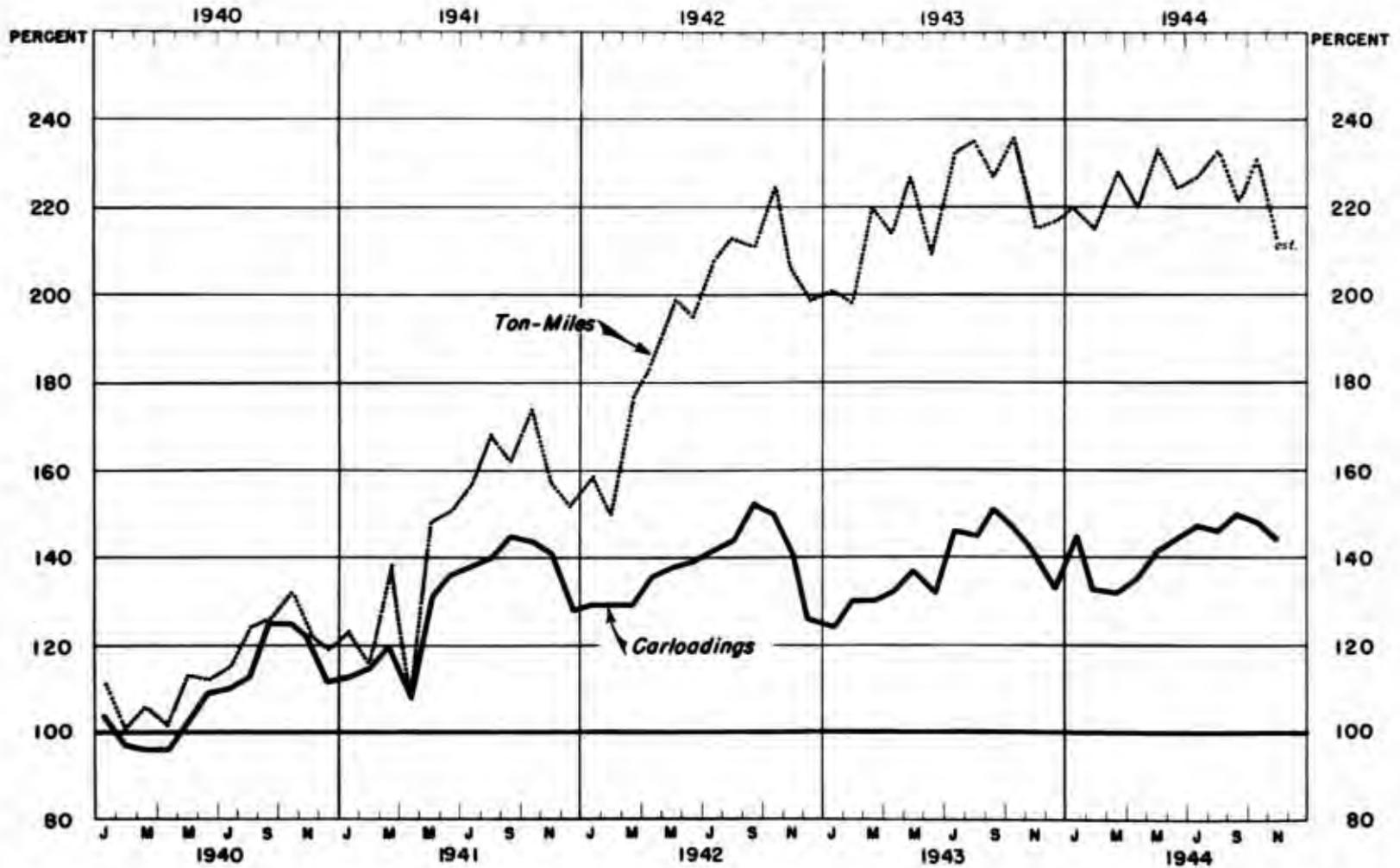


Chart 5

RAILROAD FREIGHT TRAFFIC

1935-'39 = 100



Office of the Secretary of the Treasury
Bureau of Economic Statistics

0-448-A

Chart 6

ASSISTANT SECRETARY OF STATE
WASHINGTON

January 15, 1945

Dear Henry:

In the Secretary's absence, may I acknowledge your letter to him of January 12 regarding the creation of the Cabinet Legislative Committee in the foreign affairs field.

As you suggested, I have met with Mr. Harry White and Mr. O'Connell and we have reached complete agreement on a re-draft of the memorandum along the lines you suggested. I hope that this can be submitted to the Secretary and the Director of the Budget today or tomorrow.

Sincerely,

Dean Rusk

The Honorable
Henry Morgenthau, Jr.,
Secretary of the Treasury.

1945

Dear Ed:

I am in hearty agreement with the proposal sent to me by Mr. Acheson for the creation of a Cabinet Legislative Committee in the foreign affairs field, including the Bretton Woods proposals, to be comprised of the Secretaries of State and Treasury and the Director of the Budget.

But I am not prepared at this time to agree to some of the details of the legislative program and procedure contemplated by the Memorandum for the President and the draft of Message submitted to me. I want first to sit down and discuss the subject with you, Mr. Acheson and Mr. Smith at your earliest convenience.

I am certain that we will readily reach agreement, and when we do I should think it would be well to have Mr. Smith join in the Memorandum for the President.

Sincerely,

(Signed) Henry

Hon. Edward R. Stettinius, Jr.
Secretary of State

TJL:ims
1/12/45



THE GENERAL COUNSEL OF THE TREASURY
WASHINGTON

January 11, 1945

MEMORANDUM FOR THE SECRETARY:

I have talked with Messrs. White, Luxford, and DuBois about the proposed memorandum for the President, sent you this morning by Dean Acheson, and it is the concensus that you should not sign it, at least at this time.

The people with whom I have discussed it are concerned about the proposal on several grounds:

(a) The creation of a "Cabinet Legislative Committee" which would "consider initiating early in the session the necessary action on the food and agriculture organization and on the Bretton Woods proposals and the closely related matters concerning the Export-Import Bank and the repeal of the Johnson Act" would commit us to have the Bretton Woods proposals considered along with these other matters, and might make it much more difficult to get our legislation through. Also, it would hardly seem practical or desirable to have the Bretton Woods legislation handled by a Cabinet committee. The Treasury has carried the ball this far and can probably go it better alone from here on.

(b) The memorandum for the President proposes that a message on "Foreign Economic Policy" will be submitted to the President sometime in January. With Mr. Acheson's letter is enclosed a draft of message on this subject, and the theory of it is also incompatible with our thinking as to how the Bretton Woods proposal should be handled. The proposed message also ties the Bretton Woods proposal with the repeal of the Johnson Act and the Export-Import Bank legislation, and also separates the Bank from the Fund. It had been our thought, and you will recall the people from the Hill who attended your luncheon last Monday were of the



same mind, that a special message on Bretton Woods should go down to the Hill as soon as our legislation is ready. Whether we are successful in having the President send a special message or not, we should not be foreclosed at this stage in the game from attempting it (as we would be were you to sign the proposed memorandum to the President).

Under the circumstances, I think you should do no more than acknowledge Acheson's letter and indicate that pending further study you are unwilling to sign the memo for the President.

Attached is a letter to him along these lines.


General Counsel.

Enc.
(letter to Acheson)

Dear Dean:

I have your letter of January 10, 1945, enclosing a suggested Memorandum for the President on the subject of a Cabinet Legislative Committee, and also copies of a draft Message on foreign economic policy.

I have not signed the proposed Memorandum for the President, as there are some things in it about which I am a bit doubtful. For one thing, you will recall that at our luncheon last Monday, the view was quite generally held by those present that a special Message on Bretton Woods would be helpful. The proposed Memorandum for the President and the draft of Message, of course combine the Bretton Woods proposals with a number of others, as to some of which legislation is proposed, and as to others of which something in the nature of an interim report is being made.

All in all, I shall have to think more about both the Memorandum for the President and the form of the proposed Message to Congress.

Sincerely,

Honorable Dean Acheson
Assistant Secretary of State
State Department
Washington, D. C.

JJO'C:ims
1/11/45 (S) 981129



DEPARTMENT OF STATE
WASHINGTON

January 10, 1945.

Dear Henry:

I had hoped to send you in draft form a Memorandum to the President from the Secretaries of State and Treasury on the subject of a unified legislative program and a Cabinet Legislative Committee. However, I could not get the matter approved until this morning and, therefore, had to get Ed to sign it before he left town. I hope that it will meet with your approval. If there is any matter on which you have doubt, I am sure that I can clear this up over the telephone with the Secretary of State.

Should you approve it, would you be kind enough to sign it and send it to the President. As I do not know his movements, I am sure that you can get it to him more speedily than I can.

I am also enclosing copies of the draft message about which I just spoke with you.

Sincerely yours,

Assistant Secretary.

Enclosures

Memorandum for the President
"Proposed Legislative Program"

Draft Message

FOR DEFENSE



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

SECRET

DEPARTMENT OF STATE
WASHINGTON

January 10, 1945

MEMORANDUM FOR THE PRESIDENT

Subject: Proposed Legislative Program

There is urgent need for a comprehensive and unified program for legislation in the foreign affairs field. There is also urgent need for a small cabinet committee to sift proposals and methods and to make recommendations to you.

The central factor on the Hill will be the struggle over the prerogatives of the Senate--whether in any given case action should be by treaty, legislation, or executive agreement. Uncoordinated and unplanned action may produce a major controversy which will defeat many measures.

The following matters may come up at this Session:

Dumbarton Oaks proposals, after a United Nations Conference.

Bretton Woods proposals.

Extension of, and further funds for, the Export-Import Bank.

Repeal of the Johnson Act and similar provisions affecting the Export-Import Bank.

Extension of the Trade Agreements Act.

Anglo-

Anglo-American Petroleum Agreement.

St. Lawrence Seaway.

Food and Agriculture Organization.

United Nations organization on education.

Civil Aviation Agreements.

Privileges and immunities for international organizations.

We need a cabinet general staff to recommend priority, timing, and a unified theory of constitutional powers:

We recommend that:

1. The Secretaries of State and Treasury and the Director of the Budget be authorized to constitute such a committee with authority as the need arises to consult with the heads of other interested agencies.

2. Introduction of St. Lawrence Seaway legislation be postponed until the question of the form of the legislation can be worked out, and the legislation be not brought up until the whole program has been further developed.

3. The Petroleum Agreement be withdrawn, as already agreed upon with Senator Connally, and considered further.

4. Since the United Nations Conference on the Dumbarton Oaks proposals cannot meet before Spring and complete a document for ratification until late April or May, legislation on some of the listed matters should be sought before then.

5. The

SECRET

- 3 -

5. The proposed committee should consider initiating early in the session the necessary action on the Food and Agriculture Organization and on the Bretton Woods proposals and the closely related matters concerning the Export-Import Bank and the repeal of the Johnson Act.

6. A draft message to Congress on foreign economic policy should be promptly submitted by the committee to you, looking towards transmission in January.

7. The Foreign Relations Committee should be advised officially that the Dumbarton Oaks proposals will be submitted to the Senate as a treaty.

8. The committee should proceed on the basis of this general outline and make concrete recommendations to you on a case-by-case basis.

Secretary of Treasury



Secretary of State

MESSAGE

The United Nations have learned clearly in this war that an effective and close partnership is the only way to victory. They have said in many documents that they will work together also after victory, not only to disarm their enemies, but to increase their own security and welfare.

By the United Nations Declaration of three years ago we all "subscribed to a common program of purposes and principles" set out in the Atlantic Charter. The Fourth point of that Charter calls for efforts to assure to all of us "access on equal terms to the trade and raw materials of the world." The Fifth point calls for "the fullest collaboration between all nations in the economic field with the object of securing, for all, improved labor standards, economic advancement, and social security." The Sixth point expresses the common hope "to see established a peace which will afford to all nations the means of dwelling in safety within their own boundaries, and which will afford assurance that all the men in all the lands may live out their lives in freedom from fear and want." These are the common purposes and principles of the United Nations.

By the series of agreements made in 1942 under the Lend-Lease Act we gave more specific terms to the economic content of these hopes. In these agreements the Nations parties to them promised to seek together "agreed action, * * * * *", open to participation
by all

by all other countries of like mind, directed to the expansion * * * * * of production, employment, and the exchange and consumption of goods; * * * * to the elimination of all forms of discriminatory treatment in international commerce and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in" the Atlantic Charter.

We have expressed these hopes together, and taken these commitments to each other, because we recognize that in the modern world our greatest interests are peace and human welfare; because these interests are common to us all; and because we all know well that none of them can be achieved by any nation or by any group of nations acting by itself or at cross purposes with the rest. The only way to work toward them with hope and confidence is through a loyal partnership of power and will and interest. That partnership we have begun in war, and it has saved us from destruction. We propose to extend it to the peace, and to perfect its instruments and action.

The economic objectives of the United States agree with those of the United Nations, for the good reason that what we need and what they need correspond. Expanded production, employment, exchange and consumption - that is more goods to be produced, more jobs, more trade, and a higher standard of living for us all - that is what we in the United States shall need in order to furnish real peace-time employment to the men and women who will be returning from the war and to those
at home

at home whose war-time work has ended, and in order to bring orders and profits to our industries and fair prices to our farmers. We shall need prosperous markets in the world to ensure our own prosperity, and we shall need the goods the world can sell us. For all these purposes, as well as for a peace that will endure, we need the partnership of the United Nations.

The main outlines of the machinery for the United Nations' peacetime partnership have been explored in the Dumbarton Oaks meetings, and the tentative proposals of these meetings are before us for discussion. They include a General Assembly, and an Economic and Social Council, both of which will have as one of their main tasks continuing attention and advice as to the ways and means of moving toward prosperity and stable full employment. But we cannot await the full completion of this organization and its studies before the work commences. For the tasks are urgent, and the success of all of our machinery and the fruition of our hopes will depend mostly on the actual condition of the world and on the acts of Government and peoples in practical affairs.

I propose therefore in this message to set out some of the steps which the United States ought to take now in the international economic field. The measures which I shall propose are not to be regarded as separate items, each one by itself. They have to be presented one by one for purposes of legislation, but they depend upon each other and ought to be examined as one program.

The

The purpose of that program is to meet the facts that now exist, and in the longer view to make secure our own prosperity and strength, and to perfect the partnership of the United Nations.

The first problem in time is to save life, and to get resources and people back into production. In many of the liberated countries economic life has all but stopped. Transportation systems are in ruins, and therefore coal and raw materials cannot be brought to factories. Many factories themselves are shattered, power plants smashed, transmission systems broken, bridges blown up or bombed, ports clogged with sunken wrecks, raw materials exhausted, and great rich areas of farm land inundated by the sea. People are tired and sick and hungry. But they are eager to go to work again, and to create again with their own hands and under their own leaders the necessary physical basis of their lives.

Emergency relief is under way behind the armies under the authority of local Governments, backed up first by the allied military command and after that by the United Nations Relief and Rehabilitation Administration. Our participation in the UNRRA has been approved by Congress. But neither UNRRA nor the armies are designed for the construction or reconstruction of large scale public works or factories or power plants or transportation systems. That job must be done otherwise, and it must be started soon.

The main work of reconstruction must be done by local people and their Governments, under whatever plans they may

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they may set up. They will provide the labor, and the local money, and most of the materials. The same is true for all the many plans for the improvement of transportation, agriculture, industry, and housing, that are being developed in many parts of the world. But some of the things required for all these projects, both of reconstruction and development, will have to come from overseas, because they cannot be produced at home. It is at that point that the highly developed industries and agriculture of the United States will have an opportunity to make a major contribution to the reconstruction of the liberated countries, to the creation of new productive wealth in many lands, and to our own prosperity. Inquiries for numerous materials, and for all kinds of equipment and machinery in connection with such projects are already being directed to our industries, and many more will come. This business will be welcome just as soon as the more urgent orders of the war itself begin to taper off. The question as to most of it will be the means of payment.

In the long run we can be paid for what we sell abroad chiefly in goods and services. I shall return to that subject later in this message. But at the moment many of the countries who want to be our customers are prostrate, and have few goods available for export. Other countries, among them one of our largest peace-time customers, Great Britain, have devoted their resources so completely to the war that both the foreign investments and the shipping and the
export

expert trade on which they formerly relied to balance their accounts abroad are so reduced in size that they will have the greatest difficulty for a time in making foreign payment for their necessary imports. Unless emergency financing is found, their merchant fleets restored, and the markets of the world opened promptly to their exports, such countries may be forced in desperation to reduce their imports from the world, including us, and to carry forward and intensify existing systems of preferential trading, foreign exchange control, and bilateral settlement of balances. That would contradict all our good hopes. We must move promptly to prevent its happening, and we must move on several fronts, including finance, trade, and shipping.

For purposes of short and long term financing of our part of these various requirements I recommend three measures to the Congress:

First, the Johnson Act should be repealed. This is the Act, which makes it illegal for any American to lend money to any foreign Government which is in default upon its debt to the United States. Most of these debts are those arising out of World War I, and many things have happened since they were incurred and since the Act was passed. Whatever was the situation then, the requirement of the Act is no longer a good test either of the credit or the friendship to this country of any foreign State. To the extent that sound and productive opportunities for foreign financing are offered to private American banking and investment interests, it is important that they be permitted

-7-

permitted to consider them upon their merits. Whatever foreign business they can handle will to that extent relieve the burden upon public lending institutions.

Second, the restrictions on the lending power of the Export-Import Bank, corresponding to the Johnson Act should be removed, and its capital should be substantially enlarged. The Export-Import Bank is a going institution; it has been and is well managed; and it cooperates with private interests. It should have both authority and capital to make useful and productive foreign loans, in cases of special interest to the United States, and to promote our foreign trade in both directions.

Third, the United States should act promptly upon the plan for the International Bank for Reconstruction and Development proposed at Bretton Woods, and should subscribe our indicated share of capital. The function of this bank will be to make, or guarantee, sound loans for the foreign currency requirements of important projects of reconstruction or development in member countries. One of its most important functions will be to facilitate and make secure wide private participation in such loans. The Articles of Agreement constituting the charter of the bank have been worked out with great care by an international conference of experts, and give adequate protection to all interests. This is one of the most sound and useful proposals for practical international collaboration now before us. I recommend that we accept the plan, subscribe the capital allotted to us, and participate whole-heartedly in the bank's work.

These

These three measures should go far to take care of our part of the emergency lending requirements of the early post-war years. They should help the countries concerned to get production started, to get over the first crisis of disorganization and fear, to begin the work of reconstruction and development; and they should help our farmers and our industries to get over the crisis of reconversion by making a large volume of export business possible in the early post-war years. As confidence returns private interests may be expected more and more to participate in foreign lending and investment, and Government lending institutions will be able to restrict their operations. But to get over the first crisis, in the situation that confronts us, loans and guarantees by agencies of Government will be essential.

We all know that permanent prosperity needs more than lending. Exchange rates must be stabilized, and the channels of trade opened up throughout the world. A large foreign trade in all directions after victory is the chief means through which the various nations of the world may pay their foreign debts or collect their foreign claims. That is one reason, but not the chief reason, for desiring a great increase in the foreign trade of the United States in both directions.

The main reason for wanting to increase foreign trade, or any trade, is that trade generates production and therefore wealth. Almost no one in the modern world produces what he eats and wears and lives in. If we tried to do so most of us would die. It is only
by the

by the division of labor among people and among geographic areas with all their varied resources, and by the increased all-around production which specialization makes possible, that any modern country can sustain its present population. It is through exchange and trade that efficient production in large units becomes possible. To expand the trading circle, to make it richer, more competitive, more varied, is a fundamental contribution to everybody's wealth and welfare.

We understand this very well within the United States, and have acted on it consistently for many years in three fundamental policies of Government. First, by the Constitution, we forbid our States and cities to raise up barriers against each other's products. Second, by the national currency and banking laws, we assure a single money everywhere within the country. Third, by the anti-trust laws we prevent restrictions of the market by monopolies and combinations. All three policies are fundamental. By the three together we insure a wide, free and competitive market as big as the United States. The result of that and of our great and varied resources and many skills is the most efficient industry and the highest standard of living in the world.

When trade seeks to cross national frontiers, none of the three great policies exist. Custom-houses stand at every border, and beside them have grown up a whole complicated network of restrictions, quotas, prohibitions and discriminations. A different kind of money prevails in every country, and their exchange rates

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rates with each other are not stable. And instead of competition traders often meet cartels and combinations, sometimes backed by governments. It is not any wonder that international trade has so often in the past brought not the mutual advantage which it should, but discord and contention.

It is time for the United States to take the lead in saying that the principles which we apply at home are sound, have worked, and deserve to be extended to international transactions. We propose to do this, not by setting up a super-government, but by international negotiation and agreement, directed to improvement in the monetary institutions of the world and in the laws that govern trade. We have done a good deal in those directions in the last ten years under the Trade Agreements Act of 1934 and through the stabilization fund operated by the Treasury. But our present enemies were powerful in those years too, and they devoted all their efforts not to international collaboration, but to autarchy. When victory is won we must be ready to go forward rapidly on a wide front. We all know very well that this will be long and complicated business.

It has got off to a good start. The United Nations Monetary Conference at Bretton Woods has submitted a plan to create an International Monetary Fund. The Fund is a financial institution to preserve stability and order in the exchange rates between different moneys. It does not create a single money for the world; neither we nor anyone else is ready to do that. There will still be a different money in each country,

but

but when the Fund is put in operation there will be a means available to preserve stability in the exchange rates, or to have changes made only after orderly discussion of the reasons. Furthermore, and equally important, the Fund Agreement states a code of agreed principles for the conduct of exchange and currency affairs. It holds out hope of fair dealing in the acts of governments in relation to exchanges, dealing consistent with the interests of traders and of peoples. It will help put an end to monetary chaos, and to arbitrary action by one country. It is a great step forward in intelligent international collaboration on a matter of great practical importance to us all. It ought to be approved.

I therefore recommend prompt action by the Congress authorizing subscription by the United States to the International Monetary Fund, and the legislation necessary for our membership in the Fund, and for our full participation in its management and operation.

When the Fund has been set up we shall have taken one great step toward enlarging the area in which multilateral trade can occur. But trading in that area will still be obstructed by direct governmental regulations of all kinds - tariffs, quotas, prohibitions, and so on, some of them of a discriminatory character - and by the private operations and agreements of cartels and monopolies. It is essential therefore to move on these fronts too as rapidly as possible.

I propose therefore to seek international agreement on as broad a front as possible to mitigate all these obstructions, and to improve the opportunities for
fruitful

fruitful trade among nations, and the conditions under which such trade is conducted. I shall press in other words for agreed action to eliminate war-time trade restrictions as soon as practicable after victory, to establish the principle and practice of equal trading opportunity, to reduce tariffs and other trade barriers promptly and substantially, to prevent the restrictive practices of international cartels and combinations, to establish equitable principles of trading between countries whose economies are organized on different patterns, to insure access upon equal terms to trade and raw materials for all peace-loving states, to lay down general principles for international action in respect to trade in particular commodities in which burdensome world surpluses exist, and to create an international organization to assist in operating the agreements made, this organization of course to take its place as a specialized agency - alongside the other specialized agencies in the fields of agriculture, labor, civil aviation, currency, and investment now existing or proposed - related to the general organization of the United Nations proposed at Dumbarton Oaks.

These projects have not yet reached the stage of full scale negotiation. When the time comes the Secretary of State will of course consult fully with the appropriate committees of the Congress.

In the meantime it is necessary in this Congress to give attention to the Trade Agreements Act of 1934, which will expire next June unless renewed. The Act should of course be renewed, and should be strengthened.

Surely

Surely we all now realize that the mutual and substantial reduction of barriers to trade is a permanent interest and therefore ought to be a permanent policy of the United States. I shall make a more specific recommendation to the Congress in this matter a little later in the session.

The measures I have discussed so far are intended to create in international commerce the essential legal basis of prosperous expansion: stable exchange rates, adequate institutions for finance, freedom from excessive governmental barriers, and protection against the operations of cartels. But we need to give attention also to certain special matters.

The first of these is our adherence to the Food and Agriculture Organization of the United Nations. This proposal is the outgrowth of the United Nations Conference on Food and Agriculture held in 1943, whose work was carried forward by the United Nations Interim Commission. That Commission has prepared a Constitution for a permanent Organization, which is before us for consideration.

The Organization proposed by the Interim Commission is not a super-government. It will have no power to issue orders or make laws. It will be devoted to the improvement of agriculture and nutrition, by the old and wise procedures of research, education, consultation, and advice. Men know enough today so that if farming practice everywhere were as good as the best known enough good food could be produced for all. To increase and spread that knowledge and the corresponding knowledge of nutrition, and help bring both into
practice

practice everywhere, is about the most useful work that governments could possibly engage in. The proposal of the Interim Commission is that we organize to engage in it together. I am confident that this Congress will authorize acceptance of the Constitution of the Food and Agriculture Organization by the Government of the United States, and will appropriate our scheduled share of the expenses. I recommend that action, and I suggest that it be taken promptly, so that the Organization can begin its work this spring.

You will need also at this session to give consideration to our support programs for particular farm crops, and especially to the export-subsidy phases of those programs. Committees of the last Congress have already given prolonged consideration to these questions. We all agree that the producers of certain crops need help. But from the point of view of our international relations it is important that the way in which that help is given should not involve a form of unfair competition. Our own tariff laws impose countervailing duties on products which are subsidized by the country of production. It is wholly natural that when our Government pays special export subsidies on wheat and cotton, or on any other product, the producers of like products in other exporting countries regard our competition as unfair. Such programs are not good for our international relations. They should be reconsidered and recast in such a form as to make clear that the public Treasury of the United States is not going to be used to subsidize commercial competition overseas.

In this

In this connection I call your attention to a recent statement by the Secretary of Agriculture before a Congressional Committee investigating cotton problems, in which he presented what he called a Reconversion Program for the Cotton South. I recommend serious considerations by the Congress of Mr. Wickard's program. Programs for other agricultural products should also be worked out on a basis which does not involve two prices.

In the fields of civil aviation, shipping, radio, and wire communications our policies should be consistent with the general ideas I have urged elsewhere in this message. We need agreement to promote the widespread use of the great and new resources which the progress of these arts has made available, to permit them to expand without undue restriction, to enable them to bring about more jobs, a more widely shared and general prosperity, better acquaintance, and more common understanding. We must not try ourselves to exclude others from their ownership and use, and we must not let their development be hampered by private combination or by excessive public regulation. We must adopt a policy which takes account of the special problems and requirements of each field, but which permits, in each, the widest and most beneficial use consistent with efficient operation. I shall a little later recommend specific action in several of these matters.

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In this message I have recommended many measures. They are all parts of a consistent whole. That whole is our hope for a secure and fruitful world, a world in which plain people in all countries can work at tasks which they can do well, exchange in peace the products of their labor, and work out their several destinies in security and peace; and a world in which governments, as their major contribution to the common welfare are highly and effectively resolved to work together in practical affairs, and to guide all their actions by the knowledge that any policy or act that has effects abroad must be considered in the light of those effects.

The point in history at which we stand is full of danger and of promise. The world will either move toward unity and widely shared prosperity or it will move apart into more or less self-sufficient but necessarily competing economic blocs. We have a chance, we citizens of the United States, to use whatever influence we have in favor of a more united and cooperating world. Whether we do so will determine, as far as that is in our power, the kind of lives our grandchildren can live.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
January 15, 1945

TO Secretary Morgenthau
FROM Mr. Luxford

For your information

When you spoke to me on Saturday about a public relations man on Bretton Woods, I told you that we were waiting to hear from John Fleming of FEA who we were trying to borrow.

Fleming called today and stated that although he would like to undertake the assignment, he felt himself morally committed to remain at his present post for the time being. He said that he was taking Bill Stone's place (while Stone was in London) and that his leaving now would seriously accentuate the bad morale situation already existing.

It appears that we will have to continue our search.



Cc: Mr. Gaston
Mr. White
Mr. DuBois

TRANSLATION

From File No. 816
CONTROLEUR ALLEMAND
MORGAN & Cie.

(Sent to Dr. Caesar by
Mr. Lecestre 15/1/43)

MEMORANDUM FOR DR. H. J. CAESAR.

- - - - -

On the attached sheet there is represented some information relative to the predecessors of Mr. J. P. Morgan, actual head of J. P. Morgan and Co., Inc., New York.

Following the tradition of his father, Mr. Morgan has never admitted Jews as associates or fellow workers.

The Morgan House has been frequently found in its business in opposition to the great Jewish banking houses in the United States, such as Kuhn, Loeb and Co.

As to Morgan and Co., Paris, the personnel since the foundation of the bank in 1868 has never included a Jew.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 15, 1945

TO Secretary Morgenthau
FROM Mr. White

1. Luigi Podesta arrived in the United States on December 30, 1944, as a member of an Italian technical mission, representing the Bank of Italy, to approve designs and to sign a contract for the new Italian currency which is to be printed in this country.

2. The Italian anti-Fascist press is violently critical of the presence of Podesta in the United States. The State Department has informed the press that he is on a mission to the U.S. Treasury. This technical mission was requested by Col. Foley, the members being nominated in Italy and cleared both at AFHQ and by the State Department in Washington, prior to their departure from Italy.

3. Podesta represented the Bank of Italy and the Italian Foreign Exchange Control in the United States from 1927 to 1941. He was recalled to Italy some months before the Italian declaration of war upon the United States (leaving behind his wife and child, both native-born American citizens).

4. We understand that the State Department and FBI have incriminating records on Podesta.

The Treasury's files disclose that between December, 1940, and the time the Italian funds in this country were frozen, about \$12,000,000 in currency was withdrawn from the accounts controlled by Podesta, and transferred to the Italian Consul General in New York, the Credito Italiano, the Italian Embassy, and Central and South America.

5. It is recommended that Treasury immediately interrogate Podesta in connection with these transfers so that it can be in a position to make appropriate representations to the State Department with respect to the further stay of Podesta in this country. (The currency contract can be arranged without Podesta, if necessary.)

TREASURY DEPARTMENT

Don - Cause -

CONFIDENTIAL

INTER OFFICE COMMUNICATION

DATE
January 15, 1945

TO Secretary Morgenthau
FROM Mr. Luxford

For your information

Apropos our conversation last week on UNRRA, there is attached a copy of Hugh Jackson's memo to Governor Lehman. Pages 3 and 4 on Russia are of particular interest, although the whole document is most revealing.

Also attached is a little story about the difficulties the ranking Soviet representative on UNRRA is experiencing.

QR

Attach.

6 October 1944

TO: Governor Lehman

FROM: Hugh R. Jackson

You will be interested in reading the attached note prepared by Mr. Lacy setting forth his views as to the political aspects of the Council Meeting.

COPY

S E C R E T

AN APPRECIATION OF THE POLITICAL ASPECTS OF THE
UNITED NATIONS RELIEF AND REHABILITATION ADMINISTRATION COUNCIL
MEETING AT MONTREAL

The most evident political phenomenon at Montreal was undoubtedly the friendly and cooperative attitude of the forty-four delegations toward each other and toward the administration. It is not my purpose to examine into the extent to which this apparent unity was real, or indeed to imply that it was anything less than it appeared to be.

It seems to be indisputably true, however, that such an international conference, whatever its terms of reference and objectives, will bring about changes in the relations between governments represented at the Council table and between groups or blocks of states so represented. I mean to set down herewith my not very carefully considered reflections on some of these changes in the relations of the member states to each other which I believe may be important to UNRRA.

U.S. - U.K. Relations

If the peculiar amorphous, yet mostly practicable, relations between the U.S. and the U. K. underwent any significant change in Montreal (which I doubt) that change would have been in the general direction of a recognition on both sides of an increased coincidence of U.S. - U.K. interests. U.S. - U.K. collaboration was almost conspicuous through the entire conference and, so far as I am aware, both powers found the others assistance both effective and decisive.

BRITISH COMMONWEALTH

I remarked no change in the attitude of any member of the Commonwealth toward other members. The usual attitudes could be identified: Imperial loyalty from New Zealand, aggressive independence but complete reliability from Australia, suspicious cooperation from South Africa, the usual posturing from India; Canada's attitude was for special reasons a triumph of paradox: that of a completely independent and sovereign power yet a loyal member of the British Empire.

THE EUROPEAN POWERS

I believe the European powers rose from the Council table both discouraged and heartened. The source of this discouragement was the obvious domination of UNRRA by the U.S. - U.K. combination. Therefore, that part of the European mind which fears U.S. - U.K. domination or which hopes for a genuine collective approach to the solution of world problems was abashed; by the same token that part of the European political consciousness which believes that the Peace of Europe can be maintained only through U.S. - U.K. domination of Europe must have experienced sober satisfaction. Thus, Poland, Greece, Belgium and the African States were, in the main, satisfied; the other European dissatisfied.

All pretty speeches notwithstanding, the European governments did not like the U.S. proposal on Italy and the Norwegian Ambassador undoubtedly expressed, in my opinion, that deep conviction of all the European governments with the possible exception of France.

But they acquiesced to the proposal not only because the U.S. - U.K. machine was irresistible (Latin American votes are always decisive) but also because each of them had in mind an implied contract with the U.S. - U.K. whereby those two powers would accept the liabilities but not the assets which must result from having their way in Europe. The earnest money on this contract was the willingness of the U.S. to foot the bill for supplies to Italy. I repeat, in general and in the case of Italy in particular, the U.S. and the U.K. must now be prepared to accept the unhappy results, if such there be, of ramming their program through and must likewise be prepared to share with forty-two other nations the happy results that may eventuate therefrom.

I do not mean by any of the above that the U.S. and the U.K. have increased their store of goodwill with the European governments. To the contrary I think the European governments are politely and privately resentful of what appears to be the U.S. - U.K. attitude toward ex-enemy countries. (For further remarks on this subject see Russia below.) The last minute withdrawal of the U.K. proposal to leave admission of new members to the Central Committee did a little, but very little, to decrease the general European resentment of U.S. - U.K. domination.

RUSSIA

Russia lost on one point, the importance of which can easily be over estimated (priority for bases, resistance proposal). In my opinion, however, Russia means to capitalize on the dissatisfaction of the European governments with the U.S. - U.K. attitude toward ex-enemy countries. Observe that while the Russian delegation

said nothing at the Council table about the Italian proposal she was at pains to make clear her opposition to that proposal on a personal basis with every European delegation. She will try to use that in the future.

In the main, in my opinion, the attitude of the Russians at Montreal was recalcitrant, uncooperative, and downright ominous. It is very difficult for me to document this opinion as my reasons for holding it are in large part visceral and instinctive. Many delegates of European powers have the same reaction, however. The attitude of the Russian delegates reminded me of nothing so much as the attitude of a dissentient group of members of a Rotary Club who are about to cut loose and set up a club of their own but who wish to conceal their intentions behind a curtain of joviality and straightforwardness (not that this curtain didn't show a tear now and then too).

In summary I expect the worse from this quarter, because of (a) attitude toward the Balkans (Yugoslav attitude: Tito is now, September 30, at Russian Headquarters near Belgrade, and has asked U.S. and U.K. liaison officers to withdraw from his entourage); (b) apparent intention to run relief in Eastern Europe, and the Near East; (c) attitude toward UNRRA's position vis-a-vis Italy and perhaps other ex-enemy countries; (d) attitude toward Poland and (e) attitude toward Norway.

FRANCE

It struck me that the principal desire on the part of the French delegates was to lay a few stones in the foundation of a new U.S. - U.K. - French combination (cf. French support of U.S. proposal on Italy; silence in and out of Council on prospects for UNRRA activities in ex-enemy and enemy countries; apparent pleasure with which the French received the rumour that the Spanish government plans some kind of contribution and/or collaboration with UNRRA. You will remember that the Anglo-French partnership always implied that France could guarantee Spanish cooperation, active or passive). All this was done with characteristic French skill and dignity. I cannot say I am aware of any decrease in the great supply of French chauvinism (my conversation with Mde. Fleven and others). It occurs to me that the French delegation (whatever its connection with the French people) may find the prospect of collaboration with Russia less attractive, for all the obvious reasons, than they appeared to find it a few months ago. Quite naturally the French attitude is still one of watchful waiting.

CZECHOSLOVAKIA AND YUGOSLAVIA

Nothing new here, as their membership in the U.S.S.R. combine was already apparent to everybody. The Czechs were, however, almost pathetically anxious to maintain cordial relations with the West.

POLAND

No change here that I can see in the attitude of the Polish delegates toward her Allies in the West or her Ally in the East.

NORWAY

Norwegians delegates are annoyed as well about Council's attitude on Italy and ex-enemy countries. They feel some sober gratification in the matter of withdrawal of new-membership proposal and the acceptance of the Ordning resolution on industrial rehabilitation (which was written by Ordning [Norway], introduced by the Czechs, finally drafted by the U.K., Mr. Colbjornsen dissenting). The Norwegians certainly increased their prestige with other European governments at Montreal. Also I have reason to believe that certain of their delegates were in close touch with the Russian delegation.

LATIN AMERICA

The Good Neighbor policy paid off at Montreal many times over. The Latinos are genuinely pleased with the whole performance, particularly the Italian program.

CHINA AND N.E.I.

No change here of which I am aware.

William S. B. Lacy
3 October 1944

Verified: 11 Nov. 1944

(1) C.M. (1) Bm

On August 24, 1943, M. Menshikov, Head of the Bureau of Areas and Relationships of the UNRRA, and ranking Soviet representative in the UNRRA High Command in Washington, wrote a blistering letter to Herbert Lehman demanding a greater voice in the affairs of UNRRA.

This was only one of a series of about 50 memos and letters of an increasingly irate tenor, that Mr. Menshikov has addressed to Lehman protesting bitterly against the failure of the Governor to give any consideration to the Russians in the workings of the organization.

Menshikov has also pointed out privately to friends and colleagues that he has been sidetracked completely, as has P. W. Kuo, ranking Chinese representative in the organization and other foreign representatives in the UNRRA administration in all key policy decisions.

The partial text of Menshikov's August 24 memorandum follows:

"I am reluctant to bother you with what appears to be administrative detail but I find that it has seriously interfered with the efficient operation of the Bureau of Areas. I have found that frequently communications are received in your office affecting area planning or operations which are not transmitted to me for a considerable period after they have been received. For example, a letter from the Combined Chiefs of Staff dated August 13 and received by the Agency on that date, affecting my work, did not reach my office until August 23. This is but one example.

"I also find that conversations and discussions are held by you and other principal officers on your behalf with various other Governments and with other Government agencies as well as with UNRRA officials affecting the Bureau of Areas responsibilities and yet I am not informed of this or am I even requested to send a representative to attend them in my place."

Complaints are also made that Hugh Jackson, a former social worker and associate of Governor Lehman in New York and bitterly anti-social is engaging in the most violent sort of bureaucratic power grabbing. The charge is made by those inside UNRRA and particularly those close to the Russians and Chinese, that Jackson successfully confuses operations and directions to those sections of UNRRA so thoroughly that eventually their work is doomed. At this point, as is frequently the case with other bureaucrats, Jackson moves in with a clever organization plan and takes all functions under his own wing, sidetracks opposition.



BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE

WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE

REFERENCE NO. _____

With the compliments of the British Air Commission
who enclose Monthly Report No. 16 covering
Aircraft Flight Delivery as at December 31st, 1944.

The Honourable Henry Morgenthau, Jr.,
Secretary of the Treasury,
WASHINGTON, D.C.

January 15th, 1945.

REP. NO. P-55
MONTHLY REPORT NO. 16

LOCATIONS OF U.S. BUILT OCEANIC FLIGHT DELIVERY AIRCRAFT
(COVERING MOVEMENTS THROUGH DECEMBER 31, 1944)

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	FORTRESS (BAC/L-L)	LIB. (BAC)	HUDSON (BAC-L/L)	VEF. (BAC)	P. BOAT (BAC-L/L)	VEF. (L/L)	BOGT. (L/L)	HALF. (L/L)	B24 (L/L)	B25 (L/L)	B26 (L/L)	TRANS. (L/L)	TOTAL
UNITED KINGDOM	156	96	(e)807	141	558	98	313	(g)1151	432	551	8	(1)600	3781
MIDDLE EAST (a)		5	95			205	116	(g)1115	309			284	2475
WEST AFRICA (a)									22			4	26
AUSTRALIA					27								27
SOUTH AFRICA (a)				135		108						40	283
SINGAPORE					9								9
INDIA (a)									454			342	796
ASIA	3												3
FREETOWN			91										91
OTW'S IN CANADA			210	68		64			99	65		30	499
REAP					28	1	2		(e)15	1			47
131 OTW									40	80			120
RAFTC (b)		11	43	13	11				11	8		23	100
En route overseas							2		48	3	7	4	64
Sunder, Goose, etc.							2		3	13			18
Havana or Bermuda (on route)									6		2	1	9
Special duty in Canada				1	2			1		1	1	2	8
Neutral							1		9	6		16	26
CRASHED AFTER EXPORT			52	19	10	9	19	42	7	16	14	12	200
En route export									1	19	64	40	124
At Modification Center					6				105				111
En route Modification Center									8				8
Special duty in U.S.		2							1				3
CRASHED IN U.S.		1	28	6		1	4	15	5	2	11	1	74
DIVERTED TO U.S.		80	21 (d)280										281
TOTAL	199	165	1348	664 (f)649	446	459	(g)1174	1529	765	(h)519	(i)1192	(j)1192	9286

- (a) Including deliveries to Rabat, Accra or Taboradi for these destinations.
 (b) All to 45 Group except 15 transports to 300 Wing.
 (c) Including 3 removed from British charge and transferred to British W. Ind. Airways, Ltd.
 (d) Including 15 returned with 45 off DA-152 under Req. 41018 after A.A.F. training use. All 60 are included in Col. 6.
 (e) Later re-allocated to Canada by H.A.C. (Air), under Req. CA-00076.
 (f) Reduced by 21 P2H's, 37 P2H's, and 25 P2Z-30's, returned to U.S. Navy, and including Boeing (Vamo.) P2Z's.
 (g) Including 84 removed from British charge and transferred: 74 to Turkey, 12 to French Air Force.
 (h) Including 1 removed from British charge and transferred to Turkey.
 (i) Including 3 removed from British charge and transferred to Netherlands.

PLANNING & AIRCRAFT DIV.
BRITISH AIR COMMISSION
WASHINGTON, D.C.
January 5, 1945.

CABLE TO WINANT, LONDON, FOR MANN FROM WAR REFUGEE BOARD

Polish War Relief is making an additional remittance of \$75,000 to trustees in London. Unless you have already arranged for release of \$75,000 referred to in paragraph 2 of WRB No. 30 (Department's 10825 of December 30), the new remittance should bring the total amount available to Polish trustees in London up to \$150,000. Since some time will be necessary to negotiate for acquisition of dollar currency, labor groups here hope it will be possible to release the \$150,000 to the trustees as soon as you are reasonably satisfied that the first \$250,000 was sent to Poland.

In connection with problem of acquiring dollar currency, Treasury Department has advised labor groups here that every effort should be made to obtain the dollar currency from the Bank of England and that, if this method should fail, Treasury will have no objection to purchase of dollar currency from Polish Government provided approval of American Embassy in London is obtained.

THIS IS WRB LONDON CABLE NO. 38.

3:45 p.m.
January 15, 1945

Miss Chauncey (for the Sec'y) Ackermann, Akzin, Cohn, Drury, DuBois, Gaston, Hotel, Marke, McCormack, Pehle, Files

FH:hd 1/15/45

DSH-942

PLAIN

London

Dated January 15, 1945

Rec'd 10:10 p.m.

Secretary of State,
Washington.

515, Fifteenth

TO PEHLE FROM HANN

Please deliver the following message from Joseph
Solwarta to Moses Leavitt of the JDC:

"Passman and Trobe finally left yesterday. My
own departure still being held up because weather
conditions. Deeply regret refusal validate passport
Laura Margolis France, Belgium which particularly
difficult understand since military authorities ready
furnish transportation. Believe this holding up of
validation will delay necessary relief program which
Belgian Government has urged us undertake. Would ask
you again intervene send at least French validation
to London."

FOR WRB. If Board perceives no objection I would
appreciate Board's supporting request for validation.

WINANT

JT

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

Please deliver following message to Joseph Schwartz from M. A.

Leavitt of American Jewish Joint Distribution Committee:

QUOTE VIEW OUR ACUTE CASH STRINGENCY ANXIOUS SECURE
REIMBURSEMENT FROM INTERGOVERNMENTAL COMMITTEE FOR ADVANCES
SALY MAYER MADE. WOULD BE DESIRABLE IF YOU COULD ITEMIZE
COUNTRIES AND AMOUNTS TO END DECEMBER 1944. UNQUOTE

10:30 a.m.
January 15, 1945

CABLE TO AMERICAN DELEGATE, ROME, FROM WAR REFUGEE BOARD.

Please deliver following message to Reuben Resnik, c/o Intergovernmental Committee on Refugees, HQ 2675 Regt., APO 394, c/o Postmaster New York, from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE FOR ASSOCIATION YUGOSLAV JEWS UNITED STATES PLEASE PAY LIRA EQUIVALENT \$1,000 TO HINKO GOTTLIEB YUGOSLAV REDCROSS DELEGATION BARI FOR USE YUGOSLAV REFUGEES BARI AND TOPUSKO. THIS SUM RAISED IN MEMORY WILLY FLESCH AND MARION STERNBERG YOUNG YUGOSLAV JEWS KILLED IN PACIFIC AND FRANCE FIGHTING FOR UNITED STATES. PLEASE SECURE FROM GOTTLIEB ACKNOWLEDGMENT RECEIPT AND REPORT SITUATION FOR TRANSMITTAL TO US. UNQUOTE

10:30 a.m.
January 15, 1945

CABLE TO AMERICAN LEGATION, TANGIER, FROM WAR REFUGEE BOARD.

Please deliver following message to Renee Reichman, 23 Rue Moliere,
Tangier, from Vaad Hahatzala Emergency Committee:

QUOTE LICENSE RECEIVED WILL PAY COHEN ADDITIONAL
\$6,000. ENDEAVOR SEND PARCELS FERDINAND FICHELBERGER
BERTHA OPPENHEIMER BOTH IN THERESIENSTADT. UNQUOTE

10:30 a.m.
January 15, 1945

CABLE TO AMERICAN CONSULATE GENERAL, JERUSALEM, FROM WAR REFUGEE BOARD.

Please deliver following message to Judah Magnes from M. A. Leavitt
of American Jewish Joint Distribution Committee:

QUOTE WE AUTHORIZED MARGOLIS STOCKHOLM PURCHASE SHIP
\$10,000 MEDICAL SUPPLIES TO EMIL SOMMERSTEIN SINCE
POSSIBILITY EXISTS FOR IMMEDIATE TRANSMISSION. PLEASE
KEEP THIS IN MIND REFERENCE PURCHASES AUTHORIZED FOR POLAND.
COST ASCORBIC ACID PALESTINE MUCH TOO HIGH WILL ENDEAVOR
SECURE HERE. UNQUOTE

10:30 a.m.
January 15, 1945

CABLE TO AMERICAN LEGATION, STOCKHOLM, FOR OLSEN, FROM WAR REFUGEE BOARD.

Please deliver following message to Rabbi Wilhelm Wolbe, 11
Olofsgotten, Stockholm, from Vaad Hahatzala Emergency Committee:

QUOTE CABLE FROM CHIEF RABBI PALESTINE ADVISED US THAT
VATICAN INFORMED HIM JAPANESE GOVERNMENT READY NEGOTIATE
EXCHANGE ENTIRE SHANGHAI RABBINICAL GROUP. INQUIRE FOREIGN
OFFICE IF SWEDISH GOVERNMENT RECEIVED SIMILAR COMMUNICATION
INQUIRE ALSO EXTENT POSSIBLE TECHNICAL COOPERATION SWEDISH
GOVERNMENT. REPLY AMERICAN LEGATION. UNQUOTE

THIS IS WRB STOCKHOLM CABLE NO. 291.

3:45 p.m.
January 15, 1945

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

RDrury 1/13/45

CABLE TO AMLEGATION, BERN, SWITZERLAND, FOR MCCLELLAND

Doubts have been expressed by certain private relief agencies in America, hopeful of being able to arrange large-scale escape of refugees from Nazi persecution, whether Swiss Government is willing to keep its doors open to a further flow of such refugees, whatever their numbers. Please investigate, if necessary, and advise us.

Should you believe it useful now or at any future time, you are authorized to emphasize to Swiss officials that the previous assurances given by this Government concerning the maintenance and evacuation of refugees from enemy persecution who would be admitted to Switzerland were not (repeat not) restricted to any particular number of persons and that this Government would deeply appreciate continued Swiss cooperation in this humanitarian endeavor by admitting all such refugees who may be able to reach Switzerland, without regard to numbers.

THIS IS WRB BERN CABLE NO. 364.

12:45 p.m.
January 15, 1945

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

Aksin:ar 1/13/45

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

January 13, 1945

1 p.m.

AMLEGATION

BERN

192

The following for McClelland is WRB 360.

Information said to originate with Irish Department of External Relations reached the Board to the effect that German authorities stated that the rumor that they intend to exterminate Jews in Oswiecim and Birkenau camps is a pure invention devoid of all foundation and that if camps should be abandoned, inmates will be evacuated.

Please investigate truth of this information and report results.

GREW
(Acting)
(GLW)

WRB:LMV:KG
1/12/45

WE

BC

SECRET

COPY NO. 4OPTEL No. 17

Information received up to 10 a.m., 15th January, 1945.

NAVAL

1. EAST INDIES. Two of H.M. Submarines during patrol together in Malacca Strait attacked coaster convoy destroyed one ship and sinking trawler and set on fire or drove ashore remaining 3 ships. They also sank 2 minelayers and 7 junks and shelled Padang (E. Sumatra).
2. ENEMY ATTACK ON SHIPPING. 14th. Preliminary report states 3 ships in convoy torpedoed by U-boat off Halifax.

MILITARY

3. WESTERN FRONT. S.W. of Karlsruhe in Haguenau sector heavy fighting has been taking place in Maginot Line positions and U.S. forces have now cleared Ritz Shofen except for one strong point and broken into Hatten. South of Ardennes salient enemy bulge S.E. Bastogne has now been cleared and some 3000 prisoners taken. North of the town U.S. forces are in Noville on road to Houffalize. To the N. of Bastogne further progress made and several contacts with British established. North of Ardennes salient Champlon and Ortho are in British hands. Further W. attack by U.S. troops continues make steady progress against varying resistance. To west of Cherain opposition was light except in towns and the Houffalize-St. Vith Road was effectively cut and blocked, but E. of Cherain resistance very stubborn and little progress made. Still further E. attack in Malmedy sector made steady progress and first phase of operation now completed with forward troops on general line Grand Halleus (S. of Savelot) to Ligneuville. In Holland sharp local exchanges on Eastern sector north of Sitard and on northern sector north of Tilburg.
4. GREECE. British troops from Patras have secured airfield at Araxos.
5. BURMA. 13th. Arakan Front. Our troops occupied Myebon.
6. FINLAND. Finns report advance of 3 miles in N.W. Finland.
7. EASTERN FRONT. Russians report continued progress S. and S.W. of Kielce where R. Nida has been crossed on 60 mile front and Kielce-Cracow railway cut. N.W. of Budapest town of Lucenec on Hungarian-Slovak frontier reported captured. In the north Germans claim to have checked strong Russian attacks against Memel bridgehead and in direction Insterburg (E. Prussia).

AIR

8. WESTERN FRONT. Night 13th/14th. 549 aircraft (4 missing) despatched: Saarbrucken railway centre 276 (759 tons), Politz oil plant 225 (813 tons), other operations 48. Bombing concentrated in both main attacks.
14th. Escorted aircraft 121 of Bomber Command attacked Saarbrucken railway centre dropping 346 tons in clear weather. Escorting fighters scored 7,0,1. 772 escorted U.S. heavy bombers (19 outstanding) attacked: 3 bridges Cologne area 174, dropping 451 tons, 5 oil targets in Central and N. Germany 598, dropping 1464 tons. Weather clear most targets and bombers claim 31,9,7 and fighters 155,0,25 for 16 fighters outstanding. U.S. medium bombers 249 (3 missing) successfully attacked communication targets W. of Koblenz (348 tons). 1556 fighters (28 missing) in operations from Ardennes salient to N. Holland scored 38,1,8 and destroyed or damaged 70 locomotives, 400 railway trucks, 600 MT, and 60 APV. No reports received covering operations southern sector of front. Spitfires attacked two rocket launching sites Hague area. 4 Coastal Command Halifax left on fire 1 3,000 ton ship off Kristiansand.
9. MEDITERRANEAN. 13th. Bad weather virtually cancelled all operations.

HOME SECURITY

Up to 7 a.m. 15th. 14th. 8 incidents reported.
Night 14th/15th. One incident occurred.