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January 16, 1945
10:45 a.m.

CONFERENCE WITH MR. WHITE

Present: Mr. White
Mr. O'Connell
Mr. Glasser
Mrs. Klotz
Mr. Aarons

H.M.JR: I called him up at home Sunday.

MR. WHITE: Sweetser.

H.M.JR: And if you have Sweetser, you get the good will of OWI. He was very good up at Bretton Woods, and he is for this thing. He knows all these international organizations.

Now, OWI is here. We don't have their good will, and if we brought him in on this thing and borrowed him-- I think we could do lots worse.

MR. WHITE: We have three others lined up to make a decision on this that we think could work under him or with him. One I have in my notes to speak to you on, only because he is in the salary bracket that he is in, the eight thousand dollar bracket, working for UNRRA-- he has been with the State Department for many years.

H.M.JR: What is his name?

MR. WHITE: It slips me at the moment. His father was a Congressman. He is a very presentable fellow, not on delivery, but very easy to get into this, and he could be helpful in contacting these various international organizations. His wife, as a matter of fact, is the leader of one of the women's groups--a large women's group.

H.M.JR: I don't want to take anybody unless he is agreeable to Lehman.

MR. WHITE: I told him I would check with him. He is under Sayer. I told him that would be the first consideration.

H.M.JR: I haven't heard of anybody who would be as good as Sweetser.

MR. WHITE: We hadn't thought of Sweetser. I am sure Sweetser will be good. Has he been contacted?

H.M.JR: No, I told Gaston, but he forgot about him. I said, "Please call Luxford and talk to him; I called him up Sunday." I thought it was such a good idea that by now they would have something lined up.

MR. WHITE: And then we were trying to see if we couldn't borrow Wright from the State Department, and there is a third man from FEA that has been recommended and whom we are negotiating with. None of the three are top-notchers, but they each can contribute very substantially at different facets of the job.

H.M.JR: Sometime during the day will you go in and talk to Gaston and Luxford on this thing?

MR. WHITE: Yes. We could get Sweetser to head that sort of trio up.

H.M.JR: He tried awfully hard, because the State Department shoved him aside, but he was very anxious to be helpful on that.

MR. WHITE: I am sure he could be very helpful.

H.M.JR: I don't know whether we could get him, but I didn't want to move on it.

MR. WHITE: We wanted to get, and still want to get a meeting in your office of all the women's organizations to repeat what the State Department did in Dumbarton Oaks. That is where we got the idea. We have had it up a couple of times, but passed it over for consideration.

H.M.JR: You haven't put it up to me.

MR. WHITE: Sure.

H.M.JR: No. If you did, I forgot it. There is no record of it.

MR. WHITE: We can do it again. There are a lot of things going forward. There is a chap coming in this afternoon to see me from--I think he has five conservative papers he writes for editorially. He has the idea of consolidating small businessmen and getting them interested in this. He has a number of pretty good ideas, and he wants our support in developing them. He is desirous of getting his papers to support it on this level, and he will have some concrete plans he will want our approval on. They are having a meeting--a joint committee of some of the large labor groups, and they are going to route some support.

What we are doing now is trying to get resolutions from these various organizations that we will be able to present to Congress, and there is a strong article in one of the CIO newspapers by Crowder in which he speaks of the necessity of both plans; for workers and bankers are against it for selfish reasons, and it is up to every labor local to send a telegram to its Congressman and Senator. Some of those things are going forward, and we have a number of men out in the West talking to various groups. The reports we get on them are very favorable. We get literally dozens of requests for speakers that we are not able to fill.

The Budget Message is being postponed, but it should be ready. One draft was ready this morning, but it is being revised now--not the Budget Message, but the President's Message containing the Bretton Woods proposal. We will have it sometime today. Are you waiting for somebody else?

H.M.JR: I was waiting for you to start. I didn't know what you were stalling for.

MR. WHITE: I didn't know why, either.

Here is a letter which we drafted (hands Secretary letter to Mr. Kung, dated January 16, 1945).

H.M.JR: I wondered since when were we so polite to each other.

MR. WHITE: I thought we were waiting for somebody.

We drafted this for your signature to Kung, who is sick, enclosing a check for one hundred and fifty million dollars which the Army turned over. We thought it ought to be under a letter to you, rather than the depositor, and inasmuch as he is in the hospital, it probably would be appropriate to send it by hand.

H.M.JR: He is in a private sanitarium.

MR. WHITE: Is he?

H.M.JR: He is in Washington.

2 MR. WHITE: I think we should get it to him by hand.

H.M.JR: One of his friends told me that every time he comes to Washington the stone drops another inch, and he only has one inch to go.

Why don't I walk it around and give it to him?

MR. WHITE: I imagine he will be delighted. He will be crazy about it. That would be a marvelous gesture.

H.M.JR: Why the four cents?

MR. WHITE: Because they have some money in China they are depositing to their credit, and this is it.
(Laughter)

(Mrs. Klotz enters the conference)

H.M.JR: I decided I couldn't get along without your assistance.

I will give him the four cents at five-fifteen. I want to give him the four cents.

MRS. KLOTZ: Oh, I see, you are going to go around there to see him. Is that all you wanted to give me?

H.M.JR: There is so much that I thought you had better sit here. Do you have to clear something in your office?

MRS. KLOTZ: No.

MR. WHITE: Would the President care for these stamps? I think they are very unusual. They are Chinese relief stamps.

MRS. KLOTZ: What's the matter with the Secretary of the Treasury?

MR. WHITE: I think I can get you another set.

H.M.JR: Chinese relief? What will they use them for? He will ask.

MR. WHITE: I can find out and send them in with a memo.

H.M.JR: I expect to see him within the next day or two, yes.

MR. WHITE: I don't know whether they are originals, but I guess they are.

MRS. KLOTZ: See the perforations.

MR. WHITE: What does that mean?

MRS. KLOTZ: That they are originals, I think.

MR. WHITE: This is a letter to Grew which is a little rigid in tone, but we think the situation warrants it. (Hands Secretary letter to Mr. Grew, dated January 16, 1945). That is about the five cent and ten cent rate for Formosa. It is all right.

(Secretary signs letter)

MR. WHITE: This is a reply to Markham, Alien Property Custodian, about their request to transfer control over frozen assets. (Hands Secretary letter.) We had a long, big meeting on this, because it is quite important, and we think if we can get Markham--get the Alien Property Custodian to tell us the kind of program they have for the disposal of the German and Japanese assets, which would give us an opportunity to point out where it is not good and make suggestions, and to indicate to them that when they have a satisfactory program we will be glad to turn the assets over, we think it is a splendid opportunity to get them to have a program which we don't think they will have. In other words, we don't know what we are going to do with German assets, acting as trustees, rather than trying to dispose of them.

H.M.JR: I have got to get somebody to work for me on things who will be thinking Morgenthau, you see? We have nobody in the place thinking about my own publicity--nobody!

MR. WHITE: I gave Gaston two weeks ago, I think it was, a statement comparing the record of things done here with the record of the only other two competing war secretaries, Gallatin and Chase, and McAdoo. I thought it would be a complete basis for some kind of article, and he thought so, too. But I don't know whether the time has passed; I thought it might be well around anniversary week.

(Mr. O'Connell enters the conference.)

H.M.JR: Joe, today's Post has a very fine editorial.

MR. O'CONNELL: I have seen it.

H.M.JR: Did you see it?

MR. O'CONNELL: Yes.

H.M.JR: I think it is worthy of your own time to go up on the Hill and see whether Mead or Wagner--one of my Senators--wouldn't take that and make a little speech today using that as a basis. It isn't Morgenthau who is to blame for giving the President a memo, but it is these S.O.B.'s who steal the thing. And if he doesn't want to do it, Pepper will do it. Get it in the record and have the thing out in the open. I can't improve on that editorial, but somebody on the Hill--let's start with my own Senators. If they don't want to do it--

MR. O'CONNELL: Start with Mead and Wagner?

H.M.JR:..let it go to Pepper; he is a good friend of mine. Using that, they can paraphrase it. I wish you would go on up there yourself.

MR. O'CONNELL: Right now?

H.M.JR: Yes, please.

(Mr. O'Connell leaves conference.)

H.M.JR: I mean, if somebody was just sitting around here thinking all the time--they tell me Nelson has a man like that, and all he does is worry when he can do this.

We have nobody to do that.

MRS. KLOTZ: We never did have anybody to do that.

H.M.JR: No, we never have had anybody.

(Secretary signs letter to Mr. Kung.)

H.M.JR: "In view of your illness, I am enclosing, instead, amount of one hundred and fifty billion dollars." What does that mean?

MR. WHITE: It assumes that if he is going up he is not going to use the letter.

H.M.JR: Yes, I would.

MR. WHITE: Oh, you--

H.M.JR: "In view of your illness, I am enclosing--" it is a little Chinese.

MRS. KLOTZ: It is a most peculiar sentence.

MR. WHITE: O.K., O.K., I agree.

(Secretary hands letter to Mr. Kung back to Mr. White.)

MRS. KLOTZ: "In view of your illness, I am, instead, enclosing--"

H.M.JR: You have to say it with an accent. Who dictated it?

MR. WHITE: "I had hoped I would have the pleasure of presenting to you in person the check in payment of the U. S. Army expenditures. In view of your illness--"

MRS. KLOTZ:.. "I am, instead, enclosing--" if that is English, Harry--

MR. WHITE: It was drafted by Friedman, but initialed by me.

H.M.JR: He got red.

MRS. KLOTZ: I wanted to know what it was about, so I read it.

MR. WHITE: You have to put in a little Chinese East Side accent.

MR. WHITE: Could be. He's been in both places, the fellow who drafted it.

Here is a letter from Stettinius in which he agrees with the draft with slight modification of the statement to be made to the Italian Mission which has been here, and he is suggesting incorporating in the statement--in a larger statement which they are going to prepare covering a number of other things they are conferring with the Mission.

(Indicates letter addressed to Secretary Morgenthau from Secretary Stettinius dated January 10, 1945.)

Now, what I thought we might do--

H.M.JR: If anybody can understand that, it is all right, but come on let's--

MR. WHITE: What I thought you ought to do was see them personally, because you haven't seen them since they have come, and they have been here for two months. You said you would see them after the discussion had taken place and told them orally what we are going to do for them, which isn't very much. Tell them they will get the official notification of it from the State Department.

H.M.JR: Assistant Secretary White, you see them.

MR. WHITE: Of course the Italians--it doesn't matter very much, I suppose, but you said you would see them before they leave.

H.M.JR: Did I?

MR. WHITE: It will only take you five minutes.

MRS. KLOTZ: Let's give them a day.

H.M.JR: Why didn't Foley call you up and invite

you to dinner?

MR. WHITE: It's a long time ago. As a matter of fact, I invited him, but he couldn't keep it.

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

MR. WHITE: All right. If you don't like to see him--

H.M.JR: If I said I would, the best thing in all these things is to keep one's word. All right. Is fifteen minutes enough?

MRS. KLOTZ: I think so.

H.M.JR: Italians a la Foley, three-fifteen, Thursday.

(Discussion off the record)

MR. WHITE: While you are talking of Germany and Russia, do you want to get Glasser here to tell you in detail the story so you will have the background?

H.M.JR: Do it last.

MR. WHITE: Here's a letter that we had drafted for you to sign to Harold Ickes on the Philippines. (Indicates letter to Secretary Ickes from Secretary Morgenthau dated January 16, 1945.) You wanted to see me about it.

Now, the chief purpose of the letter is a two-fold one--one to tell him about the people we have information on that were collaborators with the Japanese, calling his attention to that, and the other to indicate there are a number of matters which the Treasury is interested in in the Philippines, and we are ready to cooperate.

H.M.JR: I don't want to take time to read it, and I just want to know whether I am selling out on anything. (Secretary signs letter.)

MR. WHITE: No. We are telling him we have infor-

mation on gentlemen which we have indicated in the amended sheet.

Do you still want to take up this matter of French Lend-Lease?

H.M.JR: Yes. I told lost we could clear that this morning with you.

MR. WHITE: Could you combine both and say you will give them Lend-Lease in the same way you will give the British with this condition that they will decide ahead of time, before they undertake any Lend-Lease arrangement, what an appropriate balance for France to have is, and that we will watch their balances and keep on the track.

In other words, let's avoid a good deal of the difficulty we had with Britain. Say that they ought to be treated like the Allies, but one of the important things without which you can't operate is what do they regard as reasonable gold and dollar exchanges for France.

H.M.JR: I made it clear I agreed with you. Can't you have that in the form of a letter? Or do you just call up Clayton?

MR. WHITE: That ought to be in a letter.

H.M.JR: I think so, too. It is very important.

MR. WHITE: I'll have it this morning and send it over by hand.

H.M.JR: I do my mail at two o'clock.

MR. WHITE: Do you remember that case of a man from the firm of Morgan who Saxon claimed had interfered with his investigations over in Paris by advising the bank--and Army officers who complained, and they said their records were such as to show the man had been wholly within his rights? Saxon denies it.

Shall we prepare a letter and say we want to examine the facts? I am having Luxford examine Saxon to make sure he's got a watertight case before we start that fight, so it will come through in the normal routine manner.

MRS. KLOTZ: We have a system.

H.M.JR: You know White said normal routine is a week or so.

MR. WHITE: Do you want to make a decision on speaking February 19 at Chicago?

H.M.JR: Yes. What do you think you are here for today if not to make decisions?

The point is this. That invitation is no good, because it's the wrong organization. Now, Jake says if I am to go there, I should talk to the Chicago Economic Club, and then you will have all the tycoons and all the people you should reach, and either one of two people can arrange that for me, either Ned Brown or Hap Young. But that is the wrong place, he said, for me to speak.

MR. WHITE: Except that it is the foreign supporters that we expect to get on our side.

H.M.JR: And he said that convention will be called off, because they won't be able to come there for a meeting. He said that meeting will not take place, because under Byrnes' order they can't come to it. I suggest you call up Ned Brown and tell him I am ready and would like to come to Chicago sometime. I mean, give me a week after this tentative date for Detroit, you see?

MR. WHITE: Then I'll answer this cable myself.

H.M.JR: I've got a better suggestion. If I'm going to Detroit, let's say on Wednesday, then I'll talk in Chicago on Friday.

MR. WHITE: Friday right after Detroit?

H.M.JR: Instead of coming back. Do you think that's better?

MRS. KLOTZ: It depends on which way you can take it.

H.M.JR: Detroit--you go there--it's only four or five hours by train.

MRS. KLOTZ: I don't mean the traveling. I mean one speech on top of another.

H.M.JR: I would rather do it that way.

MR. WHITE: They will be prepared with speeches on the same subject.

H.M.JR: I would rather have one today and go to that very nice hotel and rest there in Chicago; and I would rather have one day in between, and then do a speech. I would rather do two.

MR. WHITE: It's easier for me. I was thinking whether we could get more effect by having them spaced by a month.

H.M.JR: You mean by a week?

MR. WHITE: Have separate publicity. The only suggestion is if you had two different subjects, for example--if you had the first one on the "Political Aspects of Bretton Woods" or the second on "Economic Aspects", so the two together made a sort of whole. Other than that, I think it would be better--suppose I talk it over with DuBois and Gaston?

H.M.JR: From the standpoint of publicity, have it about ten days apart, so we could have the thing running.

MR. WHITE: Did you say the name of that was the Economic Club?

H.M.JR: Of Chicago. That's the one to speak before.

MRS. KLOTZ: It's easier on you too.

MR. WHITE: Do you want to check up on that Argentine thing or shall we just pickle that?

H.M.JR: The situation in the Argentine? There isn't much we can do on it with the State Department. They realize they are in a mess and they are sort of marking time until they meet in Mexico on the fifteenth of February, so there isn't much we can do. They have themselves in a terrible stew.

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MR. WHITE: We'll just drop it now. The Chinese Government has told us informally, and I would check with you, and if you agree, they can ask us formally. They would like to utilize about five and a half million dollars of their assets which they have here for the purpose of training Chinese technical men. I thought it would be a good idea and I thought you would approve.

H.M.JR: Definitely. Oh, he told me this morning--this is confidential--that fighting had broken out between the regular Chinese troops and the communist troops. He is quite worried about it.

MR. WHITE: Is that so? Bill Taylor is about to go back. I think he is out of line with Glasser and Bernstein, and I think his work, near Ted, increases to the permanent class, eight thousand a year.

Is that all right?

H.M.JR: Yes. But do that the regular way through Charlie Bell.

MR. WHITE: Yes. I just wanted to tell you. Now, you know Aarons is back?

H.M.JR: God! I should see that fellow. He stuck his head in the window, and didn't I tell you I wanted to see him? Where is he?

MR. WHITE: I'll see him before you leave today. If he seems a little distraught, it is because he has family difficulties which he is just going through. They are of a serious character.

H.M.JR: His wife?

MR. WHITE: Yes. I don't know whether he wants anybody to know about that, but I thought I would tell you. It's a rather long, strange matter that is crystallizing.

H.M.JR: I am sorry.

MR. WHITE: We have been waiting to discuss with you the War Department draft on the punishment treatment of war criminals. Do you think it is important? We think it is important and we are just holding it up. When do you want to handle it? It would take a half an hour or fifteen minutes, anyhow.

H.M.JR: Make a note of that, Mrs. Klotz. If I get a breathing spell this week--

MRS. KLOTZ: That ought to be done this week.

H.M.JR: Make a note.

MR. WHITE: It's a legal problem. It's a question of--

H.M.JR: We could put that in a memorandum form to Stettinius and say this is something that will certainly come up at a meeting of the Big Three.

MR. WHITE: Let me draft it with the lawyers, as to what they want.

H.M.JR: And let's take it over and dump it on Stettinius.

MRS. KLOTZ: It's a good suggestion.

MR. WHITE: All right. Now, do you want to follow up with Baruch this memorandum which we know to be his?

H.M.JR: Yes, yes, yes.

MR. WHITE: How do you best want to handle it? Do you want to prepare a memorandum and say this memorandum is prepared?

H.M.JR: Yes.

MR. WHITE: I think I know one of the things Nelson is coming to see you about. Soong had asked him to recommend a man to help stabilize prices and check inflation in China, and Nelson spoke to Friedman and Friedman met him, and Friedman said that the thing ought to wait until Adler was there, because that was part of Adler's job to advise him on that, and he wrote to Soong and Soong said he knows Adler and thinks very highly of him. But he wanted a full-time man to advise the Chinese Government, on a broader program, so Nelson probably will ask whom you want to recommend.

H.M.JR: Don't forget. I don't want Colonel Bernstein to leave without seeing me, you know.

MR. WHITE: We had a very interesting meeting--he won't forget--yes, sir, in trying to decide what position to take with respect to a number of matters in Germany on property controls and things of that kind, so his staying here is very favorable, both to us and him.

H.M.JR: I asked Yost to get together for me all the information that they have that has to do with how the Russians are treating the civilian population in countries which they are occupying. He is going to keep me posted, each week. One of the things which he said, and these things I'm quoting Yost on--don't tell him outside this office--he said the Russians are issuing directives every day in the name of the three countries, but they never consult either, and they tell them afterwards. They do this in Bulgaria and sometimes in Hungary. They just sign an agreement with them and go ahead and do things, and when they are through, then they tell them.

The other thing--

MRS. KLOTZ: It's the only way to get it done. It is wonderful!

H.M.JR: They took one hundred and seventy thousand Germans, of German extraction out of Rumania into Russia and have now drafted them to work--people between the ages of twenty and sixty, twenty and forty.

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MR. WHITE: Soldiers or civilians?

H.M.JR: Civilians. I think one hundred and seventy thousand, so all of that stuff from now on, as far as he knows, it has never been in any one place, but he is getting it together and I have asked him each week to give me a running account of what the Russians do with the civilian population.

MRS. KLOTZ: They are marvelous!

MR. WHITE: There are two things. One is the Congressman who went to France and came back with an earful of the high prices in France, and they blame it on the two-cent rate, and they are going to make a fuss about it, so you will hear, but we have quite an adequate defensive when they do.

H.M.JR: Let's beat them to the gun. I told people yesterday to get me up a brochure. That's number one on the currency. Let's get up something-- and I'll tell you who is completely in our corner-- Kaltenborn.

MR. WHITE: I read that. Yes. I wasn't sure what part you wanted. I read it yesterday.

H.M.JR: I told him sure it means that the price of wine, women and song is high and so there is less of it. He said, "I am for it."

MR. WHITE: It wouldn't be any lower no matter what the rate of exchange was.

H.M.JR: He said if that could be discouraged he would be for it. Make a note. I think we might get up something and beat them to the gun on this thing, see?

MR. WHITE: The other is a little troublesome. We got information--

H.M.JR: "Wine, women, and song and perfume!"

MR. WHITE: Three horsemen.

H.M.JR: That's all they can buy whether they pay five hundred francs or one thousand francs for a night of entertainment.

MR. WHITE: The rate of exchange has nothing to do with that.

Some time ago we had taken the position with the State Department they were not to approach the French Government to ask for a special franc rate-- that there were other methods which they have available to make up for what they said was the high cost of living. They agreed, and a cable to that effect was sent to Paris. Subsequent to that Hoffman informed us through the mail-- you see we get constant mail, not through diplomatic channels, not through the Ambassador, that they weren't pursuing that, and they were undertaking discussions, contemplating discussions with the French on it, and directly contrary to what we thought the instructions were, and this is where I think we slipped. On the basis of that we made a complaint to the State Department saying it had come to our attention.

The State Department cabled to Paris under Stettinius' own name. The cable said, "I". The Ambassador replied that that is not true and he wants to know where he got the information. State Department now has sent us a letter--Stettinius has sent us a letter saying that is not true and where did we get the information? I don't know just how to handle it.

H.M.JR: I would tell him the truth.

MR. WHITE: We don't want to raise the issue because we are getting excellent letters from all sources.

H.M.JR: I would tell him the truth. Tell Stettinius the truth tomorrow.

MRS. KLOTZ: He has a point.

H.M.JR: Tell Stettinius tomorrow when you and I go. We will tell him the truth and say if he wants to see the letter at any time, we will show it to him personally. Deal that way with Stettinius; take my word.

MR. WHITE: There isn't any reason why we can't send him the routine letters. Send him all the letters we get that are routine, except some personal letters we don't have to send him.

H.M.JR: Any time Yost wants to see those letters, he can see them.

MR. WHITE: Yes. There is no reason why we wouldn't be glad to show them to him.

H.M.JR: Any time Yost wants to see our letters, he can see them, so you won't have any trouble.

MR. WHITE: Now, would you like to have Glasser come in and tell you about Germany and Russia?

H.M.JR: No. I have been a gentleman this morning and let you come first. Now, I have some things.

MR. WHITE: Yes.

H.M.JR: Now, first the Formosa thing. Is that cleaned up? (Indicating letter of January 10, from Mr. Grew to the Secretary.)

MR. WHITE: Yes. Formosa is taken care of.

H.M.JR: This is Grew's. (Quoting from Mr. Grew's letter of January 12.)

"I refer to your letter of December 11, 1944, regarding a report received by the Treasury Department to the effect that our Embassy in Paris was considering

approaching the French Government with a view to obtaining French francs at less than the official rate of exchange to meet the excessive costs of maintaining American civilian representation in France."

MR. WHITE: That's what I just spoke to you about.

H.M.JR: How did we answer this?

MR. WHITE: Let's try drafting an answer and also tell Stettinius where we got the information.

H.M.JR: French Lend-Lease document--(Indicating letter from Mr. Grew, dated January 13, 1945.)

MR. WHITE: That we will draft an answer to.

H.M.JR: This is from Markham on the unblocking of French assets. (Indicating letter of January 10, 1945, from Mr. Markham.)

MR. WHITE: You replied to that and you signed the letter this morning asking them for their proposals, asking about the treatment of Germany.

H.M.JR: (Quoting from memo to Secretary from Mr. White, dated January 3, 1945.) "Pleven has just furnished Hoffman in Paris with information to the effect that the wife of Frank Jay Gould is participating in the establishment of a bank in Monaco for the purpose of cloaking collaborationist and German assets."

That's just for my information, isn't it?

MR. WHITE: That's all.

H.M.JR: (Indicating memo from Mr. White, dated January 1, 1945.) French assets--is this stuff I should read? "Subject: Support of Bretton Woods, January 1,"

or just file and hold it? This is the stuff you told me about what different organizations have done, C.I.O., and so forth.

MR. WHITE: There are probably letters there, requests for information, I think. That's all.

MRS. KLOTZ: Are you finished with it?

H.M.JR: Yes. It's a wonderful job.

MR. WHITE: Some of those are pretty good.

I don't like to try and take any more of your time but Professor Harris of Harvard is coming to see me this afternoon and he has pushed through--and he's got nothing, neither assistance or crew--a document that is going around to all the economists to be signed by them supporting Bretton Woods. There has been a lot of work involved. It would be very nice if I could bring him in to see you.

H.M.JR: I saw Doctor Harris and somebody else.

MR. WHITE: Hansen, but Harris is taking the lead.

H.M.JR: One of them has written an article for the Nation this week.

MR. WHITE: You knew him about five or eight years ago. He didn't strike a very good note at the time.

H.M.JR: He argued with me about Government Bonds.

Let's put him down for three-thirty. White and Doctor Harris.

Are you all cleaned up?

MR. WHITE: Entirely.

(Mr. Glasser enters the conference)

H.M.JR: Harold, come in.

Mr. White said you wanted to tell me directly what happened between yourself and these other people, about what Treasury is or isn't supposed to do with regard to Germany.

MR. GLASSER: Mr. Despres phoned me, and if you remember, two weeks ago we had a meeting with Kiddleberger and Despres and it was decided we might get together and work on a document. We made arrangements and Despres called and said he was sorry he couldn't meet with me, that new instructions had come.

H.M.JR: When?

MR. GLASSER: Two weeks ago. He called me the other day and said he now had new instructions and had been directed and authorized to speak with me on Germany, to speak freely on Germany. He said, "However, I want to say something that's personal, just between the two of us," and I went over to see him, and I asked him about that and he said it was confidential, between the two of us. He didn't want me to use it, that the White House has given instructions to the State Department that they should not go up there with the Treasury on Germany.

He said he was telling me that because whatever we might do together could not and would not come to anything. And therefore, he didn't want me to go into any discussions with any illusions. He didn't want me to do any work that would be futile and useless. But those were the instructions.

H.M.JR: When did he talk to you the second time?

MR. GLASSER: The second time on Saturday. I spent Saturday afternoon with him in his office.

H.M.JR: You see, that previous week, after the meeting at the Blair House, Stettinius told me he had talked with the President and the President said it was all right to work with us.

MR. WHITE: Remember, I asked you to find out from him whom it was that he referred to when he said the orders came from OWI?

MR. GLASSER: And I asked him specifically that question, and he said from the White House.

H.M.JR: Well, Harry, tomorrow when we see Stettinius we can very easily, without referring to anybody, say our men are working, and I hope that when they do get something, that they can bring it to Stettinius' and my attention.

MR. WHITE: Yes, that's a good way.

H.M.JR: See?

MR. GLASSER: He did say Stettinius gave him instructions to talk to me, because State wanted to be cooperative with the Treasury, and he was really violating the White House instructions in order to be cooperative in this discussion.

MR. WHITE: I think we could smoke that out this way, by following the suggestion you made and then by instructing Glasser to go ahead with the discussions and try to draft some memo on that, representing joint views. Those are his instructions, and therefore he is in a dilemma. The other fellow says he is not to have it, and the other fellow says he will have to resolve it, and it will, in no way, commit him.

MR. GLASSER: I told Despres in view of your instructions, I wasn't--

MR. WHITE: You received these instructions, and you better go ahead. Now, on Russia, if you are through with Germany.

H.M.JR: He's not on Russia.

MR. WHITE: No, but he has some things on Russia I wanted you to listen to.

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MR. GLASSER: It was decided I was to talk to Collado about Russia-this large loan to Russia.

MR. WHITE: That was at Collado's request?

MR. GLASSER: Oh, yes. When I met with him he showed me the cables from Harriman, and whatever memos he had on the subject, and he had a memo from Crowley in which Crowley said to Stettinius that he wanted to talk, to go with Stettinius to the President to discuss what should be done in reply to the Harriman cables. And in the discussion which--

H.M.JR: How did Crowley find out?

MR. GLASSER: Harriman's cables. Crowley is involved in those discussions, particularly in Lend-Lease 3-C negotiations, and my talk with Collado broke up into two sections, how to handle Russia on 3-C negotiations--

H.M.JR: What's that?

MR. WHITE: Negotiations which have been going on for eight months on how much to charge them for goods which they order now, which are long-use goods, and which will be delivered after the cessation of hostilities. We decided, remember, that you wanted to charge them two and one quarter percent--two and three-eighths percent interest, and they would have twenty to thirty years to pay, possibly? Those have been going on for a long time, and your last suggestion was that as far as the Treasury was concerned, it would be preferable if you charge them no interest, but let Dean Acheson make the choice.

H.M.JR: Eight months?

MR. WHITE: It must be that.

MR. GLASSER: It began last March. It's nine or ten months now, and it was stalemated last September.

H.M.JR: Move a little faster.

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MR. GLASSER: There were two points. I made the suggestion they should revise the no interest payment feature to Lend-Lease 3-C and on the broader issue; I then spoke about our plan. I told them to come out of the approach. Collado has gone to Clayton on both of these points, both of the Treasury's suggestions on the Lend-Lease 3-C. He now tells me it will more than likely be accepted by the State-- that they will answer the Russians and Harriman's cables, that we now will offer no interest whatever on the Lend-Lease 3-C.

Clayton is interested on the commodity approach, but they haven't made up their minds. They are still thinking about it.

MR. WHITE: I wanted you chiefly to tell them what your feeling was about the reaction to larger loans. That's the important thing. You ought to tell him what you want.

MR. GLASSER: I've had long discussions. There is a lot of material on it. When he showed me the memo on the Collado memo, which had been approved by Clayton, it was hostile to long-term loans. At least, it's more hostile than Harriman's cables. They insist on four and one half percent interest on long-term loans. They insist on important political quid pro quo, including the Kerenski debt-- their political dealings with Bulgaria, Poland, Rumania, and the Baltic States, and American claims from the Czarist period; that they want all these things settled before we give the long-term loan to Russia. I also saw the memo prepared by the political boy, Dubrow, who's the Head of the Eastern Division, Eastern European Division, who also took a hostile tone toward the long-term loan, in that he thought the Russians were trying to pull a fast trick by asking for an interest rate of two and one-half percent, and trying to include the long-term loan with the Lend-Lease in order to rush it through. The Russian's bargaining power is stronger on Lend-Lease 3-C--to rush it through on the long-term loan.

But on the whole, I told Collado I thought the memo I saw was hostile to the loan.

H.M.JR: Anything else?

MR. GLASSER: No.

H.M.JR: I want you to prepare a memo--get information from White this afternoon, and I want it before I go home today--a one-page memo in a form I can give to the President on how this 3-C thing has been dragging. What the hell is 3-C and what's going on? I want to use it as an example on how things are being handled vis-a-vis Russia. Can you give me a one-page memo?

MR. WHITE: It is unfortunate. The thing is, Russia has held it up for three months.

MR. GLASSER: Since September.

H.M.JR: Let's have the facts.

MR. GLASSER: May I say that the State Department wants a joint memo to go to the President on 3-C? State, Treasury, and FEA, giving the recommendation of this no-interest proposal.

H.M.JR: That's something quite different. I want White to say, "Thank you for this information--"

(Mr. Glasser leaves the conference.)

MR. WHITE: Wasn't there a cable you saw at Quebec that might be important in this connection, from Harriman?

H.M.JR: Yes, but you might mention the Quebec cable to Mrs. Klotz.

Now, what am I to say to Buzz Aarons? He's outside.

MR. WHITE: He has just come back--if you'll give him a few minutes. He probably has nothing to say. He didn't ask for this interview. He's done an excellent job there.

H.M.JR: Where has he been?

MR. WHITE: London, Paris, and Belgium, on a special mission.

(Mr. Aarons enters the conference.)

H.M.JR: How do you do.

After I left Luxford's office the other day, I was conscious of the fact you were putting your head in. Why didn't you come in and say "Hello"? You put it in about three times, and it suddenly occurred to me that it was you.

What has been going on?

MR. AARONS: I got back just about ten days ago, and I am just trying to get my feet under the water here again.

H.M.JR: Don't get your feet wet.

MR. AARONS: No. I had a very successful and interesting stay, I think, in my six months abroad. I had three trips to the Continent while I was over there. The last time I spent ten days in Brussels with Hensen and Patterson, and we made an analysis of the Monetary program which Gould is trying to promote there, and found that to be a very interesting job. I think that we have the London office set up on the basis of a very good relationship with the Embassy, and also with the British Treasury, as purely an independent Treasury office. We can keep it there on that basis as long as we want to so long as the present Embassy staff is there.

MR. WHITE: What is the situation in Paris with regard to Treasury?

MR. AARONS: I think the Treasury office is set up very well there. We got in--Mike Hoffman was practically the first civilian to get into Paris. We came in within a week after the liberation of Paris, and got in right on the ground floor.

MR. WHITE: Are you working well with Caffery?

MR. AARONS: He and Jim Saxon have done a splendid job in getting the Treasury established there, and have worked very well with Caffery. We met Caffery when I was there.

H.M.JR: What are conditions like in Brussels?

MR. AARONS: At the time I was there, Mr. Secretary, there was no heat at all, and I think that there is still a great scarcity of fuel for home heating in Brussels. The hotels where the Army people are billeted are heated now. The food shortage is very acute. The supplies are only coming in in a trickle, and not according to plan.

The biggest factor interfering with the success of the Monetary program is that you can't do away with the black market and black market prices, as long as they aren't getting the necessary food in. They set up a four-party committee in Belgium and France, and that committee meets. It is a committee composed of the American side and the British side and the Belgium side and Supreme Headquarters, and they are trying to cope with the supply problem. At the time I left they had optimistic hopes for increasing the flow very substantially from the Port of Antwerp.

MR. WHITE: Did Gould have anything to say about Treasury? Did he approve of them? Did he speak of establishing any Treasury office, or anything?

MR. AARONS: We didn't go into that with Gould but we sounded out the Dutch on that, and the Dutch expressed a willingness, and they were very glad to have the possibility of a Treasury man there, if and as and when the Dutch Government gets established.

Belgian cities are being hit heavily by robot bombs, particularly Antwerp. London is still getting plenty of B-2's.

H.M.JR: B-2's?

-30-

MR. AARONS: B-2's. One hit three blocks from the Embassy.

H.M.JR: I just wanted to say hello and that I am glad you are back, and I gather you did a very good job. Thank you for what you have done.

MR. AARONS: Thank you, Mr. Secretary.

Mr. DuBois and I would like very much to see you on war crimes.

H.M.JR: Mr. White has that in mind. White has that. He knows how to handle it. White will tell you what that is.

JAN 16 1945

My dear Mr. Grew:

This is in reply to your letter of January 10 concerning the military exchange rates to be established in certain areas of the Pacific.

We have informed the War and Navy Departments that we would not interpose further objections to the establishment of the rate which you have recommended for the areas involved.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Joseph C. Grew,

Under Secretary of State.

HG:GP 1/16/45



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FMA

January 10, 1945

My dear Mr. Secretary:

I have received your letter of January 9 with further reference to the military exchange rates to be established in certain areas of the Pacific.

In my letter of January 6 to Mr. Bell, I indicated that the Department feels that a ten cent rate should be established initially in Formosa for both economic and political reasons. Economic and political considerations are closely intertwined in matters of this kind, and I do not think it is possible to consider one apart from the other. This Department, in view of the importance it attaches to the political aspects of the problem, is prepared to accept responsibility for the decision. As I understand the discussions we have had regarding the subject with your Department, although your conclusions with respect to the economic factors differ from ours, you are prepared to withdraw your objections to a ten cent rate in view of the political considerations involved.

Sincerely yours,

Under Secretary

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.



JAN 16 1945

My dear Mr. Markham:

I have your letter of January 10, 1945, in which you recommend the vesting by the Alien Property Custodian of "all strictly enemy assets" located in this country. I assume that you are referring to German and Japanese assets.

It is my firm conviction that control by this Government of German and Japanese assets should be only the first step in a program for the complete and irrevocable elimination of all German and Japanese interest in such assets. Although the freezing controls administered by the Treasury Department are serving effectively to deprive enemy nationals of control over such assets, I would favor immediate vesting if it were an integral part of a complete program for the final disposition of such assets, in accordance with the foregoing objective. However, I see little to be gained by vesting at this time if it amounts merely to a change in the type of control exercised by this Government.

It would therefore be helpful to me in considering your proposal if you would furnish me with an informal memorandum outlining your complete program with respect to German and Japanese assets, indicating what you have done with those already vested by you and what you plan to do with any additional assets which might be vested. In this connection I should also like to have copies of the studies to which you refer in your letter.

As soon as we have had an opportunity to study this material we shall be happy to discuss the matter with you in more concrete terms.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. James E. Markham,
Alien Property Custodian,
Washington 25, D. C.

Alk:Schmidt:rg 1-15-45

DRAFT: 3:00 p.m.

My dear Mr. Barkham:

I have your letter of January 10, 1945, in which you recommend the vesting by the Alien Property Custodian of "all strictly enemy assets" located in this country. I assume that you are referring to German and Japanese assets.

It is my firm conviction that control by this Government of German and Japanese assets should be only the first step in a program for the complete and irrevocable elimination of all German and Japanese interest in such assets. Although the freezing controls administered by the Treasury Department are serving effectively to deprive enemy nationals of control over such assets, I would favor immediate vesting if it were an integral part of a complete program for the final disposition of such assets, in accordance with the foregoing objective. However, I see little to be gained by vesting at this time if it amounts merely to a change in the type of control exercised by this Government, ~~over such assets.~~

It would therefore be helpful to me in considering your proposal if you would ~~provide~~ ^{furnish} me with ~~a statement~~ ^{an informal memorandum outlining} of your complete program with respect to German and Japanese assets, indicating what you have done with those already vested by you and what you plan to do with any additional assets which might be vested. In this connection I should also like to have copies of the studies to which you refer in your letter.

As soon as we have had an opportunity to study this material we shall be happy to discuss the matter with you in more concrete terms.

Sincerely yours,

Regraded Unclassified



OFFICE OF
ALIEN PROPERTY CUSTODIAN
WASHINGTON 25

JAN 10 1945

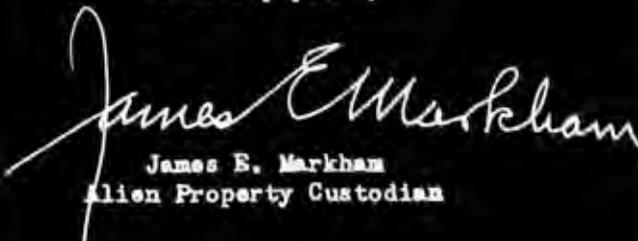
Dear Mr. Secretary:

At a recent conference between representatives of your Department, the Department of State and my Office, discussion was had of the pending problems surrounding the unblocking of frozen French assets. At that conference I understand it was indicated that the Foreign Funds Control representatives did not believe that the appropriate time had as yet arrived for discussion of the action to be taken with respect to the frozen assets of enemy nationals.

As a result of studies by this Office, including attention to the historical phases of the treatment of enemy property and to the current problems of American and friendly alien creditors against enemy nationals, as well as other claims of non-enemies, it is my considered judgment that the national interest may best be served by the vesting of all strictly enemy assets by the Alien Property Custodian.

In view of the progress of the war in Europe and the prospective review by the Congress of related problems, I believe the matter is one of substantial urgency. I should therefore greatly appreciate your early consideration of this suggestion and an opportunity to discuss it with you in the near future, in anticipation of calling the matter to the attention of the President.

Sincerely yours,


James E. Markham
Alien Property Custodian

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

January 16, 1945
10:59 a.m.

HMJr: Hello.

Secretary
Stettinius: Good morning, Henry.

HMJr: Hello, Ed.

S: How are you, sir?

HMJr: Well, I'm alive. I'm making a fight; I need some help, though.

S: I'm making a fight myself. I just had a batch of typhoid shots.

HMJr: Oh, I'm sorry.

S: What's the news?

HMJr: Well, how good a wire are we on, Ed?

S: Well, it's fair only.

HMJr: I mean as to security.

S: Well, I think it's fair if we talk guardedly.

HMJr: Yeah. Well, you -- you know the plan that -- am I on a State Department switchboard?

S: Yes.

HMJr: Yeah.

S: And I'm talking from a New York hotel.

HMJr: Uh uh. Well, you know the plan that we agreed on about four people.

S: Yes.

HMJr: Well, there's a whole other group that are trying to do something quite different that neither you nor I want.

S: Yes.

HMJr: Which has got me quite worried.

S: For a new Cabinet post?

HMJr: No. No. No, splitting up those other responsibilities -- about three ways.

S: The other responsibilities in the

HMJr: The foreign responsibilities.

S: Yes.

HMJr: Splitting them about three ways.

S: Uh huh.

HMJr: And none of them would come to you.

S: None of them have -- none of them would come to us?

HMJr: No, or us.

S: That is, in the foreign economic field?

HMJr: That's right.

S: Now, the other group -- F.E.A?

HMJr: Yeah. And a fellow that used to work for you.

S: Yes.

HMJr: A very aggressive fellow.

S: I understand.

HMJr: See? Now, there's a whole group of orders being drawn up -- Executive Orders.

S: Well, have they had any

HMJr: No, they haven't got anywhere -- to the top yet.

S: Had any conversations at the top?

HMJr: No, not even that far.

S: Uh huh.

HMJr: No. And what I'm telling you is for yourself only.

S: I understand.

HMJr: But I thought that we ought to press for this appointment with the President so that we could get in there first.

S: Yes. This other group -- any -- is the Bureau of the Budget working with

HMJr: No.

S: the people?

HMJr: No, but political. Hello?

S: Political people?

HMJr: Yeah.

S: On the Hill?

HMJr: No.

S: Around town?

HMJr: Yeah.

S: Uh huh. I understand.

HMJr: Political.

S: I understand.

HMJr: See? That's a kind of a new combination.

S: I know.

HMJr: What?

S: I know it is.

HMJr: But -- so I -- are you going to be back tomorrow?

S: Yes, I expect to be -- to be -- to be back there this evening.

HMJr: Well, I was just thinking this: we asked for Thursday -- I wonder if we couldn't ask for Wednesday.

S: What -- what are the Boss' -- is he

HMJr: He's here

S: getting in tomorrow?

HMJr: No, he's here today.

S: Today?

HMJr: I went to bat on the last appointment, you know.

S: Yes, I know.

HMJr: How about your going to bat on this one?

S: Well, I will. And I've got to appear -- I've got to appear before the Senate Foreign Relations Committee

HMJr: Oh.

S: the first thing tomorrow morning.

HMJr: Oh, well, that's not -- well, then maybe we'd better let it go until Thursday.

S: Have we got an appointment for Thursday?

HMJr: No, but we asked for one.

S: I know we did. Henry

HMJr: Yeah.

S: I don't think we'd better plan on lunch tomorrow.

HMJr: Oh.

S: Because I probably will be up with the Foreign Relations Committee all morning.

HMJr: I see.

S: And I will then have to have a press conference.

HMJr: Yeah.

S: So I think we ought to do it either tomorrow afternoon

HMJr: All right.

S: or on Thursday.

HMJr: Well

S: When will be convenient for you?

HMJr: Well, what do you do the very first thing Thursday morning?

S: I'm receiving, first thing Thursday morning, Senator Hatch -- Hill and Hatch and Burton, you know, on our World Organization plan.

HMJr: How early is that?

S: Well, that's very early. I think at nine -- I don't know -- nine-fifteen or nine-thirty -- first thing.

HMJr: Well, do you want to see me right after that?

S: We can do it right after that.

HMJr: What?

S: Yes.

HMJr: Well, why don't you set aside some time right after that? I have press over here at ten-thirty but if I could have -- say nine-thirty -- hello?

S: Yes.

HMJr: If we had half or three-quarters of an hour I could cover everything.

S: All right. Well, let's -- I think it will be safer to do it around about eleven -- would eleven-thirty be too late?

HMJr: Uh

S: Thursday.

HMJr: No. Uh -- or would you want to do it tomorrow afternoon?

S: We could do that, yes.

HMJr: What time would you want to do it tomorrow
afternoon?

S: Around -- between three and four.

HMJr: Well, you say.

S: Three-thirty.

HMJr: Three-thirty?

S: Yeah.

HMJr: I'll come over to you.

S: Three-thirty tomorrow afternoon.

HMJr: All right. Hello?

S: That's fine, Henry.

HMJr: I'd like only to bring White.

S: All right.

HMJr: I'll just bring one person. That will be White.

S: All right. That's a date.

HMJr: What?

S: That's a date.

HMJr: Now, on -- I'm going to do two subjects -- hello?

S: Yes.

HMJr: I want to do Germany and I want to do Russia.

S: I understand.

HMJr: Those two.

S: I'll be all set at three-thirty tomorrow.

HMJr: Well, we'll be -- we'll come over.

S: Yeah. Now, Henry.

HMJr: Yeah.

S: On this business you talked about -- this other plan.

HMJr: Yes.

S: That is to -- did Commerce come into it?

HMJr: Yeah.

S: And Treasury would come into it.

HMJr: No.

S: No?

HMJr: No, they haven't mentioned us.

S: At all?

HMJr: At all.

S: You and I have nice friends.

HMJr: No, we're not in it as I -- as far as I know, we're not in it at all.

S: Uh huh.

HMJr: No, they've left us out and I believe they've left you out.

S: Uh huh.

HMJr: And -- but it's R.F.C., Commerce and F.E.A.

S: I understand.

HMJr: They're dividing it up.

S: Okay, old boy.

HMJr: Now, that's

S: Thank you.

HMJr: Hello?

S: Yes.

HMJr: But this -- you've got to protect me on this, Ed.

S: Oh, entirely.

HMJr: What?

S: Entire -- don't give it a thought.

HMJr: But I mean -- well, I do.

S: Well, don't -- from now on, don't -- as far as I'm concerned.

HMJr: Yeah. I'm not worrying about you personally, but....

S: Well, nobody else is going to know it.

HMJr: Well, that's fair enough.

S: Nobody is going to know it at all excepting me.

HMJr: Okay.

S: All right, old boy.

HMJr: Then I won't worry.

S: Good bye.

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Meeting in the Secretary's Office
January 16, 1945
3:00 p.m.

Present: Secretary Morgenthau
Mr. Donald Nelson
Mr. White

Nelson said that he had come back from China recently and had wanted to tell the Secretary about some of the developments in China.

He said that Dr. Soong had wanted him to recommend a man who would advise the Chinese Government on questions of price control—someone who possibly has had administrative experience—and Nelson had said that he would take the matter up with the Treasury on his return. The Secretary asked me whom I might suggest and I replied that I thought one of the higher officials in OPA, possibly Gilbert, might be available. Nelson asked how we thought Leon Henderson would be and the Secretary and I both replied that we thought he would be excellent but we didn't realize he was available because he was being considered for the German post. Nelson said that he rather suspected he might not take that post and that he would be here soon and we could find out. We agreed that if he were interested and available he would be an excellent man for the job.

Nelson then went on to indicate how he had brought about a very substantial increase in production in China of such things as spades for the infantry and trench mortars and mortar shells and the like. He explained how the bankers had been opposed to such expansion of production for Army purposes because they felt that it would contribute substantially to inflation and how he had read the Riot Act to the bankers and they had finally come along.

He stated that the program of getting the Generalissimo and the Communist forces closer together was making substantial progress and that the Ambassador had even got the Generalissimo to move four divisions down from the Northwest to meet the Japanese forces.

He also stated that the Generalissimo was making a real attempt to strengthen the Chinese Army and was giving definite evidence of his desire to cooperate fully with the United States. He said that the new unified command seemed to be working well.

H. D. White

January 16, 1945
5:21 p.m.

HMJr: Hello.

Operator: McCormack.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

John
McCormack: Yeah. How are you?

HMJr: Henry talking. How are you?

M: Yes, fine, Henry.

HMJr: I got your message.

M: Yes, I thought -- I was thinking about -- it
might be well to get that Bretton Woods going.

HMJr: Suits me.

M: Are you people in your Department drawing up a
bill?

HMJr: Yeah, we've been talking with Spence and Jesse
Wolcott.

M: Yeah. Well, I know, and I had a talk with Spence
this afternoon.

HMJr: Yeah.

M: Frankly, we're in pretty good shape. We've got
a good looking bunch of new members.

HMJr: Wonderful.

M: And it's best to get things through before they
start feeling their oats.

HMJr: Well, now, could Joe O'Connell and Harry White
come up and see you about it tomorrow?

M: Well, is there any -- is there any need of seeing
me?

HMJr: No.

M: I'll be glad to see them.

HMJr: No, but I just

M: I'd take it up -- I think Spence is ready to move pretty quickly.

HMJr: All right.

M: He's got the Commodity Credit but that won't take long.

HMJr: All right.

M: As he told me, he's waiting for the bill to introduce. See?

HMJr: Well

M: I'll be glad to see them but the only thing I'm doing is acting as a sort of a prompter.

HMJr: Good. Well, if it's not necessary, you give me the green light and we'll go ahead.

M: Well, I said to Spence, that I'd get rid of stuff as quick as we could because we're in pretty good shape now. And two or three months from now, you never can tell what's going to happen.

HMJr: Well, we're ready.

M: All right, then. Now, what I'd do is have your boys get hold of Spence when they get the bill drafted and get the thing rolling.

HMJr: Fine.

M: And here's another thing: I'm sending a memorandum to the President that I hope he'll send -- it's just my own thought -- but I hope he'll send a message up to Congress to make the reciprocal trade legislation permanent.

HMJr: I see.

M: I think that -- see, the original intent was to -- was to meet the economic situation that existed

M:
Cont'd. during the depression and to meet the vicious
 inequities of the Smoot-Hawley bill.

HMJr: Yeah.

M: Well, I think that it's gone beyond -- the bill
 has served its purpose from that angle but I think
 in view of the world conditions, that one of the
 great problems that will face us in permanent
 peace is the economic aspect.

HMJr: You're right.

M: And I think that from our angle

HMJr: Yeah.

M: this serves -- this is the only -- this is the
 greatest asset that we have.

HMJr: That's right.

M: And if we just continue it as temporary from time
 to time, other countries will constantly wonder.

HMJr: Yes.

M: And the thought entered my mind that if it was the
 policy to make it permanent, which I think it should
 be

HMJr: Yes.

M: that this is the time to try it out.

HMJr: Well, of course, that is a little out of my line,
 but I'm very much interested in what you have to say.

M: Except that it comes under the Treasury Department.

HMJr: Well, you're -- the latter -- you were talking about
 Bretton Woods.

M: Well, now, I'm talking about reciprocal trade, too.

HMJr: Well, that doesn't come under the Treasury.

M: Oh, doesn't -- reciprocal trade?

HMJr: No, that's

M: Oh, State Department.

HMJr: State Department.

M: You're right. You're right. Well, then you forget it. Forget it.

HMJr: No, I won't -- I'm interested, but it's something that State has always handled.

M: Well, yes. Well, you can keep this talk in mind because it might come up. I'll get hold of Ed Stettinius and talk with him about it.

HMJr: Yeah.

M: And yet it comes -- its practical operation -- the effects of it comes within the role of the Treasury in dollars and cents.

HMJr: That's right.

M: But I think it should be made permanent.

HMJr: Well, I

M: I think the people of America want it permanently -- the great majority.

HMJr: Well, that's very interesting.

M: I think will play an important part around the peace table because if we're going to have a real peace, the economic factors that confront nations must be given consideration.

HMJr: You're right. Well, thank you very much.

M: But on Bretton Woods, I'd get working on it, Henry.

HMJr: We are -- we're -- we'll get extra busy now.

M: All right. Good bye.

January 16, 1945.

TO: Secretary Morgenthau
 FROM: Mr. Haas and Mr. Gaston
 Subject: Comments Regarding Criticisms on the Sixth War Loan

In response to your request, we have gone over the New York Times editorial of yesterday criticizing the amount of bank financing involved in the Sixth War Loan. There have been similar discussions of this matter in other sources. For your information this memorandum will provide a very brief review of these discussions and some comments on the nature of the problems involved.

I. Review of Sixth War Loan Drive Criticisms

In addition to the New York Times editorial, comments and criticisms on the amount of bank participation involved in the Sixth War Loan drive have recently appeared in several other important sources. The National City Bank letter for January 1945 and the Monthly Review of the Federal Reserve Bank of New York for the same month both contain analyses of bank participation in the Loan. The Goldsmith Washington Letter for January 12, 1945, and

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an editorial in the New York Journal of Commerce on January 3, 1945, also comment on the situation. A very brief review of each of these articles and editorials appears in the appendix to this memorandum.

The gist of all of this material is that indirect bank participation in the Sixth War Loan amounted to \$9 or \$10 billions and was therefore about half of the War Loan sales. This large amount of indirect bank financing is criticized and there is considerable discussion of the need for some revamping of the war loan program in order to cut down on bank participation and to increase the net absorption of Federal securities by non-bank investors. To achieve this result there is speculation regarding the desirability of separating individuals from other investors in future war loan drives in order to concentrate attention on such sales and to eliminate the switching operations of corporations.

II. Comments

Although final data on the amount of bank credit involved in the Sixth War Loan will not be available for some time, preliminary data indicate that the estimates of \$9 or \$10 billions, noted in the above references, are correct. Our preliminary estimates indicate that commercial

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and Federal Reserve Banks increased their holdings of Government securities in November and December by about \$9.5 billions. Of this amount \$1.3 billions consisted of securities sold directly to banks and \$8.2 billions represented market purchases. This \$8.2 billions must be charged as indirect participation in the drive and, in addition, bank loans on Government securities increased by \$1.4 billions during the period, providing \$9.6 billions for bank participation. On this basis \$12 billions of drive funds may be credited to non-bank investors. This compares with \$12.2 billions in the Fifth War Loan, when total sales were somewhat smaller, but when bank participation was also smaller.

There is no doubt, therefore, that the amount of indirect bank participation has been a very large factor in our war loans. You may recall that this question was raised in your office when plans were being made for the Sixth War Loan. At that time it was pointed out that the large amount of switching involved in the war loans was likely to result in some criticism of the Treasury, but that on the other hand this type of financing offered a safety device for the Treasury in case of upsets such as the imposition of munitions cutbacks with or without the

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defeat of Germany. It was also noted that a certain amount of bank financing is necessary in any event and that indirect bank participation is one way to accomplish it. It was ultimately decided that it was better to risk the criticism than to give up the safety valve.

A second and more fundamental question, however, is raised by the present criticism. This has to do with the amount of savings, and particularly those of individuals, which are being placed in currency and checking accounts rather than in Government securities. After allowing for savings in the form of life insurance, savings accounts, debt repayment, etc., individuals have been placing only about half of their current savings in Federal securities while the other half has been placed in currency and checking accounts. The proportion was slightly above half in the Fourth and Fifth War Loan periods while preliminary estimates indicate that it was somewhat reduced to about 50 per cent in the Sixth War Loan period. On the other hand, practically all of the new savings of other non-bank investor groups is being placed in Government securities rather than currency and checking accounts.

Figures on an annual basis are presented in the following table giving net absorption of Federal securities by individuals, other non-bank investors and by banks. It will be noted that net absorption by individuals increased from \$13 to \$15 billions in 1944 as compared with 1943, while absorption by other non-bank investors increased from \$20 to \$22 billions. Banks absorbed about the same amount of securities in each of the three years notwithstanding the fact that total borrowing increased in each year.

Net Absorption of Federal Securities
(In billions of dollars)

	: Calendar years		
	: 1942	: 1943	: 1944
Individuals	10	13	15
Other non-bank investors	14	20	22
Total non-bank investors	24	33	37
Banks	24	24	25
Total	48	57	62

The improvement is even greater when adjustments are made for borrowing from banks reflected in an increase in the cash balance rather than to cover the deficit. On this basis bank borrowing, that is to cover the deficit, accounted for 42 per cent in 1942, 41 per cent in 1943, and 31 per cent in 1944.

On the other hand, it must be remembered that in the calendar year 1944 there were three war loan drives as compared with two in 1943, and one in 1942. The improvement in 1944 is thus partly artificial and cannot be repeated since we are unlikely ever again to have three drives within any 12 months' period.

The main question to be considered now is whether anything can be done to improve the record on borrowing. Large amounts of currency and checking accounts are undoubtedly needed and represent honest savings in a great many cases, even though some of the currency is used for illegal transactions. Some tightening up of the war loan program to achieve greater absorption of individuals' funds would undoubtedly be desirable. The need for this is emphasized by the unprecedented volume of spending by consumers which has occurred in recent months. Weaknesses in the stabilization program are apparently developing and require corrective action. One important step in this direction is to improve our results in selling bonds to individuals. Other fields which you may wish to consider relate to taxes, both in attempting to tighten up tax evasion and in looking into the possibility of adding particular taxes to discourage excessive consumer spending.

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As to the New York Times editorial, there is probably no purpose to be served in writing a reply. It is recommended that, if such a reply seems necessary, consideration should be given to couching it in terms asking for suggestions and assistance rather than in trying to prove that their analysis was inaccurate.

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APPENDIXReview of Articles and Editorials Criticising
Bank Participation in Sixth War Loan.1. National City Bank Letter

The National City Bank Letter of January 1945 has a detailed analysis of Sixth War Loan results with a discussion of the proportion of bank credit involved in the Loan. It is stated that in the months of November and December 1944 bank credit accounted for 50 per cent of the increase in the gross public debt. An estimate of slightly more than \$10 billions is given, but, of course, this includes the limited purchases permitted banks for their time deposits. A 50 per cent proportion was also recorded in the months of June and July 1944 during the Fifth War Loan. Previously, the percentage had been lower in three periods and higher in one. It is also pointed out that annual comparisons are more favorable, showing 37 per cent estimated for the full calendar year 1944 as compared with 42 per cent in 1943 and 49 per cent in 1942. The article concludes with a discussion of the "Need for More Effective Focus on Individual Subscriptions". The tone is constructive rather than antagonistic; and the

general conclusion is that the individual part of the drive should perhaps be separated in order to concentrate attention on the need for individuals to save rather than to spend, and to invest as much as possible in Federal securities.

2. Monthly Review of the Federal Reserve Bank of New York

The January 1945 issue of the Monthly Review of the New York Federal Reserve Bank also contains a discussion of bank credit in the Sixth War Loan. It is stated that "it may be estimated that the expansion in bank holdings of Government securities and in loans on such securities in connection with the Sixth War Loan aggregated more than \$9 billions." This report also states that "the estimate to which bank credit financed Sixth War Loan subscriptions has been somewhat greater, in relation to sales, than in the preceding drive."

Further details on this analysis are available in a confidential memorandum prepared by the Federal Reserve Bank of New York, and sent to Mr. Bell by Mr. Sproul. In this memorandum it is stated that the estimated "total bank credit in the Fifth drive was in excess of \$10 billions,

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or about 50 per cent of the money raised. When final figures are in it is expected that about the same or a larger portion of bank credit will be reflected for the Sixth drive." This report also makes the statement that the exclusion of commercial banks in recent drives "has been almost farcical."

3. New York Times Editorial

The New York Times editorial of January 14, 1945, refers to the National City Bank study concluding that "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."

4. The Goldsmith Washington Letter

The January 12, 1945 issue of the Goldsmith Washington Letter states that "a continued large volume of indirect commercial bank financing during recent War Loan Drives is likely to lead to more serious consideration of possible changes in Treasury financing methods during coming weeks." Reference is made to some of the figures

given in the last Monthly Review of the Federal Reserve Bank of New York, including the estimate that bank credit accounted for more than \$9 billions in the Sixth drive. Mention is made of the possibility that future drives will be limited to individuals in order to curtail the large volume of indirect bank financing.

5. The New York Journal of Commerce

In an editorial on January 3, 1945, the New York Journal of Commerce refers to the fact that bank credit accounted for about half of the Sixth War Loan. It is also stated that "if the Administration really wants to raise money without producing a sharp rise of bank deposits in the process, it will be necessary to overhaul the machinery and methods of the war loan drives to assure that the money will come from corporate and individual investors, and not indirectly in large part from the banks. This will require, in particular, the sale of much larger amounts of Treasury securities to individual investors, who currently invest only a fraction of their new savings in Government obligations.

January 16, 1945

Dear Jim:

I am sending this note to you in commendation of the cooperation and assistance rendered by the Liaison Officer appointed by the Bureau of Aeronautics to our War Finance Division for production of motion pictures for the Sixth War Loan campaign.

The quiet, capable and efficient manner in which this officer, Lieutenant Grant Leenhauts, USNR, planned and expedited production of the films was outstanding indeed.

In addition, he accompanied me and some members of the War Finance Division to a series of regional sales meetings in October, at which he addressed and helped to organize the key film distributors of the country.

His work has contributed materially to the success of our effort during the Sixth War Loan Drive, and we would consider it a favor indeed to have him assigned to this Department on future War Loan campaigns.

Sincerely,

(Signed) Henry

The Honorable James V. Forrestal
Secretary of the Navy
Washington, D. C.

GSB;RWC:ebn

W. RANDOLPH BURGESS
55 WALL STREET
NEW YORK

Man -

January 16, 1945.

Dear Henry:

Many thanks for your nice note of January 12. You may be sure we all took a good deal of pride and satisfaction in the performance of the banks in the Sixth War Loan, and you can count on their continued support.

One thing I find is bothering everybody is the manpower question, which is steadily growing more acute. This emphasizes the importance of having the drive before vacation periods begin. We are all also watching with a good deal of anxiety the new manpower rulings, which will influence our capacity to perform; but you can count on the banks' doing the best job of which they are capable.

Sincerely yours,

Randolph

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

January 16, 1945

Dear Randolph:

Thank you for your letter of January 11th. Now that we have so many million people owning Government Bonds they are taking a real interest in their Government, and the re-action you sent me from a banker in Pennsylvania doesn't surprise me because we have had similar complaints about the cancelling of red stamps by the OPA.

Personally, I am delighted to hear from my stockholders.

With kind regards,

Sincerely yours,

(Signed) Henry

Mr. W. Randolph Burgess,
55 Wall Street,
New York, New York.

W. RANDOLPH BURGESS
55 WALL STREET
NEW YORK

January 11, 1945

Dear Henry:

Thought you would be interested in a curious response we have had from a banker in Pennsylvania. I don't think it is to be taken very seriously, but it does show how the people are sometimes affected by government action.

"You might be interested in knowing a reaction which we are feeling since the OPA canceled red and blue points which they had definitely promised would be good indefinitely.

"The people are saying, 'Why buy government bonds, if the government can cancel points which they say will be good indefinitely, why can they not cancel the bonds which they are selling!'"

Sincerely yours,



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



TREASURY DEPARTMENT

WASHINGTON 25



January 16, 1945

To: Secretary Morgenthau

From: J. W. Pehle

The following is a summary of significant developments in the Surplus Property and Procurement offices for the week ending January 6, 1945:

Surplus Property:

The State of Washington has agreed to purchase a quantity of surplus shotguns for \$22,375. These shotguns will be used to arm the State Guard.

150,000 rolls of surplus rubber tape and approximately \$50,000 worth of surplus plastic tape are being offered to federal agencies. This material is extremely scarce.

Last minute withdrawals by the Army reduced the number of available surplus flashlight batteries from 22,000,000 to 13,700,000. The batteries were offered to persons normally purchasing batteries on a wholesale basis at 5½ cents each and to persons normally purchasing on a retail basis at 6½ cents each.

We are undertaking a study to determine whether chain store systems, mail order houses and similar establishments are to be considered as wholesalers, retailers, or as constituting some intermediate level of trade.

The Ansco Division of General Aniline and Film Corporation has reported that their manpower and space situation is such that it will be impossible for them to undertake the inspection of surplus photographic film to ascertain its usability. Standard Brands, Inc., which has been in the photographic supply business since 1939, indicated that it might be possible for it to make the tests, using the equipment which it normally used to test film purchased by it for distribution from DuPont company. Efforts are also being made to ascertain whether any government laboratory or the Eastman Kodak Company is equipped and prepared to make the tests.

Plans are being formulated for the sale of 10,000 pigeons already declared surplus, and 3,000 additional pigeons which are expected to be declared surplus shortly.

Sales of surplus Army dogs have actually begun, and dogs are now being shipped from Fort Robinson to their new owners.

Approximately 900 items of construction and farm machinery were sold at a spot sale at Kearney, Nebraska. Notices of sale were sent to approximately 1500 dealers, and 185 prospective purchasers attended the sale. The prices received for the 900 items sold seemed to be in accord with the present market.

We are collaborating with OPA on a plan to be considered by Navy, whereby their used tire inspection methods will be revised so that the Navy will not scrap tires which are repairable for civilian use.

Thirty Mack trucks of forty-ton capacity, which had been ordered by the British and then declared surplus, have been sold to the Navy. This type of truck is suitable for off-the-highway usage only, since they are too large to be used on highways.

We have completed the sale of 248 bus bodies which have been stored near Port Morris, New Jersey, for about two and one-half years. These bus bodies were originally purchased for the Chinese Government.

About eighty carloads of automotive parts are being sold as a result of advertisement in the Surplus Reporter. The disposition of this property has been a problem since last Spring.

We are placing on sale 500,000 large size and 27,900,000 small size Carlisle bandages which are in our Cincinnati Region. These bandages have received nationwide publicity and bids are scheduled to be opened at Cincinnati on January 27.

As a result of a meeting with representatives of the Reconstruction Finance Corporation and the Rubber Reserve Corporation, it was decided that any requests by these two agencies for assistance in the disposal of scrap rubber will be referred to the Automotive Division of the Office of Surplus Property, and that all reclaimed rubber will be regarded as crude rubber and its sale will be handled by the Rubber Reserve Corporation. A request to the Surplus Property Board for a change in the assignment of surplus reclaimed rubber is being prepared.

We conferred with representatives of mechanical rubber goods industries regarding the disposition of the present frozen inventory of this commodity, valued at approximately one million dollars, plus the additional Army Air Services inventories, amounting to approximately five to ten million dollars, which will be declared to us soon. Since these rubber products are largely in airplane factories throughout the country, arrangements are being made for an inspection trip by representatives of the Army Air Services, the rubber goods industry and Treasury Procurement.

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Our inventory of WAC hats in Atlanta is being publicized by Life Magazine. Lily Dache, famous hat designer, will trim a few of these hats for Life to photograph, showing how these can be made into fashionable millinery.

A letter was transmitted to Colonel D. N. Hauseman of the Readjustment Division of the War Department, confirming the fact that the War Department will handle the disposal of surplus property in the Canal Zone, and requesting that the War Department temporarily handle the disposals in the Hawaiian Islands until the matter can be reviewed completely by the Surplus Property Board.

The Army monthly progress report indicated that during November \$34,909,000 worth of property was declared as surplus, but that withdrawals amounted to \$10,936,000. Consequently, net declarations of surplus amounted to \$23,973,000.

Total disposals by the Department for the month of December amounted to \$12,105,857. Acquisitions during the month totalled \$17,380,592. As of December 31, our inventory balances amounted to \$71,114,892.

The Army Service Forces have issued instructions that no changes are to be made in the physical character of property which has been declared surplus. This is of the utmost importance in view of the widespread practice of removing tires, parts, tools, etc. In the future, if it is necessary for the Army to recapture any such items, the property will be redeclared with a new description.

Popular Science Magazine is offering a prize of \$200 for the best suggestions as to how to convert to civilian uses items intended for military use. The publishers submitted to us for our consideration the copy to be used in connection with this contest.

As a result of a surplus property exhibition at the Chicago Merchandising Mart, the Chicago Chamber of Commerce has requested 10,000 copies of our pamphlet "How to Buy Surplus Consumers' Goods."

After giving the matter full consideration, we have decided not to accept the suggestion of Admiral Buck that the Treasury delegate to the Navy Department the job of soliciting bids on merchandise declared surplus by the Navy.

Procurement:

Purchases for the week totalled \$27,032,041.57, \$26,700,000 of which was for Lend-Lease (schedule attached), and \$332,041.57 for regular purchases.

We have received a requisition for 24,500 vials (approximately 2½ tons) of typhus vaccine to be used in immunizing Chinese civilians.

We have also received a requisition for 10,000 trucks and spare parts for China. This contract will exceed \$41,000,000 in value, and delivery will start in March 1945, at the rate of 1,000 trucks per month.

Our unusual purchases for the week included medical kits and bulk medicines to be distributed by the International Red Cross to prisoners of war and hospitals in Germany and German-occupied territory; 65 tons of Cuban mahogany logs for use in the production of rollers required in the flax spinning industry in North Ireland; 240,000,000 square feet of cotton batt insulation for use by the British in constructing temporary housing for bombed-out civilians; and 1,000,000 paper board boxes for the OPA which will be used by banks in distributing food tokens to grocery stores, etc.

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Carloadings of Lend-Lease materials for the week totalled 3,215 cars.

The Canadian Industries, Ltd. has made an offer of 10 cents each for about 65,000 nylon yarn bobbins on hand at Martinsville, Virginia. Inasmuch as they cost \$403.86 per 1,000, a counter offer has been made to sell them for \$302.90 per 1,000 f.o.b. Martinsville, Virginia.

The Price Adjustment Board approved the disposal of inventories on twelve contracts.

We recovered \$99,000 as excessive profits on two contracts.

Administration:

Adequate personnel in the lower positions is continuing to be a major problem and arrangements have been completed with the Department and with the Civil Service Commission for field recruiting to fill existing vacancies.

Plans are underway to secure additional space for the Procurement Division and a request has been made for space being vacated by Foreign Funds Control.

We have completed for the Investigator for the House Appropriations Committee an analysis and a report on communications, travel expenditures and budget estimates applicable for fiscal years 1940 to 1944 for all appropriations, as well as a report on frank mail for the fiscal years 1945 and 1946.

Basic man-year data has been compiled for use in connection with the budget submission for the Lend-Lease appropriation for the 1946 fiscal year.



JAN 8 1945

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF JANUARY 6, 1945
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$5914.4 (5876.4)	\$2628.0 (2628.0)	\$2457.3 (2457.3)	\$165.9 (133.9)	\$17.2 (17.2)	\$646.0 (640.0)
Requisitions in Purchase	\$ 170.3 (161.1)	\$ 39.8 (28.5)	\$ 24.1 (33.8)	\$.8 (1.1)	- -	\$105.6 (97.7)
Requisitions not Cleared by W.P.B.	\$ 88.2 (94.7)	\$ 18.2 (18.4)	\$ 52.0 (51.3)	\$.4 (.5)	- -	\$ 17.6 (24.5)
Obligations (Purchases)	\$4477.5 (4450.8)	\$2060.4 (2057.5)	\$1947.7 (1931.8)	\$ 69.2 (68.4)	\$16.1 (15.6)	\$384.1 (377.5)
Deliveries to Foreign Governments at U. S. Ports*	\$2776.2 (2757.1)	\$1568.9 (1562.8)	\$1126.1 (1113.1)	\$ 25.7 (25.7)	- -	\$ 55.5 (55.5)

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

Note: Figures in parentheses are those shown on report of December 30, 1944.

January 16, 1945

My dear Lieutenant Putzell:

Thank you for your letter of January 13th. I am returning to you herewith the envelope in which you sent me this letter. You will note that this envelope in no way indicates that the information contained therein is "restricted". Consequently, it was opened in the regular Treasury mail room, and I don't know how many people have read it.

I thought you would like to know this so that you can take the necessary precautions in sending me future confidential material.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Lieutenant (j.g.) Edwin J. Putzell, Jr.,
Office of Strategic Services,
Washington 25, D.C.

Envelope Marked
"Confidential"
Regraded Unclassified



OFFICE OF STRATEGIC SERVICES
WASHINGTON 25, D. C.
OFFICIAL BUSINESS

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REPRODUCTION PROHIBITED

00010156

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

Camp

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date
Jan. 16, 1945

TO Secretary Morgenthau
FROM Mr. O'Connell

In the course of the debate following Senator Wheeler's prepared speech in the Senate yesterday on foreign policy, he repeated his charge that the "Morgenthau plan" and policy of unconditional surrender were costing thousands of American lives.

Specifically, Senator Wheeler said:

"It is inconceivable to me that the American people would tolerate for one moment any such brutal and savage proposals as those designed by Secretary Morgenthau for the ultimate treatment of the German people or the German nation. * * * What I believe is that for the United States Government to permit the continued use of the basic proposals contained in the Morgenthau 'brain child' as representing America's ultimate war and peace aim would cost thousands upon thousands of American lives, as well as the lives of our allies.

"Mr. President, I have read a letter from a soldier boy in France which he had written to his uncle, a Texas businessman. * * * In it the boy said, in effect, 'The demand for unconditional surrender and Morgenthau's statement are making these Heinies fight like hell from ditch to ditch.' A soldier, recently returned from Italy, who was in my office the other day told me practically the same thing." (Cong. Rec., page 254.)

At another point, Senator Wheeler again referred to the letter from the soldier to his uncle in Texas and continued:

"As I said a moment ago, an Army officer who recently came into my office, and who had been in Italy, told me almost exactly the same thing. I have also talked with high ranking officers who made similar statements." (Cong. Rec., page 261.)

Senator Wheeler also referred to information he had received that "our Treasury Department has refused to 'unfreeze' sufficient Finnish funds in this country to enable her to pay a note on her indebtedness arising out of the last war, because for some strange reason such an act would play havoc with Russia's intention to integrate the economy of Finland with that of the Soviet Union." (Cong. Rec., page 258.)

A handwritten signature in cursive script, appearing to be "J. J. O'Connell".

Treasury Department
Division of Monetary Research 76

Date Jan, 16, 1945 19

To: Secretary Morgenthau

You may be interested in reading
this.

H.D.W.

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

Treasury Department
Division of Monetary Research

Date December 27, 1944 19

To: Mr. White

From: Mr. Friedman

1. You will be interested to know that in the reorganization of the State Department the key posts for the determination of Far Eastern policy are being given to men who (a) believe that agreement between the U. S. and pre-war Japan was possible, (b) feel that war with Japan was unnecessary and caused mainly by our "sentimental" attitude towards China, and (c) desired a strong Japan and a weak China.
2. These men are (a) Undersecretary Grew, (b) Mr. Joseph Ba lantine, who is being made Director of the Office of Far Eastern Affairs, and (c) Mr. Eugene Dooman, Assistant Director.
3. These are the men who will be in charge of State Department policy on the Far East when the fate of China and Japan are being decided at the Peace Conference. With such men in ruling posts it does not seem likely that sufficient voice will be given to the importance of China and to the necessity of building up China as the stabilizing country in the Pacific Area.

78
January 16, 1945

My dear General Rudenko:

Thank you very much for your letter of January 9th which has just reached me.

I also want to thank you for bringing this matter to my attention, and I would be very pleased if you would call on me and give me an opportunity to go over this situation with you in full detail. May I suggest that you phone my office for an appointment.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Lt. General L. G. Rudenko, Chairman,
Government Purchasing Commission of the
Soviet Union in the U.S.A.,
3355 16th Street, N.W.,
Washington, D.C.

JAN 16 1945

My dear Mr. Krug:

I am enclosing a copy of a letter addressed to me by Lt. General L. G. Rudenko, Chairman, Government Purchasing Commission of the Soviet Union in the U. S. A., relative to indicated delays in the delivery of equipment required for their oil refinery program, also a copy of a letter which I wrote to Mr. Leo T. Crowley, Administrator, Foreign Economic Administration, urging that a higher priority be granted as requested by General Rudenko to overcome the difficulties.

I would appreciate your active interest in this matter.

Sincerely,

(Signed) H. Morgenthau, Jr.

Henry Morgenthau, Jr.
Secretary of Treasury

Mr. J. A. Krug
Chairman
War Production Board
Washington 25, D. C.

CEMack/mvs

1-15-45

JAN 16 1945

My dear Leo:

The attached copy of a letter addressed to me by Lt. General L. G. Rudenko, Chairman, Government Purchasing Commission of the Soviet Union in the U. S. A. emphasizes the need for an assignment of a higher preference rating for oil refinery equipment in order to accomplish delivery by June 30, 1945. I understand that certain equipment will not be delivered until after June 30, and that the AA-1 priority presently assigned is insufficient to accomplish a better completion date. The monthly progress report submitted by the contractor, E. B. Badger & Sons Company, of which your agency has copies, will provide the detailed information. Under the circumstances, I urge that steps be taken to obtain the necessary priority ratings as requested by General Rudenko.

Sincerely,

(Signed) H. Morgenthau, Jr.

Henry Morgenthau, Jr.
Secretary of Treasury

Mr. Leo T. Crowley
Administrator
Foreign Economic Administration
Washington 25, D. C.

CEMack/mvr
1-15-45

*Правительственная Закупочная Комиссия
Соединенных Штатов*

*The Government Purchasing Commission
of the Soviet Union in the U. S. A.*

*A. General L. G. Rudenko
Chairman*

*3355 16th Street, N. W.
Washington, D. C.*

January 9, 1945

The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Room 280
Main Treasury Building
Washington, D.C.

SUBJECT: Procurement of equipment for
extension to Refineries No. 3
and No. 4 under Lend-Lease,
Fourth Protocol

My dear Mr. Morgenthau:

As you are aware the E. B. Badger & Sons Company, under the terms of U. S. Treasury Department Contract DA-TPS 17000, has been designing and purchasing equipment for extensions to Refineries No. 3 and No. 4 supplied to the U.S.S.R. under the Second Protocol.

Our requisition for this extension which was presented to the Foreign Economic Administration on March 14, 1944 was approved by the President's Protocol Committee on April 5, 1944. Since that date the Procurement Division of the Treasury Department has been supervising this job. We are compelled to say that the progress of this job has been highly unsatisfactory.

After the requisition had been approved there was a lapse of three months before the contract between the Treasury Procurement and E. B. Badger & Sons Company was actually signed, i.e. June 30, 1944. After June 30, when the contract was finally signed, the progress of engineering, drafting, and purchasing were constantly behind schedule despite all promises given us by various U. S. Government Agencies and E. B. Badger & Sons Company.

According to Progress Report #30 submitted by Mr. Brant Holme, the status of the Project as authorized by Requisitions R-8888, R-8889, and R-8890 up to January 1, 1945, was as follows:

January 9, 1945

-2-

Phase of Work	Percentage of completion in terms of Plan or "Par"	Percentage of actual completion
1. Process Engineering	99	97
2. Engineering and Drafting	85	66
3. Purchasing	100	76.7
4. Shipping	0	0

The apparent lag of the curves representing actual engineering and purchasing behind their "Par" graphs gives rise to apprehensions about meeting the deadline for the shipment of all equipment and material by June 30, 1945. Adding to our concern is the fact that delivery dates set for a good many of equipment items ordered, extend beyond June 30, 1945.

In view of the above, may we respectfully request that you authorize taking of due measures to help toward the recovery of the aforementioned lag completing the job within the limits of the Fourth Protocol period, i.e. up to June 30, 1945, and assign a higher preference rating to the project under consideration.

Your kind personal attention to this matter will be highly appreciated.

Sincerely yours,



Lt. General L. G. Rudenko
Chairman

cc.: Major General John Y. York, Jr.
Mr. William L. Batt
Major General C. M. Wesson
Mr. Clifton E. Mack
Mr. C. S. Snodgrass
Mr. E. B. Badger



TREASURY DEPARTMENT

WASHINGTON

January 16, 1945

MEMORANDUM TO THE SECRETARY:

SUBJECT: Russian Refinery Program

Refineries No. 3 and No. 4 of this program are now undergoing erection in Russia, and the latest progress report of December 1944, shows Refinery No. 3 to be 48% complete and Refinery No. 4 21% complete.

Equipment for the expansion of these refineries, which in no way would interfere or cause any delay in the erection of Refineries 3 and 4, was requisitioned by the Russians as follows:

Requisition No. R-8888, dated March 14, 1944, estimated value \$26,635,000, no specific delivery requirement.

Requisition No. R-8889, dated March 30, 1944, estimated value \$50,000.00, delivery specified after July 1, 1944.

Requisition No. R-8890, dated April 10, 1944, estimated value \$90,000.00, no specific delivery requirement.

These requisitions were received from the Foreign Economic Administration April 25, 1944.

War Production Board cleared requisitions to us with an AA-1 priority on May 12, 1944.

After receipt of requisitions negotiations were begun with E. B. Badger & Sons Company for a fee based on the increased work. E. B. Badger & Sons Company asked for a fee of \$3,300,000 which was regarded as excessive. During the period of negotiation with Badger, we found it necessary to make an audit of their books relative to determining the various factors entering into their fee negotiation, and as a result of this audit, the requested fee was reduced to

FOR DEFENSE



○ \$1,877,417.00.

On May 24, 1944, E. B. Badger & Sons Company was authorized in writing to proceed immediately with the purchase of long-term delivery equipment totaling \$4,200,000.

Contract was formally approved June 30, 1944.

During July 1944, E. B. Badger & Sons Company prepared an estimate showing June 30, 1945, deliveries based on manufacturing conditions as they existed as of that period.

Progress reports indicated laxity on the part of the E. B. Badger & Sons Company.

Under date of November 15, 1944, a letter was directed to E. B. Badger, President of the Company, asking that the entire work be speeded up. Mr. Badger and his Chief Engineer visited this office as a result of this letter. Mr. Badger agreed to step up work within his own organization.

○ As a further result of this meeting War Production Board was contacted and they arranged to have representatives of the various industry branches of War Production Board visit the plants where the equipment was being manufactured in an effort to re-arrange shop schedules.

In some cases they were successful in making this re-arrangement. In others higher priorities would be required.

At the present time the only items scheduled for delivery after June 30, are the Turbo Compressors and generators and certain tube elements for the Houdry units.

Under date of January 12, 1945, Major General C. M. Wesson, Director of the Division of Soviet Supply, Foreign Economic Administration, was asked by letter to give consideration to the application of a higher priority rating or directive for this job.

The Government Purchasing Commission of the Soviet Union in the U.S.A. has personnel assigned in the office of E. B. Badger & Sons Company. This group is in constant contact with the job, knows of its progress and is furnished monthly with a copy of the progress report.


J. W. Peelle

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, LONDON
TO: Secretary of State, Washington
DATED: January 16, 1945
NUMBER: 534

SECRET

US URGENT.

Since the Foreign Office must answer requests made some time ago for aid to Jews in Rumania, the Foreign Office is anxious to learn the views of the Department with regard to paragraph three of Embassy's 11434 of the twenty fifth of December.

WINANT

DC/L:MLG
1-17-45

EAK-1207

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

London

Dated January 16, 1945

Rec'd 6:20 p.m.

Secretary of State,

Washington.

552, January 16, 8 p.m.

FOR FEHLE FROM MANN

Matter of having Bergen Belsen group evacuated
from Switzerland to Palestine was taken up with Mason,
Refugee Section, Foreign Office immediately upon
receipt WRB 33. Contents of WRB 37 have been conveyed
to him and urgency of the matter stressed. As soon
as a reply is received I shall telegraph it im-
mediately.

WINANT

WED

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

9 54

ALH-1391

This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Chungking

Dated January 16, 1945

Rec'd 8:55 a.m., 17th

Secretary of State

Washington

72, January 16, 4 p.m.

TO TREASURY FROM ADLER

Arrived Chungking January 13.

HURLEY

BB

SECRETOPTEL No. 19

Information received up to 10 a.m., 16th January, 1945.

NAVAL

1. HOME WATERS. 15th. One of H.M. Escort Carriers was mined or torpedoed off the Clyde and reached Greenock today in tow. Norwegian tanker also damaged this area where intensive U-boat hunt now in progress. E-boats very active off Cromer and in Scheldt Approaches last night. LST Convoy attacked early this morning and one ship hit.
2. ENEMY ATTACKS ON SHIPPING. 8181 ton tanker torpedoed or mined off Holyhead and believed sunk with 70 missing. A 5835 ton ship in coastal convoy mined and sunk off Humber. 3 ships reported torpedoed yesterday off Halifax now identified as 8779 ton tanker, 6985 ton tanker, both sunk, and a U.S. 7176 ton ship in tow.

MILITARY

3. WESTERN FRONT. Saar Area, S.W. of Karlsruhe. Fierce fighting continues round villages Rittershofen and Hatten, and our troops now dominate road joining these villages. South and west of Ardennes salient: 3d U.S. Army has made progress north and east of Bastogne while to west of town mopping up continues in conjunction with British troops this sector. North of Ardennes salient: good progress made all along front where on right important road centres of Bovigny and Cheraïn now reported in our hands while on left U.S. troops attacked and cleared Faymonville at 0300 hours yesterday and are advancing southwards.
4. GREECE. 14th. Considerable rebel opposition continued to be met north of Atalante and south of Lamia.
5. BURMA. Arakan sector: resistance stiffening Myebon Peninsula, but indications enemy withdrawing N.E. while enemy defence north of Ponnagyun reported to be more aggressive. Central Burma: troops of British Division have reached Sadaung, 30 miles south of Shwebo and 25 miles N.W. of Mandalay.
6. EASTERN FRONT. Russians report capture of Kielce and 400 other places and are now approximately 28 miles N.W. of Cracow. In Budapest area they also claim capture of West Stations and further slight advances N.E. of Lucenec. 15th. German communique claims failure of Russian attempts to penetrate towards Insterburg and also states opening of expected offensive from 3 bridgehead areas in 50 mile stretch north of Warsaw.

AIR

7. WESTERN FRONT. Night 14th/15th. 1209 aircraft (17 missing) despatched: Merseburg (Leuna) Synthetic Oil 588 (2204 tons), Grevenbroich (S.W. Dusseldorf) Marshalling Yard 151 (366 tons), Dulmen (S.W. Munster) Fuel depot 115 (299 tons), Berlin 83, Seaming 31, other operations 241. 15th. Escorted Bomber Command heavy bombers 140 attacked Pochum, 2 benzol plants (282 tons) and Recklinghausen (376 tons). Bombing believed concentrated. 619 escorted U.S. heavy bombers (2 missing) bombed railway centres Pritvadt (238 tons) Freiburg (235 tons) Augsburg (608 tons), bombing through cloud, results unobserved. Enemy casualties 2,000 in combat and 12,019 on ground for loss of 5 fighters of which 3 believed safe. SHAEF (Air): in northern sector bad weather prevented operations, but in south 618 fighters (4 missing) attacked railway targets in Central and Southern sectors, destroying or damaging 9 locomotives, 369 railway wagons, 181 MT and cutting railways in 41 places. Coastal Command: 16 Mosquitoes (5 missing) attacked shipping Lervik (Norway) leaving 3 vessels on fire.
8. MEDITERRANEAN. 14th. Bad weather virtually cancelled all operations.
9. BURMA. 13th. 67 Liberators attacked bases Mandalay and Sagaing 221 tons with good results.

HOME SECURITY

Up to 7 a.m. 16th. ROCKETS. Two incidents reported.
 Night 15th/16th. Three incidents reported.

Regraded Unclassified

January 17, 1945
9:45 a.m.

GROUP

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

H.M.JR: Senator Pepper--somebody tell them what happened. Harry?

MR. WHITE: Joe said that is the best job we have seen you do in a long time. The Secretary gave Senator Pepper a thumbnail sketch in about three-quarters of an hour of why the Treasury's position is what it is with respect to Germany, and a bit of the history, and the next position of the various forces which are moving in various directions. Senator Pepper expressed complete agreement with what the Secretary said and said he was extremely happy to learn that. He said it was amazing how much misunderstanding, misinformation, and ignorance there is about it. If people had known what the Secretary said, it would put a different face on it. I thought it was a very convincing job.

Now, whether--I think Pepper probably felt that way to begin with--I don't know whether he was convinced, but when he said he was through he said he was in thorough accord. He made the statement that Senator Wheeler is doubtless becoming the leader of the opposition of the Administration in favor of a soft peace for Germany, in

favor of a strong Germany, and that the various tactics he is undertaking now are merely paving the way for him.

MR. O'CONNELL: He didn't emphasize it, but it is certainly a fact that he is a very effective fighter, and that he is by no stretch of the imagination a liberal, but he is very adroit at taking the lead in causes in which he can get enough support, so as a leader of the cause, even though it would not be successful, he can be out in front and keep his name in front of the people, and all that sort of thing. There is no question but what Mr. Wheeler is a very effective and dirty fighter, and I am sure he agrees on this.

H.M.JR: What he said he is going to try to do is take Wheeler as leader of the soft peace and put him on the defensive. He is going to try to do that.

MR. O'CONNELL: I forgot to tell you, but yesterday he remarked he was very annoyed by both Senator Barkley and Senator Connally because they both tried to talk Senator Pepper out of making any response to Senator Wheeler, and I think a better face could be put on their motive than Senator Pepper did. I think they probably would say they felt the best way to treat that was to minimize it.

Pepper seemed to feel their motive was a little different because he coupled the fact that they tried to prevent him from speaking in response to Wheeler to the fact they went over and fraternized with Senator Wheeler while Pepper was making the speech. He was very angry with both Barkley and Connally.

H.M.JR: I didn't read the record, but Mrs. Morgenthau read the whole record, and she said Senator Lucas kept saying while the Senator was talking--

MR. GASTON: He said at one point, "I agree with you there that Mr. Morgenthau's statement was bad."

MR. O'CONNELL: He said, "I agree Mr. Morgenthau's statement was unfortunate," but before that he took

definite issue with Wheeler. In the next paragraph, for instance, he made the statement he had run for Senator in Illinois on the basis of unconditional surrender, and he had won handily in a State which was supposed to be more isolationist than interventionist, and he felt Wheeler was on the wrong side arguing unconditional surrender.

H.M.JR: I didn't ask anybody's advice about wanting to see Pepper about what I wanted to say, because too many people constantly try to make me, Secretary of the Treasury--nobody knew what I was going to say any more than when I saw the bankers the other day. But I just wasn't going to give anybody a chance to tie me--what do they call it?

MR. GASTON: Hobble.

MR. WHITE: Hog-tied might be more appropriate.

H.M.JR: But it wouldn't be kosher. (Laughter)

You have to wait. The Senate still has to vote on you.

MR. WHITE: I can't keep it in.

H.M.JR: I don't know why. Incidentally, you asked me about the invitation to the Inaugural. Mrs. Morgenthau said this morning that a yellow franked envelope came and she was about to throw it away. It came from Harry Byrd, and was an invitation to the Inaugural. She said she almost threw it away. It was one of these yellow envelopes, second class mail. I thought I would tell you, Dan. I get invited to the Inaugural by Harry Byrd, which I think is very amusing. I think you should call up your wife.

MR. D. W. BELL: I wasn't worried about it; I just didn't want to burst into the Inaugural ceremony after church services.

H.M.JR: It is a most unusual way, but that is the way it is.

MR. LUXFORD: Might it not be a good idea for someone to speak to Lucas and straighten him out on the record.

MR. O'CONNELL: Herbert and I talked about that yesterday. I think somebody ought to talk to Lucas.

H.M.JR: Joe was very successful yesterday. Would you mind doing it again?

MR. O'CONNELL: I have to be there today, and I might try to find Lucas. We talked to Pepper.

H.M.JR: As a result of your going to Pepper, Pepper came down. I gave him a peppery talk, and he listened, so I think if you do Lucas--

MR. O'CONNELL: All right.

H.M.JR: We have just got to--from what you say, I don't think there would be any use of my talking to Barkley; he is aware of the conversation, the echoes. But I think Lucas has always been pretty good.

MR. O'CONNELL: Yes. I would like to talk to Lucas on that point.

H.M.JR: You leave when you feel like it.

MR. GASTON: Dan, Lucas is a pretty good friend of yours, isn't he?

MR. D. W. BELL: Yes, he is a very reliable fellow.

MR. GASTON: He is all right. He just didn't understand.

H.M.JR: Joe represents us on the Hill, and I think he had better go up there and do what he did yesterday. If Lucas wants to talk to me, we will arrange for a little talk?

MR. O'CONNELL: What if he wants something else?

H.M.JR: What?

MR. O'CONNELL: Every time you talk to a Senator--

H.M.JR: That is all right; that is the way you find out. I have seen the silliest things on the Hill reverberate through the cloakroom of the Senate, something that I was supposed to do or not to do.

Well now, right now the great thing is this one tax case. It is the only way, Joe; all of those things are two ways.

MR. O'CONNELL: That is right.

H.M.JR: And I mean--

MR. O'CONNELL: I was joking. I know I don't have to take the Assistant Commissioner of Internal Revenue with me.

H.M.JR: I hadn't been here very long when--who was it, the first Chairman of the Appropriations Committee in the House from Texas?

MR. D. W. BELL: I don't know.

H.M.JR: Was it Sheppard?

MR. D. W. BELL: No.

H.M.JR: He always wore cowboy boots and could spit all the way across the room.

MR. D. W. BELL: Buchanan.

H.M.JR: I will never forget, I came up there to one of the first hearings and he said, "Gentlemen, you will just have to wait. Mr. Secretary, will you accompany me in my room?" They had a beautiful chandelier. He put his feet on the desk and spit across the room. Then he said, "I want to talk to you." I can't do this Texas drawl, but he said, "I brought up a secretary with me

from Texas thirty-five years ago, and it is a bout time she was placed in the Treasury." (Laughter)

MR. D. W. BELL: Give her a permanent job!

H.M.JR: "She is getting a little old; she has been with me for thirty-five or forty years."

MRS. KLOTZ: I have some distance to go then.

H.M.JR: I thought here was going to be some great thing, and I was just smart enough to say, "O.K., Senator, we will place her for you." But that was a lesson.

MRS. KLOTZ: Let that be a lesson to you.

H.M.JR: And it is things like that that are important to them.

MR. GASTON: It would be a good idea if we could do it somehow to get Barkley, and under ordinary circumstances, the Majority Leader ought to know the facts of what anybody does, if somehow we could get it to Barkley. There is friction now between Barkley and Pepper over this. I didn't think Barkley had any motive, except the general program they adopted of trying to smooth over differences.

MR. D. W. BELL: What about Connally, Mr. Secretary?

H.M.JR: Let me feel my way on this thing, because if we go to Connally, and if we go to Barkley, and they meet with the President, the first thing they will do is say, "What is Henry doing up there--sending one man to lobby on the Hill for this thing?" Now, just take it kind of easy, see. I am going to let my own elbow guide me on that. Let's do Lucas next and see what kind of reaction we get. See? I think we ought to do this thing very carefully. They will meet, and the first thing you know they will tell Arthur Krock, and he will write a column and say I am lobbying up on the Hill for the Morgenthau Plan.

MR. LUXFORD: Did Pepper comment, or Vandenberg comment on Wheeler?

H.M.JR: No.

We will stop this and go on; otherwise I will not get my stuff over, and you people won't get your stuff over.

Last night I had a very encouraging telephone call from Congressman McCormack who called me up and said, "I was thinking it might be well to get that Bretton Woods program going."

I said, "Suits me."

He said, "Are you people in your Department drawing up a bill?"

I told him we had been talking with Spence and Jesse Wolcott.

He said, "I had a talk with Spence this afternoon. "We're in pretty good shape. We've got a good looking bunch of new members."

I said that was wonderful.

He said, "We ought to get things through before they start feeling their oats."

MR. WHITE: One of the new Members is a former professor of economics; he is a woman.

H.M.JR: He is a woman--one of those kind? (Laughter)

MR. WHITE: I couldn't say, "It is a woman." (Laughter) I was kind of stuck. She will unquestionably be a friend.

MR. O'CONNELL: Friend or--

MR. WHITE: Friend of the bill.

H.M.JR: Anyway, I said something about this was what I wanted to get over.

McCormack said, "We have got something coming along on Commodity Credit, but that won't take long."

I wonder if you people know that. Did you know that was coming up on Commodity Credit? You had better find out, Joe.

MR. O'CONNELL: He is talking about the Floor.

H.M.JR: Some bill, he said.

MR. D. W. BELL: I think they are going to ask for an increase in borrowing authority, and then there is quite a bill up there on Commodity Credit and a great many other things. I didn't suppose that would get to the Floor very quickly.

MR. O'CONNELL: I think McCormack is talking about the Floor, rather than the Banking and Currency Committee.

MR. D. W. BELL: That wouldn't go to Banking and Currency.

MR. O'CONNELL: That is why I think--

MR. WHITE: Have you made any progress on the discussion of the gold reserve? We have dipped into that, but I don't feel it is urgent. I would like to discuss it.

MR. O'CONNELL: You mean the Federal Reserve?

MR. WHITE: I don't think it is near.

MR. D. W. BELL: We had a meeting yesterday.

H.M.JR: The other thing he was very much interested in--and it took me five minutes to get it over to him--was that the Treasury was interested in legislation to make reciprocal trade permanent. I tried to tell him State--I couldn't get it across to him, but finally I did.

MR. GASTON: What did he really want?

H.M.JR: All he wanted was to tell me he--

MR. GASTON: He will probably call again. He wants to get Mrs. McGrath appointed Customs Service Executive Director.

MR. O'CONNELL: Herb, you are just a cynic.

H.M.JR: They sent out an SOS, so I called them. They wanted to come over, so I invited them over. They want to explain where they stand on Germany. I asked them to submit the names in advance. I am doing it now. The first at the head of the list is Doctor William Langer.

MR. WHITE: He is their expert on Russia.

H.M.JR: No, pardon me.

MR. WHITE: He is from Harvard University.

H.M.JR: Doctor William Langer is Chief of Research over there, but he heads everything.

MR. WHITE: His career is, I think--

H.M.JR: Edward S. Mason. Is that the Mason over--

MR. WHITE: He is in the State Department now.

H.M.JR: They are bringing him over.

MR. O'CONNELL: He is a Harvard man.

H.M.JR: H. Emile Despres.

MR. WHITE: Also State.

H.M.JR: D-e-s-p-r-e-s.

MR. WHITE: The "S" is silent. (Laughter)

H.M.JR: This man is in the State Department. He is an economist who works on their--

MR. WHITE: Despres. He has recently been transferred from OSS to State. He is the man who worked in OSS on Germany.

H.M.JR: His name is Emile?

MR. WHITE: He used to work for the Federal Reserve Bank of New York for many years, and then the Federal Reserve Board here, and then OSS.

MR. GASTON: It is de-pree, isn't it?

MR. WHITE: It is pronounced du-pray.

MRS. KLOTZ: Day-pray.

H.M.JR: If you've been getting du-pray out of that, all right, Mr. "Da-Bois." That is the way he spells it. It is like spelling DuBois D-e-s-B-o-i-s.

Anyway, will the Carl Schorske, spelled S-c-h-o-r-s-k-e-be pronounced Shuttske? Does anybody know him?

MR. D. W. BELL: It might be short for Pasvolsky.

H.M.JR: You have as much trouble as I do, Dan, more.

Geroid Robinson.

MRS. KLOTZ: It isn't Gerard, either.

H.M.JR: And to make it really good, they have added Mr. Moses Abramovitz.

MR. WHITE: Abramovitz.

MRS. KLOTZ: Harry heard that before.

MR. WHITE: It is the Moses that troubles me. I have heard that before. (Laughter)

MR. GASTON: It mystifies you, doesn't it?

MR. WHITE: It sounds like we are going to address a league of nations.

H.M.JR: It is interesting who they listed, OSS; they listed Mason and Despres.

MR. WHITE: Mason will be, of those, I know, the most difficult. It is a very good group. When is that, this afternoon?

H.M.JR: No, no, no, I am going to put them down for some afternoon next week. What is it, on Tuesday. Should I have them for lunch and argue through lunch and afterwards?

MR. WHITE: If you leave time enough after lunch, because with a group like that, if you really want to convince them, you really need a couple of hours. What you might do is have them at lunch and then leave us down, and you can go on with your work.

H.M.JR: That is good.

MR. WHITE: Ask them to stay until three o'clock, and you can leave whenever you like.

MRS. KLOTZ: You can't talk to them while they are eating, can you?

MR. WHITE: We can each take a turn.

MR. LUXFORD: That is what the Russians do while they are drinking.

H.M.JR: Let's have them at nine-thirty next week; we will start fresh in the morning.

MR. WHITE: You will never have time enough.

H.M.JR: You would rather have them for lunch?

MR. WHITE: What I was thinking of was you could stay as long as you want and leave some of the rest of us to try to finish up.

H.M.JR: Invite them for lunch? Now, who besides White should get in on this?

MR. WHITE: The more assistance we have, the better.

H.M.JR: Whom do you want?

MR. WHITE: DuBois and Luxford are always very helpful.

H.M.JR: All right, Gaston and "de boys."

MR. LUXFORD: "Day boys."

MR. GASTON: Luxford and DuBois. Oh, you said me and the two boys. Excuse me, I am--

H.M.JR: Gaston, I overlooked your language progress.
(Laughter)

We will have Gaston and "de boys."

MR. WHITE: Could it be mentioned to allow a couple of hours? Otherwise they will make appointments.

H.M.JR: Tell them to--

MRS. KLOTZ: Two hours?

H.M.JR: An hour for lunch, and an hour after lunch.

MR. WHITE: Mr. Secretary, while we are on that subject, we thought it would be very helpful if we could have a half hour with you before you see Stettinius on this thing to get our lines straight, because I don't know whether we are all singing quite the same song on this, and it's important with Stettinius.

H.M.JR: Isn't he diplomatic?

MR. PEBLE: Very well put.

MR. WHITE: I think we are out of tune.

H.M.JR: Isn't he a diplomat?

Couldn't we have the little room downstairs?

MRS. KLOTZ: You couldn't have the little one.

H.M.JR: We will have it here.

MRS. KLOTZ: Buffet would be better. We will work it out.

(Discussion off the record)

H.M.JR: You fellows want to see me so you can get in tune with me, is that right?

MR. WHITE: That's right. In preparation for our talk with Stettinius. (Laughter)

H.M.JR: All right. I'll see you fellows. Can you get here by nine-thirty tomorrow?

MR. WHITE: I thought you were seeing Stettinius today. Did I have it incorrect?

MRS. KLOTZ: That was called off.

H.M.JR: Three-thirty. All right. Gee whiz! David Stern. That was a dumb thing I did.

MR. O'CONNELL: Are you seeing him?

H.M.JR: Yes.

MR. O'CONNELL: He still doesn't have his seven hundred and twenty-two cases he's pushing us on.

MR. D.W. BELL: Is he in Philadelphia? I have a letter from him on my desk.

MR. GASTON: Philadelphia Record and the Philadelphia Inquirer.

MR. D.W. BELL: He's talking about currency.

MR. O'CONNELL: He has two tax cases and I--

MR. D.W. BELL: Ostensibly the currency problem.

H.M.JR: Mr. Bell, will you be here at three o'clock, please?

I'll see you fellows who want to tune your piano at eleven-fifteen.

What else do we have? They have all been doing their stuff. I haven't had a chance.

MRS. KLOTZ: I have changed my mind on some of this.

H.M.JR: Charles Bell?

MR. C.S. BELL: We have a letter to Senator Byrd submitting the organization chart of the whole Treasury Department by functions and jobs. This is the book that goes to Byrd.

(Hands Secretary letter to Senator Byrd, dated January 17, from the Secretary.)

While we are at it we fixed up one of these for this office for the boys. We could do it with the nine-thirty staff people.

H.M.JR: It's wonderful!

MR. C. S. BELL: It's quite a book. All the jobs and functions. This is the thing Cy Upham prepared for

the exempting of bank examiners from Civil Service. Four years ago we wouldn't have gone along with that, but Civil Service has turned into a policing organization rather than a service organization. The comptrollers had a pretty tough time getting examiners. It's an executive order that would take out of Civil Service about five hundred examiners and put them on Schedule A, which is just a form to go through--no competitive examination.

H.M.JR: Why should they be exempt more than anybody else?

MR. C.S. BELL: They were exempted earlier, sir, up to 1940. They have always been exempt. Their funds come from the assessment of banks. It is not a Federal appropriation, and these examiners go out to these banks and see some young fellow they want and want to bring him to the comptroller's office, and they have always been able to bring them in. Under Civil Service technique they have to go through competitive examinations.

H.M.JR: So does everybody else.

MR. WHITE: I am not in favor--if you can have the choice of putting them under Civil Service--but taking everybody out--can you make it consistent?

MR. C.S. BELL: You can't do that. See, their funds are entirely different and that gives the basis for this.

MR. O'CONNELL: They are under Civil Service.

MR. BLOUGH: Do these people have retirement benefits?

MR. C. S. BELL: They have their own retirement fund, not ours.

MR. D.W. BELL: I think you recommended this about a year ago and it was turned down. They have talked to Mack about this and Mack said they ought to be put on the Schedule at least during the war. They got the man Civil Service wanted them to take and he was sixty five years old. They wanted to start him in to learn how to examine a bank. That doesn't make much sense.

I think if they could be exempted during the war period and pick their personnel and Civil Service has a chance to pass on qualifications before they take the job, it would help.

MR. GASTON: I think the basic difficulty is that the Civil Service Commission is not a good organization. It's not getting any better. That is the basic trouble. They ought to be in Civil Service if we had a proper Civil Service system, but we haven't.

MR. WHITE: Why exempt this particular group? There is nothing you can say that you can't duplicate in another group.

MR. C.S. BELL: Except they are in it getting funds through Congress. It is an outside fund they are living on, like Federal Reserve.

MR. D.W. BELL: I thought you were writing someone a letter to turn it down.

H.M.JR: I don't see how you could go about getting businessmen to come in and help you.

MR. PEHLE: I don't think there is any difficulty in clearing people through the Civil Service ordinarily.

MR. C.S. BELL: John can get any businessman he wants at any time by submitting the qualifications of that man to the Civil Service Commission and clearing him, and if they have no eligibles on their list, they give you the man. That is a temporary appointment. It is certainly not a permanent appointment.

Upham's problem is to get permanent people and build them up in the banks as examiners.

H.M.JR: That's everybody's problem. What does the Federal Reserve do?

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MR. C.S. BELL: They are entirely out and they are pretty much in the same boat with the comptroller.

H.M.JR: What does FDIC do?

MR. C.S. BELL: That's Civil Service and I have thought that one out. That is the only comparable case to the comptroller.

H.M.JR: I won't sign this.

MR. C.S. BELL: O. K., sir.

H.M.JR: If the Civil Service--I I won't make an exception, and I wish you would put on there that I won't do it. I mean, if the trouble, as somebody said, is with the Civil Service--

MR. D.W. BELL: They have their troubles like everybody else.

H.M.JR: All right, build a case against Civil Service. Now, I have been kind of kidding you fellows up until now. I am serious now. Just because the Civil Service isn't functioning properly, I am not going to put myself on record as saying that and having him turn me down the way he will. I would much rather write him a letter saying what is the matter with Civil Service and why isn't Civil Service functioning right? I'll sign that kind of a letter to the President, but I am not going to make an exception. I am serious now, and that from me to you is funny.

I am perfectly willing to write as long a letter as you want me to to Civil Service asking why Civil Service is not functioning, why they are not servicing us in war time, that they should loosen up their rules and regulations to make it possible for us to get the manpower.

MR. D. W. BELL: They have been very flexible. They really have.

H.M.JR: I am too good a friend of Civil Service to sign that.

MR. D.W. BELL: Civil Service sent a broadcast of these requests for people to take examinations. Well, they don't get the people that might be interested in it because the people they really want never read those things.

H.M.JR: I am very serious. I was having a little fun at the expense of Civil Service, but I--all right, I will write any letter you want me to.

MR. O'CONNELL: Of the number of things I have, there is only one I ought to mention.

Commissioner Nunan is ready to see you on that matter whenever you are ready to see him, either with or without Norman Cann, although Norman Cann should be here. He has a memo you should see.

H.M.JR: Does he have a good answer?

MR. O'CONNELL: I haven't seen it, but he said yesterday he was ready and he would stand by whenever you wanted to give him the time.

H.M.JR: I'll make it nine-thirty tomorrow, and I want Gaston here.

MR. O'CONNELL: You want me here?

H.M.JR: I want Nunan and he can bring Cann with him if he wants to.

MR. O'CONNELL: O.K.

H.M.JR: Joe O'Connell, Herbert Gaston--and tell him if he wants to bring Cann along, he can.

(Mr. O'Connell leaves the conference)

MR. C.S. BELL: When did you want to see Saxon and hand him his letter? You told me to bring it up this week.

H.M.JR: I am not seeing him this week. It doesn't mean he doesn't get the money, does it?

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

H.M.JR: Let it go. I will do it the first thing next week.

MR. C.S. BELL: Fine.

Joseph Cotten--do you recall him--he was Assistant to you? He died.

MRS. KLOTZ: We wrote to his wife.

MR. C.S. BELL: Oh, you have?

MR. GASTON: He died as a result of wounds received in action.

H.M.JR: Will you write a letter to Eugene Meyer on that Editorial yesterday?

MR. GASTON: I have, and one to Alan Barth.

MR. C.S. BELL: Do you want to discontinue Robert McConnell--terminate him? He is still on our rolls as consultant.

H.M.JR: No, I wrote him that he should come in. I wish somebody would find out about all that work he has done on factories in Germany. Where is it?

MR. GASTON: Harry has it.

MR. WHITE: He turned that over to us.

MR. D.W. BELL: Both or just the one?

MR. WHITE: One is all I know of.

MR. D.W. BELL: I think he was continuing with one section of it, but I am in touch with him.

H.M.JR: he brought in a couple of assistants. I don't know what happened to them.

MR. D.W. BELL: The one from Harvard went back to Harvard, and one was detailed from Securities and Exchange. He returned.

H.M.JR: I wrote him a letter and said--

MR. C.S. BELL: Mr. Cannon sent a man down yesterday to go into Foreign Funds.

H.M.JR: Who?

MR. C.S. BELL: Mr. Cannon--Chairman of the Appropriations Committee to see if it couldn't be consolidated with Alien Property Custodian. We got that via grapevine. Orvis Schmidt didn't come in; he was on the Hill yesterday and I couldn't contact him this morning. I thought you might want to know about that. He also sent a man to Internal Revenue to look into personnel problems, feeling that they had too many people over there, and that is the thing Taber spoke to you about on the Hill the other day.

H.M.JR: Somebody ought to show Cannon the articles on Alien Property Custodian.

MR. PEHLE: That might react the wrong way with him.

MR. LUXFORD: Taylor is behind--Keefe is from Wisconsin--Crowley and their buddies. We get this every year.

H.M.JR: I still say Cannon is all right.

MR. PEHLE: Is he?

H.M.JR: Yes, he is. He's an apple grower.

MR. PEHLE: I knew he had an interest in agriculture.

H.M.JR: I think that somebody--Charlie--should see to it that Cannon sees that series of articles in PM on the Alien Property Custodian. That whole picture.

MR. LUXFORD: I was only mentioning that Keefe is the fellow on Appropriations Committee that keeps stimulating that discussion--we have it every year.

H.M.JR: That's O.K. I still say he ought to see--

MR. C.S. BELL: Keefe and Taylor saw me and we discussed that in revenue but I couldn't get the names.

MR. WHITE: I don't think the case ought to rest on that. I think there is additional--

H.M.JR: Somebody around here who is interested in Foreign Funds ought to get busy. Is that under you, Mr. White?

MR. WHITE: It is. I will see what we can do on that.

H.M.JR: Thank you, Mr. White.

MR. WHITE: On that subject, so far, all we have is the title to the song, so I don't--

MR. C.S. BELL: I understand you want to see the personnel people of the Treasury on Friday morning? There will be about fifteen of them. I don't know whether you wanted to see them in this office or in--

MRS. KLOTZ: No, in the chart room.

H.M.JR: Ten-thirty they are down for.

MR. C.S. BELL: Ten-thirty. Is there anything you wanted me to prepare on this?

H.M.JR: Yes, you better come in about five minutes beforehand to give me suggestions on what I might say. All right, Charlie?

MR. C.S. BELL: I think I found a good outside chauffeur for Governor Lehman.

H.M.JR: If you would come in about five minutes before--right.

Daniel Washington Bell?

MR. D.W. BELL: The Presidential Inaugural Medal has been made by the Mint, as you know, and will be available and in the hands of the Committee. They asked us to turn over all of them to the Committee. They are paying for them. Would you like to have them or not? I asked ~~Mrs~~ ^{Mrs} Ross to see what you could do, and she said they were requested to turn them all over, and do you think we ought to go after them for anybody in the Treasury that wants them?

H.M.JR: I think we ought to get some of them.

MR. D.W. BELL: I don't think you have--

H.M.JR: We had at least one.

MRS. KLOTZ: I have three on my desk now--various ones.

MR. D.W. BELL: Did they come from stock in the Mint?

MRS. KLOTZ: Where else would they have come from?

MR. D.W. BELL: Maybe the Committee.

MRS. KLOTZ: No, I wouldn't have them then.

MR. D.W. BELL: She said she was requested to turn them all over.

H.M.JR: The Treasury always gets some.

MR. GASTON: Do they sell them or give them away?

MR. D.W. BELL: They sell them and pay for the expense of designing them.

H.M.JR: How much do they sell them for?

MR. D.W. BELL: How much? I think this year probably one dollar and a half. It was ninety-five cents.

H.M.JR: I'll buy six of them.

MR. D.W. BELL: I don't think they have set the price yet, but this year they want to give Jo Davidson some money for his work and Mr. Sinnock, who is the engraver in the Philadelphia Mint, drew the reverse side of the medal, and they want to give him a little sum of money.

H.M.JR: I'll buy six.

MR. D.W. BELL: I told them I didn't see any objection if Joe Davies wanted to give Mr. Sinnock a little sum of money.

H.M.JR: I don't know--I will leave it up to you.

MR. D.W. BELL: I will see if I can get some.

H.M.JR: I will buy six. What the hell! One dollar and a half--three bushels of apples--(Laughter)

MR. D.W. BELL: Maybe we can trade. That's all I have.

H.M.JR: White?

MR. WHITE: We have already received the apples--that's right--medals.

MRS. KLOTZ: That wasn't so good.

MR. WHITE: We have three bushels of apples. We have drafted a budget message for Bretton Woods to the President and we tried to--we will try to get an agreement to it sometime today. It's quite different from

the message they have, and we might have some difficulty. What's the deadline?

H.M.JR: I would say when Stettinius and I see the President tomorrow, that would be the deadline.

MR. WHITE: All right. Did you want to look over this today and see if it suits the purpose you had in mind on the Russians?

(Hands Secretary draft of a memorandum to the President from the Secretary on "Financial Aid to USSR".)

H.M.JR: Why don't you wait until the week end? I will have plenty of time then. (Hands memo back to Mr. White)

MR. WHITE: They can also wait for the other things.

H.M.JR: All right.

MR. LUXFORD: Crowe called me--the Detroit Economic Club called me the day before yesterday. You answered him yesterday telling him that March was out. He asked me to call him back whenever you did reply and I think he probably would like to set a February date in view of that. Is that all right?

H.M.JR: Yes, that's all right. I hope sometime around the tenth or eighth of March to take Mrs. Morgenthau away for a couple of weeks.

MRS. KLOTZ: The date was set for February 5.

MR. LUXFORD: Tentatively, yes. I think he would like to discuss it and see if that would be agreeable.

H.M.JR: I am willing to speak three times in February, but I am not willing to make any dates in March.

MRS. KLOTZ: The reason he wanted it in March, I think, was Congressman Wolcott was coming then, as I understood it.

MR. LUXFORD: That fixes it.

H.M.JR: You'll call him up, right? What else?

MR. LUXFORD: That's all.

MR. COYNE: You indicated you would like to do something for the AF of L in February.

H.M.JR: No.

MR. COYNE: And it is a question of--

H.M.JR: No, no! I was told that the excuse I gave for Bretton Woods wasn't adequate and I ought to do something for the AF of L.

MR. GASTON: That's about the substance of it.

H.M.JR: Let's get the foot on the right horse.

MR. COYNE: That's right. Lawrence Houghteling was a little skeptical.

H.M.JR: I turned it down and word came to me through Gaston that that excuse wasn't good enough.

MR. GASTON: Houghteling instigated this thing himself and asked Phillip Pearl on behalf of War Finance that we get time on one of the AF of L broadcasts, and Phil Pearl comes back with a reply, "We will be glad to declare you in on one of these, if we can have the Secretary for this as the guest on the program." They gave the dates of the eleventh, the eighteenth and the twenty-fifth of February, and since it was his own suggestion, Larry Houghteling would like very much to reply.

It involves a three-minute speech and then some replies to questions by each member of the panel, and those questions will be submitted and replies prepared in advance. They are following that. That is a discussion in which the guest may take part or not, as he wishes.

MR. WHITE: Will the subject be on bonds?

MR. GASTON: Yes. War Finance. February eleventh, eighteenth or twenty-fifth. Sunday afternoon at one-fifteen p.m.

H.M.JR: When do I eat?

MR. GASTON: At two p.m.

H.M.JR: When is the date now?

MR. GASTON: Sunday, February eleventh.

MR. COYNE: Eleventh, eighteenth or the twenty-fifth.

MRS. KLOTZ: You don't know how important that is.

H.M.JR: What do you fellows think? Do you want to wait to make it the eleventh? I wouldn't talk out there on Sunday anyway.

MR. LUXFORD: No?

MR. GASTON: Get it out of the way as soon as possible, the eleventh, that's about four weeks.

H.M.JR: Let's say the eleventh.

MR. COYNE: All right.

H.M.JR: Make a note of that.

MRS. KLOTZ: Wasn't Harry going to make it about ten days after the fifth? In Chicago?

MR. WHITE: It's flexible. The Secretary would have to come back to Washington in any case--whether it would be from Detroit--whether it would be two weeks or three weeks--you can adjust it.

H.M.JR: What am I going to talk on?

MR. COYNE: The script will be prepared. You will give a three-minute positive talk on War Finance and answer questions for about three minutes. The questions always have been prepared in advance and you will have had your shot at them, and following that there will be some general discussion in which you can, or need not, participate, as you see fit.

H.M.JR: Will you get Dave Levy in on this?

MR. COYNE: We will take care of everything on this.

H.M.JR: Get Dave Levy in on this.

MR. COYNE: Right.

I have nothing else, sir. I may have a chore to ask you to do later in the week or next week in connection with some preparation for the Seventh. We may ask you to call Mr. Forrestal or Mr. Stimson, or both, in connection with some propaganda we want from the fronts, but we may get that without your intervention.

H.M.JR: Anything else?

MR. COYNE: I have nothing else.

MR. PEHLE: On that Russian complaint. I just want you to know I will keep pushing on that. You got the letter, didn't you?

H.M.JR: Yes, I didn't like the letter. I rewrote it and I sent nine letters out to these other people, but I wrote him. I didn't think it was friendly enough and I wrote him a letter and asked him to come in and see

me, and when this Russian general comes in we will tell him what we have done.

MR. PEHLE: All right. They apparently sat in on some meeting in New York, Mr. Secretary, on the twelfth of this month, and some FEA people, I understand, were there who were very unsympathetic with pushing any of this stuff; so the Russians immediately went down and wrote a letter on the thirteenth and dated it back to the ninth and mailed it out, in order to get that much more push on it, but you signed the letter to Krug and Crowley?

H.M.JR: They have already gone. They all went.

MR. PEHLE: Now, as I told you before, we are pushing Stettinius on one phase of this war crimes matter, and that is the phase that all this publicity has come out of London indicating the War Crimes Commission doesn't consider any of these atrocities the Germans have been committing war crimes.

I got a letter back the other day from Stettinius saying, "In view of the numerous factors involved, a public statement by me would be inadvisable at the present juncture," and I don't understand that at all, and I wonder if when you see Stettinius, whether you could ask him.

I have another memo here. Ask him what the State Department's position is on this and why they can't issue a public statement.

H.M.JR: I can't take in the whole world.

MR. PEHLE: That's up to you.

H.M.JR: Why don't you give that to Joe? He will be here at eleven-fifteen. You boys ought to get together on this.

MR. PEHLE: We are together.

H.M.JR: I don't think you are.

Well, now, I've got a memorandum from you, Joe.

MR. DuBOIS: That's right.

MR. WHITE: I think, unfortunately, at last night's meeting--

MR. PEHLE: Joe and I had a talk this morning. This can all be tied together.

MRS. KLOTZ: I didn't bring it up because I didn't get a chance to tell Mr. DuBois for him to work through O'Connell, and I didn't want to bring it up at the meeting.

MR. WHITE: Mr. Secretary, we are in a jam on this and didn't clear it among ourselves. We had a meeting late yesterday afternoon. There is not agreement in your own staff yet, and we need a little more time, and what we wanted you to do was to hold certain things up until we could give--if you could give us a few more days, and we could probably present a unanimous recommendation to you.

MR. PEHLE: There is agreement on what I am talking about.

MR. WHITE: Yes, but I was thinking about the rest.

MR. DuBOIS: On the general war crimes problem, Mr. McCloy, as I recall, sent you a draft of a memorandum to the President on the whole thing. Through the back door we understand that the Attorney General is now considering it.

H.M.JR: Where is that one?

MRS. KLOTZ: I don't have it here.

MR. DuBOIS: This memorandum I sent you?

H.M.JR: Yes.

MR. DuBOIS: I have it here. (Indicating memorandum to the Secretary from Mr. DuBois, dated January 16, 1945) I gave it to Mr. O'Connell, and he gave it to me when he left.

MR. DuBOIS: It is possible that this memorandum may be submitted to the President for us at the coming conference, and I think all of us are in agreement that this particular memorandum sets forth a procedure which is very unsatisfactory. We may not all be in agreement on the exact procedure we'd like to see, but this procedure, we all agree, is very bad.

For one thing, it provides that the tribunal to try the war criminals is to be set up by treaty which would mean all the countries, as to the procedure being passed on by our Senate, etc., the result being they probably wouldn't get anywhere.

H.M.JR: No. I said to Luxford and I said to you to look up Chief Justice Stone's--

MR. DuBOIS: We both read that, Mr. Secretary. It isn't particularly relevant. It is helpful in one minor phase of the problem, but not on the broad issues.

H.M.JR: His position is that these criminals should be tried by a military court.

MR. DuBOIS: You can use some of the language in his case to support that proposition, but the particular situation he was dealing with isn't very comparable.

H.M.JR: But I am still saying his position, independent of what he wrote, should be tried by a military court. That doesn't need any legislation.

MR. DuBOIS: We don't think any of this--

MR. LUXFORD: It isn't a question of legislation.

MR. PEHLE: Stimson wants legislation.

H.M.JR: What I am getting at is where do you people and the Chief Justice differ as to procedure, if his position is that these people should be tried by military tribunal?

MR. DuBOIS: There are a number of questions involved in this whole problem. I think the one in which most of us are in agreement on--all of us are in agreement on-- is a question that each of the United Nations should have the right to ask for any war criminal and get him without any questions being asked, if they say he committed a crime in their territory.

If we can agree on that point, I think we've won the major part of the issue. Where we are in disagreement is what should be done with the arch criminals. Some of us feel they shouldn't be given a trial, but should be merely identified and shot. I think Luxford, particularly, is taking the side they should be given some sort of a trial, but irrespective of that--

H.M.JR: He's a softy.

MR. LUXFORD: That's right.

MR. WHITE: He has a good case.

MR. DuBOIS: He has a good argument. There are good arguments on both sides, but irrespective of that difference, we are all in complete disagreement with this memorandum the War Department has got out.

Now, what we feel, or are suggesting to you is if you could call Mr. McCloy and indicate to him your dissatisfaction.

H.M.JR: But I don't know enough about it. He'll begin to argue about it, and I can't say, "Wait a minute! I'll put DuBois on the phone."

MR. DuBOIS: I think, Mr. Secretary, if he asks why, by way of example, all you have to say is the whole pro-

cedure he has set up provides for a treaty, which--

H.M.JR: Yes, but I've got enough out of it. I take it, in the long run we'll be together.

Now, the thing is--what is today?

MRS. KLOTZ: Wednesday.

H.M.JR: I've got--what did I put down here for nine-thirty tomorrow?

MRS. KLOTZ: Nunan.

H.M.JR: Nobody could read my own handwriting, let alone me. That'll fix it up.

You fellows cancelled out Italians. Why did you do that?

MR. WHITE: Because they insisted on clearing it first with the British. The State Department felt they should be informed, and it may take us another day or two.

H.M.JR: But not the Russians?

MR. WHITE: No, not the Russians. The Russians aren't supposed to be as interested in Italy.

H.M.JR: Why don't I do this--call up McCloy and ask him whether he wouldn't come over here, and we'd like to have a little discussion with him, and I could learn as we go along. How would that be?

MR. WHITE: Their only fear is they might go to the President, and the President might take it with him, in which case it might be too late as far as your feelings on the matter are concerned, because that may be the basis of the discussion where he's going.

H.M.JR: We've got time enough. I'll fix it so we have time enough. All right?

MR. DuBOIS: Yes.

MR. PEHLE: That does not take care of the point I raised.

MR. LUXFORD: We are all in agreement on that point.

MR. PEHLE: The point I am raising, Mr. Secretary, has to do with the State Department's public attitude on questions of whether these atrocities constitute war crimes, and it is important from the War Refugee Board's point of view that Stettinius make a public statement and clear the air.

H.M.JR: This thing of McCloy's will have to come first, and I can only do so much. I can only do so much.

MR. PEHLE: I just wanted to give you a chance to do it.

H.M.JR: I am overwhelmed now, and I've got to learn something. If you want to come over, let's hear what you have to say.

MR. PEHLE: This doesn't involve McCloy, and it isn't necessary to have him in on this.

MR. WHITE: Don't you think this can wait a few days? Then the Secretary will have the feel of it. He'll have all the angles on it.

MR. PEHLE: Sure.

H.M.JR: When I see what's-his-name this afternoon I am only going to talk to him on two things. That's Germany and Russia, and that's enough. I have asked to see him about Germany. I haven't asked to see him about Russia.

MR. WHITE: You say you didn't ask to see him about Russia? I think you did.

H.M.JR: Germany.

MR. WHITE: Why did the report come back that Morgenthau was seeing Stettinius on Germany and Russia? At any rate that's what the State Department down the line already knows or feels. I think you said that.

MRS. KLOTZ: I think you said that on the phone to him.

H.M.JR: It's unimportant. I am going to see him on Germany and Russia. It already went down the line?

MR. WHITE: It's merely of interest that it went down the line very quickly as to the two subjects.

H.M.JR: I'm willing to do this thing. You will have to come after me again.

MR. PEHLE: I'll raise it again next week.

H.M.JR: I don't get the point, and I can't handle any more things. I am just choking now, and I've got to understand first what it is. I can't call Stettinius and say, "You make a public statement on this thing."

Incidentally, where did we get on that letter to Stettinius about this cable as to Sweden? Did he ever send it?

MR. LUXFORD: We never heard any more about it.

MRS. KLOTZ: He has been away.

MR. LUXFORD: I'll check.

H.M.JR: But you heard down the line that I am seeing him?

MR. WHITE: Day before yesterday.

H.M.JR: John?

MR. PEHLE: Nothing more.

H.M.JR: Where do you stand on the success of the War Refugee Board?

MR. PEHLE: General O'Dwyer has been waiting in my office for about twenty minutes. That is where I stand.

H.M.JR: All right.

(Mr. Pehle leaves conference)

H.M.JR: Joseph?

MR. DuBOIS: That's all.

MR. BLOUGH: The Senate Finance Committee sent to the floor a resolution calling for the study of social security by the Joint Committee On Internal Revenue Taxation, and it is going to go through both Houses, and such a study will be made.

I would like to see three things. First, take an active part here in the Treasury. Have a committee set up under Mr. Bell of people who are interested in social security. Second, be in touch with Mr. Altmeyer and see if we can't get some executive coordination on the subject. Third, at the appropriate time, and I don't think it's quite yet, I think we should go to George and Doughton and say, "We are interested in this subject, and we would like to give them every bit of help we can."

In the past few years they have been counting us out when it came to social security, except to quote your 1939 position, and I think that is something we should be in on.

H.M.JR: All right. If you need any help, let me know, and keep Joe O'Connell posted, will you?

MR. BLOUGH: Sure.

H.M.JR: Anything else?

MR. BLOUGH: No.

H.M.JR: That's reasonable.

MR. GASTON: I have a fairly long memorandum that was prepared by Wesley Lindow after talking to me and to George Haas on that Times editorial. The substance is that not only the Times but Ted Goldsmith in his letter, the National City Bank, the Federal Reserve Bank of New York, the Journal of Commerce, the Wall Street Journal, have all called attention to the fact that during November and December there were about nine and one-half billions added to the government security investments of the commercial banks. There doesn't seem to be any doubt about the facts, and there is not much we can say to the Times in the letter except admit what they say is true.

They think it points to the need for a different method of selling, of financing--a different method of selling. I think that's the thing that's worth examining, probably, if there can't be some different emphasis placed on the war loans, but I don't think we have anything to write to the Times about.

H.M.JR: Don't you think--if I may differ with you, how about writing a paper like the Times and the Wall Street Journal, and say, "I have read your letter criticizing the Sixth War Loan. Have you any suggestion of a better way to do it?"

MR. GASTON: They don't exactly criticize the Loan. They say that although twenty-one billion was raised, at the same time bank investments increased by one-and-one-half, or ten billion, indicating that the banks absorbed close to half of what was sold.

The Times does, at the conclusion of their editorial say that there might be some better method of--I forget just how they say it--the fact is a large part of our war effort is still being financed at the expense of bank credit. Of course we could say, "Of course it is, and

it is even desirable that that should be done."

Then they go on. "With 1945 apparently destined to be a year of tighter civilian supplies, while the volume of Government spending is maintained at its war-time peak, we need a revision of our war-finance policy. Renewed efforts must be made to divert current earnings into war bonds--."

We could ask them for suggestions, but isn't that a letter for them to consider privately rather than publish it?

H.M.JR: I had no idea of publishing it.

MR. WHITE: Isn't it possible--wouldn't it be worth while, probably, to have Dan call a full-day conference and let them in on behind the scenes and hear all the pros and cons, and call together the financial writers of New York and some of the big cities; and I think a good job could be done if they were to get a better picture of the problem and feel they are discussing it.

H.M.JR: Every one of these suggestions always ends up that I should do something. I can't do all of these things.

MR. WHITE: I am asking whether you think it is a good idea. The others can do it.

H.M.JR: Every suggestion here is I've got to do it. I can't do what I'm doing--somebody else has got to pitch in and do some of these things.

MR. WHITE: You've got to give your approval.

H.M.JR: But every one of these things--DuBois wants me to do McCloy--Pehle wants me to do this. I mean, every one--I don't have to have a staff conference and have somebody tell me that I've got to have an all-day meeting. If you don't mind my saying it, I think you are foolish to suggest it, because sooner or later I've got to set aside two or three days to somebody like Alan Barth

and write three speeches for Bretton Woods.

MR. WHITE: This doesn't involve you. A meeting could be called under Mr. Bell.

H.M.JR: The trouble is, Harry, this is something which is pretty fundamental. I am aware of this thing, and it gets right back to Ted Gamble in War Bonds.

What really happened is this, if you want to know. We policed the individuals on their subscriptions, but we did not police the corporations. Is that right?

MR. COYNE: That's right.

MR. D.W.BELL: It goes further than that.

H.M.JR: And this is a question of if we are going to call this in, we've pretty well got to admit we didn't police that. There were no restrictions on corporations, and we let them do what they wanted in order to put this across.

MR. WHITE: Either you feel there is justification of your position or you feel something better can be done, and you ought to draw up a program. It is not a policing problem, but are there any ways in which we can add to the emphasis we are placing on canvassing individuals for E Bonds? I think we have been pretty intelligent and tried to do it in many ways and put a lot of head-on pressure. It is still the same old question. Is there any way to arrange these loans or adopt different tactics whereby we can increase pressure and get greater sales to individuals, especially E Bonds.

If we are doing a job, why shouldn't the paper give us kudos which is deserved.

MR. COYNE: They do, but--you shouldn't judge from one editorial.

MR. WHITE: I thought you read five or six, but maybe I am mistaken.

MR. GASTON: They are financial articles in financial publications analyzing where the money is coming from and what is going on. These are specialists in government bond markets talking about developments in it, increase in holdings.

MR. WHITE: I thought I gathered that the articles were critical.

MR. D.W. BELL: They are largely factual, and we have known this thing has been building up. We are not getting as much money out of banks as we would like to get. I think a good job has been done. On the other hand, I think switching and free riding are building up to the point where everybody is getting on to it and doing it, and we've got to do something about it, and that is what we are studying. That is the purpose of our conferences with the Federal Reserve Board and the Federal Reserve Bank in New York, and the Open Market Committee. That was the conference yesterday. We are going to have another one Friday and another on Tuesday.

H.M. JR: Gamble knew this was coming, because he said before he left that if anything was going to be done with the Federal Reserve changing the method of selling, he wanted to be in on it. I think we are vulnerable. I didn't realize how vulnerable until I began to read these. I knew something was wrong when before Gamble left he through out something. I think that when we go through a drive like this and the banks eventually hold nine billion dollars through the back door--I don't think it's good.

MR. COYNE: Ted would agree with that, but he takes a definite position which is pretty much in line with Mr. Bell's feeling that we get wise to some of these dodges as we go along. He also takes as an argument, which is a good one, and he points out to the editors of the Times that while there has a lot of it trickled in the banks, he shows how much out of current income by different brackets that we've got, so he forces them into a position at least of half-praise by saying that while the banks did get a lot, would you suggest we could

hope to get any more from individuals at that particular time? And almost invariably they say, "Probably our criticism is only half-criticism.

H.M.JR: I've got to stop now. I'll take Mr. Gaston's advice. We won't write the Times, if Mr. Bell also says this thing is being studied.

MR. D.W.BELL: Very carefully.

H.M.JR: I think, but not in the too distant future, we ought to say something to the papers as to whether we are going to have a better approach in the future. I don't think from what I gathered, there isn't very much we can explain or defend on what we have done other than we did it. That's all. Or take it with our eyes open. I don't agree with Coyne. I don't think we pulled anything new this time than--

D.W.BELL: More people pulled it.

MR. COYNE: The savings banks never switched so much before as they did this time. They had a quota of seven hundred million dollars, and they subscribed two billion, three, and they couldn't have done it except by selling securities to banks and taking that money and buying.

H.M.JR: The thing is coming to a head. I don't know how we are going to do it, but some way or other--I can't do as much as I am doing in pulling the final red-hot coals out of the fire. I just can't do as much as you fellows are trying to push me into doing. I do this thing with Senator Pepper, and all these other things. I don't get time to think. I don't get time to do the important things. You people are counting on me to do a job on Bretton Woods, and I am so tied up with other things that are not directly Treasury business, that I don't get time to prepare myself for Treasury business, which is Bretton Woods.

I don't know what the answer is. Maybe I am as much to blame as anyone else, but in the final analysis

a lot of these things which I have got myself into are not Treasury business, and I think we have to do the things which are Treasury business first, and I ought to somehow or other find time enough now in the next week or two to concentrate on preparing three statesman-like speeches on Bretton Woods. But I've got myself into these things. I'm not going to let them go. But I just don't know where I'm going to get the time.

MR. WHITE: You are not excluding this financing. This is very definitely down your alley.

H.M.JR: Oh, no. We have been on this. This is my business, but some of these other things I have got into aren't.

MR. WHITE: There is no question but what you will not get--Mr. Secretary, I can tell you quite frankly that you will not get as much protection from us on that as you merit. You'll have to protect yourself periodically this way. These things are pushing us, and you are our only avenue to get these things done, and we are going to push you. We have to get slapped down every once in a while.

H.M.JR: I'll push back. I'll use the "pushkin" method.

MR. GASTON: This raises another important question. That is the question of whether we ought to do anything more on the tax front. The Herald-Tribune had an editorial yesterday in which they talked about--it was under the heading "Two-Thirds Out War," and the conclusion of it was that we are not going anywhere near as fast and as far as we could go in the way of paying for this war as we go.

H.M.JR: Yes.

MR. GASTON: It is a direct suggestion from Republican sources, from the Herald-Tribune for additional taxes, which was our position a year ago, and I think we ought to give a little consideration on whether we want to go up

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to Congress and ask them for a little consideration.

MR. D.W.BELL: I think it is unfortunate we have got out on that limb that we can't ask for taxes.

JAN 17 1945

My dear Senator:

There is transmitted herewith in response to your request of October 12, 1944, a portfolio containing organization charts for the bureaus and divisions of the Treasury Department.

I regret that there has been some delay in furnishing this material, but at the time of your request combined functional and personnel charts were not available for all bureaus.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Harry F. Byrd,
Chairman,
Joint Committee on Reduction
of Nonessential Federal Expenditures,
Congress of the United States.

CSB:em
1-11-45

Regraded Unclassified

October 16, 1944

My dear Senator:

This will acknowledge receipt of your letter of October 12, 1944, addressed to the Secretary, requesting that your Committee be furnished with functional and personnel organization charts for the various bureaus and divisions of the Treasury Department.

We shall be pleased to give your request our immediate attention.

Very truly yours,

(SIGNED) CHARLES S. BELL

Administrative Assistant
to the Secretary.

Honorable Harry F. Byrd,
Chairman, Joint Committee on Reduction
of Non-Essential Federal Expenditures,
Congress of the United States,
Washington, D. C.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Oct. 17, 1944

TO Mr. Shick
Administrative Technician, (Office of Adm. Asst.)
FROM Mr. Schoeneman

I am transmitting a letter addressed to the Secretary by Senator Byrd, under date of October 12, 1944, requesting "functional and personnel organization charts" covering the various bureaus, divisions, etc., of the Treasury. According to the Senator's letter, the charts should show the titles and grades of the various positions, and should include an outline of the functions of the several units.

Senator Byrd's request would appear to come more specifically within the functions of the Administrative Assistant's office, rather than those of the Budget Officer. Accordingly, Mr. Bell has concurred in my suggestion that the job of compiling the required information and transmitting it to Senator Byrd should be turned over to you. I am sure, therefore, that the task will be well done.

① Having had previous contact with the staff of the Byrd Committee, you no doubt realize that they sometimes fail to specify their exact requirements. For this reason, I believe it would be desirable if you called on Mr. Borda (or his assistant, Miss Welch), Room 11-A, Senate Office Building, for the purpose of discussing with them the type of chart which would suit their requirements.

② You are familiar, of course, with the Department's request of March 16, 1944, under which three copies of organization charts were required to be transmitted to Mr. Ted Wilson not later than July 31, 1944. These charts have been received from practically every Treasury bureau and division, and I believe you have retained a set. A set has also been transmitted to Mr. Jones. It occurs to me that we might avoid considerable work if we could convince the people in Senator Byrd's office that these existing charts would meet their requirements. As a matter of fact, it would be most unfortunate if our bureaus were now compelled to compile an entirely new set of charts.

③ If the Byrd Committee is willing to accept the charts which we now have, I would suggest that you circularize every bureau and division of the Department, notifying them of the Byrd Committee's request, and advising them that unless they substituted revised charts, the Byrd Committee would be furnished copies of those charts submitted as of July 31st, last. I think you will recognize the desirability of putting our bureaus on notice that their organization charts will not be used merely for the Department's own purposes, but will be released to the scrutiny of the Byrd Committee. There may be instances in which the bureaus might prefer to bring their charts up to a current basis before allowing them to leave the Department.

You will note that October 31st has been fixed as the Committee's deadline. Obviously, if our bureaus are required to prepare new charts, it would be very difficult to meet this deadline. In fact, as you will note from Senator Byrd's letter, the October 31st date has been established only because he believes that such charts as he desires are already in actual use within the Department. Having had experience with the Committee's deadlines, I would recommend that you clearly establish your own deadline with Mr. Borda; otherwise, he is likely to "close in" on you on the night of October 31st.



Budget Officer
Treasury Department

Attachment

HENRY F. SHAW, SENATOR FROM TEXAS, CHAIRMAN
ROBERT L. BARKER, GOVERNOR FROM MISSOURI, VICE CHAIRMAN

SENATE

WILLIAM F. BROWN, SENATOR FROM OHIO
WALTER H. HALL, SENATOR FROM CALIFORNIA
CARROLL BRIDGES, SENATOR FROM TEXAS
WALTER D. DILLON, SENATOR FROM VIRGINIA
WALTER G. BROWN, SENATOR FROM MISSOURI

HOUSE OF REPRESENTATIVES

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HENRY FORD, AL. SECRETARY OF THE SENATE
WILLIAM H. HALL, DIRECTOR OF THE HOUSE OF REPRESENTATIVES

Congress of the United States

JOINT COMMITTEE ON REDUCTION OF NON-ESSENTIAL
FEDERAL EXPENDITURES

CREATED PURSUANT TO SEC. 901, OF THE REVENUE
ACT OF 1941

October 12, 1944

*Passed
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this job
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Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

My dear Mr. Secretary:

Please furnish the Committee with Functional
and Personnel Organization charts for the various
agencies, bureaus and units under your jurisdiction.

These charts should show the titles and classi-
fications of the various positions and an outline of
the functions in the various units of a department,
bureau or agency.

It is within the knowledge of the Committee
that such charts are in common use throughout the
Executive Branch of the Government.

It is therefore believed that this information
should be readily available and it is requested that
it be forwarded to this office by October 31, 1944.

Thanking you for your cooperation, I am

Cordially yours,

Harry F. Brown

TREASURY DEPARTMENT

Washington

Office of the Administrative Assistant to the Secretary

March 16, 1944

To Heads of Bureaus, Offices and Divisions, and Chiefs of Divisions, Secretary's Office, Treasury Department.

Subject: Organization charts to be furnished annually to the Division of Personnel.

In carrying out the functions of the office of the Administrative Assistant to the Secretary, it often becomes necessary to use organization charts as a source of reference, particularly in connection with budget and position-classification matters. A request for such charts was promulgated by circular letter of December 11, 1940, but the Department's chart files are still incomplete and many of the charts are out of date.

In order to remedy this situation, it is requested that organization charts be prepared as of July 1 of each year, three copies of such charts to be transmitted to the Division of Personnel not later than July 31. The organization charts thus submitted should cover both the departmental and field services, insofar as possible. Small field units obviously should not be charted. Current charts now available should be furnished at once. Otherwise, charts should be prepared as of July 1st, next.

No special form of organization chart is prescribed. However, those submitted should show the various subdivisions of each bureau, office, or division, and must clearly indicate lines of authority. Data on the charts should include as a minimum the number, titles, and Classification Act grades (omit grades if the positions are ungraded) of all positions in each specified organization unit. For a large bureau, office, or division with many subdivisions there should also be submitted a master chart showing the relationship of the various subdivisions to the organization as a whole.

The Chief of the Classification Section, Division of Personnel, will render such advice and assistance as may be desired in connection with the preparation of these charts.

H. N. THOMPSON
Administrative Assistant
to the Secretary

January 17, 1945.

Dear Eugene:

I want to thank you for the editorial of yesterday under the title "Aid to Dr. Goebbels."

It was especially timely in view of the debate in the Senate of the day before, which showed a very serious misunderstanding of what happened about "the Morgenthau plan."

Again The Post is a friend in need and I appreciate it.

Sincerely,

(Signed) Henry

Mr. Eugene Meyer
Publisher, The Washington Post
Washington, D.C.

HEG/mah



The Washington Post

JAN 16 1945

Aid To Dr. Goebbels

In answering the rebuke administered to him by Secretary of State Stettinius, Senator Wheeler found it convenient to strike, below the belt, at Secretary of the Treasury Morgenthau. "I assert, without fear of contradiction," the Senator declared, "that the statement recently made by Mr. Morgenthau in which he said that we should enslave the German people, which statement, according to the press, had been placed in the hands of every German soldier and read over the radio by Goebbels in Germany, has cost the lives of many American boys."

Of course, Secretary Morgenthau has never said that we should enslave the German people. He has never made any statement that could reasonably be construed as implying such a course. What Senator Wheeler refers to, obviously, is a confidential memorandum, reportedly prepared by Mr. Morgenthau for the President, dealing with postwar economic control of Germany. Neither the President nor the Secretary of the Treasury has ever made the memorandum public, and it would be curious, to say the least, if Senator Wheeler had ever seen it.

What seems to have happened is that, as we are assured, a bowdlerized version of the memorandum "leaked" to a newspaper correspondent. The leak testified to the intra-Cabinet feud on the treatment of Germany while Mr. Hull was Secretary of State. All appearances suggest that the source of the leak was in the State Department. If the publicity has, in fact, "cost the lives of many American boys," then it is the informants and gossipers, Senator Wheeler among them, and not Secretary Morgenthau, who are responsible.

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January 17, 1945.

Dear Alan:

I believe the editorial of yesterday called "Aid to Dr. Goebbels" was yours and I want to let you know of my deep appreciation. It ought to do a great deal to correct misconceptions shown in the Wheeler debate of the day before.

I thank you.

Sincerely,

[Signed] Henry Morgenthau, Jr.

Mr. Alan Barth
Editorial Room
The Washington Post
Washington, D.C.

HEG/mah

MS

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
January 17, 1945

TO Secretary Morgenthau
FROM J. W. Pehle

I talked to Bill O'Dwyer for half an hour this morning. He is quite interested in the War Refugee Board assignment. The only thing standing in the way is the possibility that the President may want him to go back to Italy for several months. He should have a final answer on the Italian phase of the matter this week and will call me back.

If O'Dwyer is not going to Italy, I would suggest that you see him and discuss the matter with him.



January 17, 1945
11:40 a.m.

DISARMAMENT OF GERMANY

Present: Mr. White
Mr. Luxford
Mr. DuBois

H.M.JR: What is this about?

MR. WHITE: Gaston was going to be here. There were a couple of things you were going to see Stettinius about.

H.M.JR: Do one thing at a time; you have twenty minutes to do it in. I am tired.

MR. WHITE: The thing is whether you want this Russian memo to the President--can that wait, or do you want to--

H.M.JR: What Russian memo?

MR. WHITE: The history of the Russian negotiations.

H.M.JR: I would like to wait until tomorrow morning.

MR. WHITE: That can wait.

H.M.JR: You wanted to talk to me about something?

MR. WHITE: That is right. I just wanted to make sure about these things because I wasn't certain when you were going to see the President. The thing we asked to talk to you about was the question of the German program. We all feel that it would be easier and helpful if you would in your discussions leave yourself a little vague in the treatment of the coal mines.

H.M.JR: Just one second, wait one minute.

(The Secretary leaves the office temporarily.)

MR. WHITE: We think that one of the strongest objections of the other side will be centered on the closing of the coal mines and the elimination of the industry, and they pick on that one point and assume that that is indicative or illustrative of your entire program, and if you could just--

H.M.JR: Let me interrupt. I am going to talk to him the way I did to Pepper this morning. I am not going to get into details.

MR. WHITE: With Pepper you did say you were going to consider closing the coal mines. I can put that a little--

H.M.JR: I am not going to change on that; there is no use pounding me on it.

MR. LUXFORD: I didn't want to pound you. You haven't time to discuss it fully, but we hoped you would leave the question open and not get into it until we have had an opportunity--

H.M.JR: I hadn't intended to get down to details. I want to do the same job I did with Pepper.

MR. WHITE: With that one exception you did mention to Pepper, and I think the rest of it was an excellent job. Yes, the same job with him would be--

MR. LUXFORD: The point we are making is that the coal problem is not crucial; and if we could leave that open until we have had an opportunity to discuss--

H.M.JR: I don't agree with you.

MR. WHITE: If we could win that, we could win all the others.

H.M.JR: From coal comes all the German dyes and synthetic products.

MR. WHITE: We are assuming Germany won't have any coal.

MR. LUXFORD: You are not; you can let her mine the coal and ship it out, and they can't do anything with it.

MR. WHITE: That is the point we had.

H.M.JR: You won't get anywhere with me on that.

MR. LUXFORD: The other, on light industry, if you can talk in terms of metallurgical and chemical, and leave the rest.

MR. WHITE: Continue to have pottery and toys and textiles--

H.M.JR: Harry will be there, and I will let him expostulate on that, and I am not going to recede from my position. If you have a bicycle, you can have an airplane.

MR. WHITE: Not a bicycle, I agree.

H.M.JR: If you have a baby carriage, you can have an airplane.

MR. WHITE: We are just in an impossible position if we say they can't have any factories, because then we are taking an indefensible position when we don't have to. If we can say, "Sure, they will have some factories, but the factories will be--"

H.M.JR: I am being realistic. I am going to open Germany up and let Poland and France--France wants to go in and help herself.

MR. WHITE: We are all for that.

H.M.JR: What is going to happen--"What are they going to do after they strip me? Are they going to help me rebuild?"

MR. WHITE: She may want to rebuild some.

MR. LUXFORD: At the same time it is very difficult for me to say she can't have certain light industries so long as we won't let her make anything out of metal, the actual fabrication.

H.M.JR: I am not going to get into this. I have to take it fresh in the morning.

MR. LUXFORD: That is why we only asked for that; we save those two points.

H.M.JR: I won't make any promises.

MR. DuBOIS: Did you mention Russia in your talk with Pepper?

H.M.JR: Yes.

MR. DuBOIS: You have to meet that head-on with Stettinius.

MR. WHITE: Yes, he did, and he agreed thoroughly with it.

H.M.JR: I just went over this whole thing and practically gave him the same talk, and he was in complete agreement.

MR. WHITE: That is the experience in general when you sit down and talk to a man.

H.M.JR: There are a few people around this town. This fellow here who writes this--the TRB, whatever that is--he says he gets more action from the New Republic. It has more influence than the Christian Science Monitor.

MR. WHITE: Unquestionably.

H.M.JR: I thought the Christian Science Monitor, but he said, "Oh, no, the New Republic."

MR. WHITE: Is your relationship such that you can work on Stern?

H.M.JR: Have you ever met Stern? You can't get a word in. He is one of the worst monetary crackpots I have ever met, and you never can get him to change. He has always got a persecution complex; somebody is always persecuting him. He is a very difficult fellow. You can't get to first base with him because he won't listen. He just talks, talks, talks, talks.

MR. WHITE: I think you might glance at that article very briefly before you talk to Stettinius, the thing that I gave Mrs. Klotz this morning. It seems to be the first indication of what the Russian point of view is, and as I read it, it is very important. They want to remove the economic base, and that is--

H.M.JR: Why say these fellows are practical? Look what is happening in Rumania. The Russians are stripping-- they are taking one hundred and seventy thousand male civilians out of Rumania into Russia to go to work. That is just a taste of what is coming. These fellows all sit around and all irritate the Russians.

MR. LUXFORD: That is the line, but I don't want them to trap you. You have such a powerful position. Don't trap them.

H.M.JR: I am not going to trap you softies. Don't argue, softies.

January 17, 1945
12:10 p.m.

DISARMAMENT OF GERMANY

Present: Mr. Luxford
Mr. DuBois
Mrs. Klotz

H.M.JR: I got hold of McCloy on the telephone, and he said he would be glad to come over here at three-fifteen tomorrow afternoon to discuss this. But he said, "Did you know that Judge Rosenman was having a meeting on that matter at ten forty-five tomorrow morning?"

I said, "No, I didn't know that. I will try and send somebody over to Judge Rosenman's meeting."

So he said, "Well, if you do, you don't need me. Let me know."

So please remind me to let him know he is not to come.

Then I got Judge Rosenman at home. I talked first to his wife. Finally he came to the phone, and I told him what I wanted. He was very hesitant about having somebody from the Treasury come over tomorrow morning. He said, "What excuse can I give as to why the Treasury is in on this?"

I said, "We have been in on this ever since we have been to London, and we have been working on this. The Army is willing, and I talked to Stettinius on this."

He didn't say no.

I told him I wanted somebody to come. He was willing if I wanted it that way, but he asked if he couldn't talk

to somebody beforehand. He said it was a little difficult to say why the Treasury was sitting in. "This is the second meeting we are having on it. The memo was to go from Justice, State, and War to the President on this subject."

The upshot of it is, I arranged that you should see him at three o'clock this afternoon at his apartment at the Wardman Park.

MR. DuBOIS: Who should?

H.M.JR: You. And are you, too?

MR. LUXFORD: I would be glad to.

H.M.JR: Don't be bashful.

MR. LUXFORD: I don't think it is too important. We have divergent views on it, but that is the only thing. I think we can compose our differences.

H.M.JR: I told him I was going to let Joe go. Joe has sort of carried this, hasn't he?

MR. LUXFORD: All right.

MR. DuBOIS: I would love to go. I just want to mention this one thing, this question of war crimes. Since it is a legal problem, I think Mr. O'Connell feels to some extent he is on top of it, although I would like very much to go myself.

MR. LUXFORD: You can say this off the record: I don't think he is.

H.M.JR: Well, I think you fellows--I told Judge Rosenman you were going to go. I have been all through this; I spent half an hour straightening this out. You go up there; you are my assistant.

MR. DuBOIS: All right.

H.M.JR: I haven't time to find out what it is. Go up and see him at three o'clock. I told him who you

were, General Counsel for Pehle, and the rest of the thing, and I sold you to him. You go up there at three o'clock.

MR. DuBOIS: All right.

H.M.JR: And remember, you can talk it over with the Judge. You can explain it better than I can, how the Treasury got into this thing. I was stumped other than to say we ran into it in London.

MR. LUXFORD: We also ran into it in the War Refugee Board continually.

H.M.JR: All the more reason--former General Counsel for the War Refugee Board.

Good luck, and let me know.

MR. DuBOIS: I will call McCloy after I see him.

- 10 ✓

S E C R E T

Meeting with Mr. Morgenthau, Mr. Stettinius and Other
Officers of the Departments of Treasury and State:

January 17, 1945

Participants:

Mr. Morgenthau, Mr. White from Treasury
Mr. Stettinius, Mr. Dunn, Mr. Clayton, Mr. Acheson,
Mr. Pasvolsky, Mr. Matthews, Mr. Riddleberger,
Mr. Despres, Mr. Yost, Mr. Durbrow, and Mr. Raynor
from State

Mr. Morgenthau began by stating that our three major objectives in Europe should be: (1) An economically strong and prosperous Britain, (2) development of friendly relations with Russia, not tainted by mutual suspicion, and (3) an economically weak Germany, incapable of further aggression.

With respect to the first objective, Mr. Churchill told Mr. Morgenthau last summer that after VE-Day he (Churchill) would be the most unpopular man in Britain because it would then become evident that Britain's strained economic condition would prevent the Government from providing the amelioration in living conditions to which the people looked forward. Mr. Morgenthau said he believed that Mr. Churchill's statement was not exaggerated and that, but for the Phase Two Lend-Lease arrangement,

arrangement, Britain would be unable to make the transition to a tolerable peacetime basis. The British had again indicated this at Quebec, and their interest in enlarging their participation in the Far Eastern war derived from their need for further Lend-Lease aid.

Mr. Morgenthau referred to the long delay which had taken place in connection with the negotiations for a 3(c) supplementary agreement to the Master Lend-Lease Agreement by which it was proposed to make available at this time to the Soviet Union certain industrial plants which have both a wartime and peacetime use. He stated that he felt it was too bad more than nine months had passed since negotiations were started and still no agreement had been reached. He attributed this to the fact that we had endeavored to bargain and bicker with the Soviet negotiators instead of making a clear-cut, very favorable proposal which would be considered by the Soviet Government as a concrete gesture of our good will. He added that he did not agree with Ambassador Harriman's suggestions in his telegram No. 61 of January 6, 1945, which recommended that we remain firm in the stand that we have already taken in regard to the 3(c) negotiations and indicate to the Soviet Government that this continues to be the most favorable offer we could make.

Instead

Instead of this course of action, Mr. Morgenthau stated that Treasury experts have been giving consideration to this entire question and have come to the conclusion that we should make new proposals for the 3(c) agreement which would offer to the Soviet Union the same amount of goods on approximately the same terms except that we should charge them no interest in the credit extended, but on the other hand we should not accept any reduction in cost as proposed by the Soviet Government.

Because of the position we had taken with the Soviet representatives in the 3(c) negotiations, which was to the effect that we could not accept a rate of interest lower than that at which the United States Government could borrow money, and because of the fact that the delays in reaching an agreement with the Soviet Government on this question had been due primarily to the Soviet Government's reluctance to accept the terms offered, Mr. Acheson pointed out the following facts in regard to these negotiations:

He stated that early last year when representatives of the State Department, Treasury, Foreign Economic Administration, and other interested agencies were endeavoring to work out a scheme by which the Soviet Government could be immediately furnished under Lend-Lease industrial

plants

-4-

plants which took a long time to produce, had a long life, and which could be used for both wartime and peacetime purposes, it had been suggested that we might be able to offer these plants under Lend-Lease on a deferred-payment basis at no interest. This suggestion had, at that time, been vetoed by representatives of the Treasury Department who stated that we could not offer such long-term credits at a lower rate of interest than that at which the United States Government itself had to pay in order to borrow money. With this criteria in mind, there had been worked out a proposed agreement which was submitted to the Soviet Government on May 24, 1944. Mr. Acheson pointed out that it was not until the Soviet delegate to the Bretton Woods Conference brought up the subject that we received any concrete indication that the Soviet Government was interested in the suggested agreement. Mr. Acheson then gave a brief summary of the protracted negotiations emphasizing the extremely liberal terms offered in the final agreement proposed by us which, however, the Soviet Government has not seen fit as yet to accept. Mr. Morgenthau indicated that, nevertheless, he felt that it would be advisable, from a good will point of view, to make a new 3(c) offer without interest. It was indicated that this matter would be given consideration.

Apart

Apart from this proposal for the immediate extension of approximately a billion dollars credit at no interest, Mr. Morgenthau referred to a memorandum to the President prepared by Treasury which proposed the granting of an immediate credit of ten billion dollars to the Soviet Government in order to finance postwar trade. He stated that he felt that we should go beyond the suggestion recently made by the Soviet Government to grant a six billion dollar thirty-year credit at two and one-fourth per cent interest by offering them a ten billion dollar thirty-five year credit at two per cent interest with the proviso that the United States Government would be given the option to take in repayment certain strategic materials, a supply of which was becoming greatly depleted in the United States. Mr. Morgenthau indicated that he felt that such a gesture on our part would reassure the Soviet Government of our determination to cooperate with them and breakdown any suspicions the Soviet authorities might have in regard to our future action.

Mr. Morgenthau suggested to the Secretary they should both suggest to the President that he make such a concrete proposal to Stalin at the forthcoming meeting.

With respect to Germany, Mr. Morgenthau said that although he felt confident that he and Mr. Stettinius would

would work as a team in the future, he thought it necessary, in order to remove any possible misapprehensions, to review the history of Treasury participation in the policy deliberations regarding Germany. Last August, while he and Mr. White were on their way to Europe, Mr. White showed him the ECEFP document on reparation. He was distressed by this document because it seemed to envisage the full maintenance of German productive power for the sake of securing reparation. While in England, Mr. Morgenthau looked into the plans regarding Germany, talking to General Eisenhower, Mr. Eden, Mr. Winant and to others at SHAEF and EAC. General Eisenhower expressed the view that during occupation the Germans should not be pampered but should "stew in their own juice". Mr. Morgenthau got the impression at that time that Mr. Eden also favored a severe policy, (though this was not borne out by Mr. Eden's later attitude at Quebec.) However, Mr. Morgenthau was greatly disturbed by the benevolently paternalistic character of the planning which was going forward at SHAEF and at EAC. Upon his return to Washington Mr. Morgenthau told Mr. Hull of his findings and impressions and reported them to the President. As an outgrowth of this, the President sent a memorandum to Secretary Stimson criticizing the SHAEF handbook on Germany. (Mr. Morgenthau has never

never seen this memorandum, apart from the excerpts printed by Drew Pearson.) The President then set up a Cabinet Committee consisting of the Secretaries of State, War and Treasury, and, as a member of that Committee, Mr. Morgenthau submitted a memorandum setting forth a program to weaken Germany. Shortly thereafter he was summoned to the Quebec Conference, where he was called upon to participate in discussion of policies toward Germany, among other matters. Mr. Morgenthau indicated that he remains deeply interested in doing what he can to see that a policy which strikes at the roots of Germany's war making potential is adopted.

Mr. Morgenthau then outlined his views regarding treatment of Germany, which were not substantially different from those set forth in his memorandum to the President of last September. He said that our policy must have two central objectives: (1) to make Germany incapable of further aggression, and (2) to assure the Soviet Union that we do not look to Germany as a buffer and possible future ally against her. The only means of accomplishing both objectives is by assuring an economically weak Germany. A strong Germany would be a source of future European rivalries; Germany, by using her influence to promote divisive tendencies in Europe, could pave the way for

renewed

renewed successful aggression. The people who oppose drastic economic weakening of Germany, both within and outside Government, are motivated largely by anti-Russian attitudes.

Mr. Morgenthau's program to weaken Germany consists of elimination of the metallurgical, electrical and chemical industries. He is opposed to any reparation, unless the removal to other countries of existing German capital equipment and supplies be considered as reparation. Germany's loss of heavy industry might be accompanied by a further intensification of German agriculture, so that Germany might become a predominantly agrarian country. Concerning the scope of the industrial measures, Mr. Morgenthau said that he personally favored going so far as to seal up the coal mines for fifty years, but he suggested that his own advisers didn't go along with him to this extreme point. Mr. White said that under the Treasury's proposal Germany would still be left with some types of industry, a transportation system, utilities, etc.

Upon the conclusion of Mr. Morgenthau's remarks, Mr. Stettinius stated that the Department was thoroughly in accord with Mr. Morgenthau's objective of making Germany permanently incapable of further aggression, and all officers of the Department were of one mind about this.

Mr. Morgenthau

Mr. Morgenthau was somewhat skeptical, and Mr. Stettinius asked Mr. Riddleberger to summarize the contents of a recent memorandum on this subject. When Mr. Riddleberger began by saying that this memorandum called for destruction of manufacturing facilities in armament and aircraft, Mr. Morgenthau remarked that measures against the armament industry alone were inadequate to achieve the desired result. Mr. Despres said that despite the full agreement which existed regarding the objective, there was a difference of emphasis between the State Department and the Treasury regarding the economic measures appropriate to that objective. He then said that the Department had taken the view that the depth of the cut initially taken into the German economy mattered less than sustained enforcement of whatever program for complete disarmament was adopted, and that the Department favored the program which had the best chance of being sustainedly enforced. Mr. White said that in their view both were important. Mr. Morgenthau then asked Mr. Despres whether the State Department's recommendations regarding policy were based on a genuine desire to make Germany incapable of further aggression. Mr. Despres replied that they were, and Mr. Dunn and others joined in confirming this answer. Mr. Stettinius then

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then designated Mr. Dunn, and Mr. Morgenthau designated Mr. White, to discuss these matters further.

FMA:ED:RH
EE:ED:OB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: The Secretary of State, Washington
DATED: January 25, 1945
NUMBER: 882

SECRET
US URGENT

The following message is from Murphy.

Reference Embassy despatch no. 37 dated December 27, 1944.

US group CC has been going ahead on the assumption of unlimited authority of all international rights as well as sovereignty through the waiver by Germany, under unconditional surrender, in planning administrative measures for Germany. The question now confronts the legal division as to whether Germany would retain any measure of sovereignty or international rights under international agreements or usage with respect to military occupation of a defeated nation, in the absence of any German authority to agree to unconditional surrender.

US group CC has requested political division whether the group should not go ahead on basis of unlimited authority regardless of whether German authorities agree to unconditional surrender, for planning purposes.

Pending your cable instructions in the premises, I propose to voice the tentative view that unlimited authority should be assumed for planning purposes.

WINANT

DC/L MED :CAM
1/29/45

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PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: January 23, 1946
NUMBER: 796

SECRET

The following is from Murphy.

Herewith reference is made to Embassy's cable of January 22, no. 753.

The Finance Division, in formulating postwar controls, has dismissed planning aimed at preventing inflation by merely referring to that part of JCS 1067 that states the responsibility will remain with the German people and authorities for price control.

As to the views of the political division have been asked in this connection, I am advising the Finance Division that I feel a more positive policy is needed. It has been pointed out by me that JCS 1067 also directs SCAEF to take action to prevent disease disorder and to operate economic controls to the extent essential to secure authorized production for the war against Japan, for reparation, restitution or relief.

It has been pointed out by me that large scale removal of German Governmental industrial and financial officials together with the possibility that there may be no recognized "German authorities" could cause a vacuum that would encourage the development of chaotic social and economic conditions.

It is felt by me that if unrestricted inflationary trends were permitted to develop, the immediate objectives of SCAEF and the long term Allied occupational aims could be endangered seriously. In respect to a large part of the German economy, our planning and controls

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It is felt by me that if unrestricted inflationary trends were permitted to develop, the immediate objectives of SCAEF and the long term Allied occupational aims could be endangered seriously. In respect to a large part of the German economy, our planning and controls

are positive and I think that it would be unwise and inconsistent if we were to completely avoid the implications of inflationary developments. Of course, such action would not prevent our informing the German people that the ultimate responsibility is theirs. Also, our action would be consistent with the directives of JCS 1067, against building up the German economy.

I have had to present these views to the Finance Division without prior consultation with the Department in view of the nature of the operation of US group CC and the need for an immediate opinion. A despatch, enclosing copies of my memorandum to the Finance Division, follows.

WINANT

January 17, 1945

STATUS OF MATTERS PENDING WITH STATE

- (1) Legislative Committee, composed of State, Treasury and Budget.

HS. Done
Mr. Acheson advised Mr. White yesterday evening that he had not yet cleared the memorandum with the Director of Budget but would do so shortly.

- (2) Message to Congress on Bretton Woods.

✓
We have ready a redraft of State's message for clearance with State.

- (3) Bretton Woods Legislation.

There is still disagreement between State and Treasury as to the form this legislation should take and we are to get together again with State in the next day or two.

- (4) Foreign Economic Policy Committee.

Mr. O'Connell sent our proposed executive order establishing this Committee to Mr. Acheson on January 15. Mr. O'Connell's office advised that Mr. O'Connell has not heard from Mr. Acheson with respect to the matter.

EXECUTIVE ORDER
ESTABLISHING A FOREIGN ECONOMIC
POLICY BOARD

By virtue of the authority vested in me, as President of the United States, by the Constitution and statutes of the United States, and in order to provide for the more effective coordination of the functions and activities of the Government in relation to foreign economic problems, it is hereby ordered as follows:

1. There is hereby established the Foreign Economic Policy Board (hereinafter referred to as the Board). The Board shall consist of the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce and the Secretary of the Interior. The Secretary of State shall be Chairman of the Board. The Chairman of the Board shall request the heads of other agencies and departments to be represented in the Board's deliberations whenever matters specially affecting such agencies or departments are under consideration.
2. It shall be the function of the Board, acting subject to the direction and control of the President:
 - (a) To develop unified programs and to establish policies with respect to the economic relationships between this Government and foreign governments.
 - (b) To arrange for the unification and coordination of the activities of this Government relating to foreign economic affairs.

(c) To report to the President at frequent intervals concerning its activities and to make such recommendations to him as the Board may deem appropriate.

All action of the Board shall be in conformity with the foreign policy of the United States as determined by the Secretary of State.

3. It shall be the duty of all agencies and departments to supply or obtain for the Board such information and to extend to the Board such assistance and facilities as the Board may require in carrying out the provisions of this order. Nothing contained in this order shall remove the responsibility or authority of each executive department or agency for carrying out its own functions and operations but such functions and operations shall be carried out in accordance with the foreign economic policies formulated by the Board.

4. All prior executive orders and instructions insofar as they are in conflict herewith are amended accordingly.

Jan. 17, 1945

Mr. Coyne

Secretary Morgenthau

I think you know how enthusiastic I was about the V-Mail Christmas Bond Letter to soldiers. I wonder if we couldn't work up something along similar lines, namely a V-Mail Letter notifying soldiers that a friend had bought him a bond, and thereby have it in continuous use.

Strazen is working on this

Done

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

January 17, 1945

TO Secretary Morgenthau
FROM J. W. Pehle

You may be interested in the attached memorandum, indicating withdrawals during the period, December 15, 1944 through January 10, 1945, of property previously declared surplus by the Army and Navy.

You will note that the total amount withdrawn is over \$35,000,000, based on reported cost of such material to the Government. The bulk of this item is \$24,000,000 in gas masks and gas mask carriers.



Enclosure

January 16, 1945

Memorandum To: J. W. Pehle

From: Russell C. Duncan

Subject: Summary Withdrawals Army & Navy Surpluses
December 15, 1944 through January 10, 1945.

Division 1, Furniture

35,700	Used Mattresses	\$192,780
13,950	Used Pillows	2,092
35,350	New Mattresses	190,390
40,000	Sterilized Mattresses	90,000
11,329	Bunk Beds	38,178
550	Foot Lockers	22,000
		<hr/>
		\$535,940

Division 2, Machinery

No withdrawals of any importance.

Division 3, General Products

3,053,992	Flashlight Batteries	\$547,672
3,700,000	Armament Boxes	<u>2,109,000</u>
		\$2,656,672

Division 4, Automotive

Small withdrawal parts, approximately	\$ 15,000
250 Scout Cars, Preliminary requests for	1,225,000
A quantity of new and used tires	<hr/>
	\$1,340,000

Division 5, Hardware

Imprinting Machines	\$ 104,700
Bolts and Screws	25,000
Lanterns	75,000
Stoves and Parts	98,000
4-Wheel Trucks	92,100
Misc. Chinaware, Tools, Plumbing Fixtures	55,100
Silverware, Chinaware, Preliminary Req.	400,000
	<u>1,349,800</u>

Division 6, Textiles

Reincoats & Raincoats	\$ 3,500,000
Canvas Panels	500,000
Gas Masks & Carriers	24,000,000
Wool Blankets	250,000
Leather Shoe Pads	72,000
Linen Napkins	1,000
	<u>3,27,326,000</u>

Division 7, Medicinals

First Aid Dressings	\$ 1,280,000
Adhesive Plaster	87,968
X-Ray Screen	81,340
Sulfanilamide	102,700
Burrows Solution Tablets	132,000
Ammonia	25,970
Procaine	30,000
Catgut Suture	37,500
Emetine Hydrochloride	33,600
Decontaminating Agent	26,090
Misc. Drugs and Supplies	589,677
	<u>\$2,426,345</u>

Division 8, Paper

No withdrawals to warrant consideration.

Total all Divisions, amounts approximate . \$35,033,157

THE SECRETARY OF STATE
WASHINGTON

January 17, 1945

Dear Henry:

I have received your letter of January 16 presenting the preliminary views of the Treasury Department on the transfer to the new proposed world organization of certain functions and offices related to narcotics control which operated under the League of Nations. I am asking the appropriate officers in the Department to consider your suggestions and to undertake informal conversations with your representatives.

With best wishes,

Sincerely yours,



The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

(not attached)

THE SECRETARY OF STATE
WASHINGTON

January 17, 1945

Dear Henry,

Thank you for your letter of the 8th relative to the statement answering Senator Wheeler. I am delighted that you liked the statement and appreciate more than I can say your taking the time to write to me on it.

With best wishes,

Sincerely yours,



The Honorable

Henry Morgenthau, Jr.

Secretary of the Treasury

JAN 1 1945

Dear Dr. Kung:

I was very sorry to learn that you have not been well and have been confined to the hospital.

I am attaching a check for the amount of \$150,902,760.04 in payment of U. S. Army expenditures in China incurred up to September 30, 1944. In addition to the attached check, instructions have been given to the U. S. Army Headquarters in Chungking to transfer \$34,097,239.96 now on deposit in its name in the Central Bank of China, Chungking, to the credit of the Government of the Republic of China. Together with the \$25 million transferred on March 1, 1944, these payments total \$210 million. I would appreciate very much if you would sign the attached receipt for the check.

I trust that by the time we are ready to begin negotiations with regard to payments for U. S. Army obligations incurred during the last quarter of 1944, you will have fully recovered from your present illness.

With best wishes for your speedy recovery.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Dr. H. H. Kung,
Room 258,
Washington Sanitarium,
Takoma Park, Maryland.

Enclosures

ISF/efs 1/16/45

Regraded Unclassified

Receipt

Received from U. S. Treasury check dated
January 13, 1945, No. 7,517,093, to the amount
of One Hundred Fifty Million Nine Hundred Two
Thousand Seven Hundred Sixty Dollars and Four
Cents (\$150,902,760.04).

Dated: January __, 1945.



TREASURY DEPARTMENT

WASHINGTON

MEMORANDUM FOR THE SECRETARY

In the exchange of letters between Dr. H. H. Kung and yourself, dated November 25, 1944, it was agreed to pay the Government of China \$210 million in settlement of all U. S. Army obligations incurred up to September 30, 1944 including transfer of \$25 million made to the Chinese on March 1, 1944. Payment of the remainder of \$185 million is being effected in the following manner:

- (a) Treasurer's check for the amount of \$150,902,760.04 is to be delivered to Dr. H. H. Kung.
- (b) The U. S. Army Headquarters in Chungking will transfer \$34,097,239.96 now on deposit in its name in the Central Bank of China, Chungking, to the credit of the Government of the Republic of China.

There is attached hereto receipt to be signed by Dr. Kung.

HPW



TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
January 17, 1945

TO Secretary Morgenthau
FROM J. W. Pehle

I am attaching hereto for your information a copy of a letter which General Wesson, Head of the Russian Division of FEA, sent to General Rudenko upon receipt of a copy of General Rudenko's letter to you.

I am also attaching a copy of the letter which Wesson sent to Mr. Mack in this connection.

There is considerable further background information which I would like to submit to you orally before you see General Rudenko.



Enclosures.

COPY

FOREIGN ECONOMIC ADMINISTRATION

WASHINGTON, D.C.

January 16, 1945

BA-823

Mr. Clifton E. Mack
Director of Procurement
Treasury Department
Washington 25, D. C.

Dear Mr. Mack:

In response to your letter of January 12, 1945 I am enclosing a copy of my letter of today's date to General Rudenko commenting on his communication to Secretary Morgenthau dated January 9, 1945.

I believe that my letter to General Rudenko will set forth the policy which we are following on this project.

Of course, we should be very careful to avoid any negligence on the part of E. B. Badger & Sons Company in completing the project and we shall look to you, as usual, to make certain that this company is held to its program.

Sincerely yours,

/s/ C.M. Wesson
Major General, U. S. Army
Director, Division for Soviet Supply

Enclosure

COPY

January 16, 1945

BA-823

Lt. Gen. L. G. Rudenko
Soviet Government Purchasing Commission
of the U.S.S.R. in the U.S.A.
3355 Sixteenth Street, N.W.
Washington, D. C.

Dear General Rudenko:

Thank you for sending me a copy of your letter of January 9, 1945 addressed to Secretary Morgenthau. So that there may be no misunderstanding I would like to clarify a point raised in the letter.

As I indicated to Mr. Lukasnev in my letter of September 27, 1943 and November 5, 1943, this Third Protocol refining project was undertaken on terms quite different from those of the Second Protocol refining project. While it was our intention to press the project as vigorously as possible, it was impossible to assign a high urgency rating to it without upsetting many other urgent programs for the production of high octane gasoline. You will note, therefore, that my letters stated that the program was introduced into the schedule without a special directive and with priorities which would not exceed those assigned to similar plants in the program of the United States. No commitments of a more definite nature have been assumed subsequently. We shall make every effort to see that no negligence occurs in the scheduling and manufacture of the Third Protocol refineries, but I do not feel that we can justifiably press for priorities or directives which would upset other urgent programs. From an examination of the reports on the progress of construction of the Second Protocol refineries in the U.S.S.R., I do not believe that the Third Protocol refinery project, even with current delays will reach the U.S.S.R. at so late a date that there will be a gap between completion of the Second Protocol projects and commencement of the Third Protocol project.

Sincerely yours,

/s/ C.M. Wesson
Major General, U.S. Army
Director, Division for Soviet Supply

WAR PRODUCTION BOARD
WASHINGTON, D. C.
JAN 17 1945



OFFICE OF THE CHAIRMAN

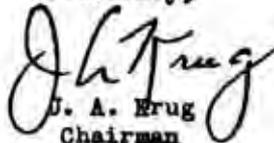
My dear Mr. Secretary:

This is with reference to your letter dated January 16, 1945, urging that a higher priority be granted to overcome delays in the delivery of equipment for extension to High Octane Refineries Nos. 3 and 4, under the Fourth Russian Protocol.

The above-mentioned refinery contracts have already the highest possible priority rating (AA-1). The contractors have reported to us that 60% of the shipments may be met by June 30, 90% will be met by November 1 and that completion may be expected by January 1, 1946. A directive or overriding expediting assistance would disrupt delivery schedules on other urgent war programs.

Mr. M. J. Deutch, who is following the Russian Lend-Lease Refinery Program, reports that Mr. Clifton E. Mack and Major General C. M. Wesson are now revising the delivery schedules to determine what improvement can be made without interference with other urgent war production. Mr. Mack will report to you on the results of this investigation.

Sincerely,


J. A. Brug
Chairman

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

DEPARTMENT OF STATE

DIVISION OF CENTRAL SERVICES
DISTRIBUTION AND LIAISON SECTION

MEMORANDUM

With reference to the Secretary of State's letter of January 2, 1944, there is transmitted herewith a paraphrase of a telegram from Moscow continuing Ambassador Harriman's interpretive comment upon developments in and respecting the Soviet Union as reflected in the Soviet Press.

January 17, 1945

SAFETY/USE BY FIELD OFFICIALS

FROM: American Embassy, Moscow
TO: Secretary of State, Washington
DATED: January 10, 1945 (Rec'd Jan. 11)
NUMBER: 90

Submitted herewith is an interpretative report on developments in Soviet policy based on the Press for the period from October 13 to December 31.

A chance to pursue its political objectives in areas liberated by the Russian Army has in effect been given to the Soviet Union by the relative lull in military activities on the Eastern Front. The pattern of Soviet tactics in Eastern Europe and the Balkans has as a result taken shape and there has been a clarification of Soviet aims. While eschewing direct attempts to incorporate into the Soviet Union alien peoples who were not embraced within the frontiers on June 21, 1941, it has become apparent that the Soviets are nevertheless employing the wide variety of means at their disposal -- secret police, occupation troops, labor unions, local communist parties, economic pressure, sponsored cultural societies and sympathetic leftist organizations -- to assure the establishment of regimes which actually depend for their existence on groups responsive to all suggestions emanating from the Kremlin, while maintaining an outward appearance of independence and of broad popular support. Dependent largely on the extent and strength of resistance to Soviet penetration, the tactics are endless in their variety and are selected to meet the situation in each particular country. In this connection it is particularly noteworthy that no practical distinction seems to be made between ex-enemy countries which have been occupied and members of the United Nations whose territory has been liberated by Soviet troops.

In Soviet foreign policy the overriding consideration is the pre-occupation with "security", as viewed by Moscow. Most of the recent Soviet actions which have roused criticism abroad are explained by this objective: the opposition to regional blocs; the demand for unanimity of decision in the council of the security organization; the demand for the thorough purge of reactionary elements in all liberated areas, the constant harping at the European neutrals; the demands for vast oil and mineral concessions in Iran; the sponsorship of puppet regimes in all contiguous countries. A period of freedom from danger during which it can recover from the wounds of war and complete its industrial revolution is sought by the Soviet Union. It does not appear that the Soviet conception of "security" is cognizant of the similar needs or rights of other countries and of Russia's obligation to accept the restraints, as well as the benefits, of a system of international security.

(1) In all

(1) In all major pronouncements on foreign affairs the major theme of Allied unity, dominant since the Tehran and Moscow conferences, continued to be stressed; but it had acquired a certain perfunctory quality; and to condition the Soviet public for differences which the approaching end of war in Europe might bring, a minor chord was introduced. Dispassionate portrayal was made to the Soviet reader of the German offensive in the Ardennes as a sally having limited objectives and intended to throw off balance the grand Allied offensive. Frequently the Soviet reader was reminded, in the meantime, that the Red army in the East was engaging the bulk of German manpower, and the press resented immediately any implications that the operations in Hungary served first of all political aims and that the Red army was not doing its share.

(2) Continued interest which was keen but wary was manifested in projects, covering various fields, for international cooperation. The Soviet position was restated by Stalin in his speech of November 6 and no change took place in the Soviet attitude toward participation of the great powers in voting in the security council on issues in which they were involved. A proposal was advanced in December by War And The Working Class for continental zones within the security organization in which, if their interests were involved, the great powers would be represented. The purpose of this scheme was undoubtedly to offset projects for regional blocs to which the Soviets are strongly opposed since they fear that such blocs may at some future time be directed against the Soviet Union.

Creation of a new and powerful international trade union organization controlled by them is plainly the determination of the Kremlin and accordingly the press showed keenest interest in trade union questions, and in their international aspects, especially. At the conventions of the CIO and the A F of L, which were reported in detail, the usual criticism was directed at the A F of L for continuing its refusal, when Soviet delegates were present, to take part in an international trade union gathering. The Bulgarian federation requested permission to send delegates to the forthcoming international meeting in London and the trade union movement was revived in Rumania and Bulgaria. The influence of the Soviet delegates would be strengthened at such a meeting, of course, by the attendance of delegations from countries now occupied by the Soviets.

Official motivation for refusal of the Soviets to take part in the Chicago Civil Aviation Conference was the fact that the following countries which have no diplomatic relations with Russia were represented -- Switzerland, Spain and Portugal. Proceedings of the conference were followed carefully by the press and, although comment was avoided, the divergence between American and British positions was revealed by what was reported.

(3) As news from ex-enemy and liberated countries became available the amount of British and American news diminished. Interest in America was centered on the elections by the Soviets. Soviet confidence in the reelection of Roosevelt was strongly evident and dislike for Dewey became more articulate as election day drew nearer. Linking of Dewey to Polish

reactionary

reactionary factions in the U.S. had tried. IZVESTIYA, on the eve of the elections, predicted a sweeping Roosevelt victory, revealing, at the same time, its ignorance of or willfully distorting American politics by suggesting that a last minute attempt on the life of Dewey might be staged by stampeding the electorate. They greeted enthusiastically the reelection of Roosevelt and the defeat of outstanding isolationists in Congress. A member of the Soviet delegation at Dunbarton Oaks, Professor Krylov, subsequently delivered an excellent public lecture in which he described with understanding and sympathy the electoral system and the campaign. He also paid high tribute to Roosevelt, Stettinius and Hull. The press did not report this lecture.

The controversy in Congress over approval of the nominations of new State Department officials was followed with interest by the press.

(4) The Soviets, after several months of unsuccessful efforts to effect a reconciliation on Soviet terms of the Lublin Committee with the more moderate elements of the Polish Government in London, gave up the attempt following the resignation of Mikolajczyk and set in motion an intensive agitation in liberated Poland which culminated in the formation on December 31 of a provisional government in Lublin. In the meantime, several of the more prominent leaders in the early stages of the life of the National Council, including Andrzej Witos, who was in charge of land reform, General Berling, who commanded the Polish forces in the Soviet Union and later on the Warsaw Front, and Wanda Wasilewska, who was head of the union of Polish Patriots in the Soviet Union, with little explanation, have been removed from their posts. There is manifest in the unanimity of support reported for the various measures undertaken by the Committee the tight control exercised over political parties and public opinion in Poland. Moscow's influence also is evident in a law which the Council adopted providing stern penalties for the familiar crimes of sabotage, wrecking and treason. Moscow was visited by a delegation from Warsaw to express gratitude for help which the Soviets rendered; in the meantime, the intrigues of reactionary Polish circles in the United States were blamed by the press for the delay in receipt of help from there.

Energetically the committee proceeded with its program of land reform and was able to announce by the end of the year that in the area liberated to date the division of large estates and the distribution of the land to peasants had been practically finished. As the new holdings were very small and their new owners often without draught animals and tools to work them, it was obvious that the parcelling up of the estates was uneconomic. Before the new holdings could be worked with any degree of efficiency, it seemed inevitable that some kind of cooperative or collective system would have to be introduced. In the meantime, doubtless the reform served the purpose of increasing support for the Lublin Committee in an area where the peasantry was largely apathetic and the Communist industrial element small.

(5) Apparently the situation in the other United Nations countries

on

on whose soil the Red Army was fighting was much less complicated than in Poland. A mission headed by Hrusc arrived in Moscow from London, after the entry of Soviet troops into Ruthenia, to take over the administration of the liberated territory in accordance with the Soviet-Czechoslovak agreement concluded last spring. They allowed the mission to proceed to Ruthenia but did not take direct part in the civil administration, which was in the hands of a pro-Soviet Ruthenian National Committee whose origin is obscure. The Moscow press published messages from mass meetings in Ruthenian towns in which demands were made for the union of the province with the Ukrainian SSR. However, Red Army officials on the spot remained strictly aloof from this agitation, it was reported. In two instances, Yar And The Working Class took Czech Foreign Minister Masaryk to task. On one occasion for reviving the idea of a Czech - Polish federation and on another occasion for suggesting that his country might become a bridge between the West and the Soviet Union.

The occasion for a message to Stalin from Tito of gratitude and solidarity was furnished by the entry of Soviet troops into Belgrade. However, much less notice in the press than normally was accorded Yugoslavia. Almost no notice was taken of the visit of Subasic to Moscow.

Apparently Norwegian Foreign Minister Lie (who while in Moscow was accorded marked cordiality) formed a satisfactory working agreement with the Soviets and complete understanding and accord have been indicated by all references appearing in press in connection with relations between the Norwegian population in the liberated areas of Norway and Soviet troops.

(6) The primary interest of the Soviets in the former enemy countries which have broken with Germany has been the purge of former Collaborationist and Fascist factions and the prompt and complete fulfillment of the armistice terms. The attitude of the Soviets has been correct but not cordial toward Finland, which the press had commended for its efforts to fulfill its obligations under the Armistice meticulously. The threat in the press that the Party might be eliminated from the political life of Finland and dissatisfaction in Moscow were caused by the failure of the Social Democratic Party to oust Tanner and other conservative leaders at its convention, and to yield control of the Party to pro-Soviet factions. (In the eyes of the Russians, Tanner and other conservative leaders were responsible in large part for the alliance with Germany.) Periodic attacks and demands for the punishment of Erkkö, Ryti and other leaders before the armistice also appeared in the Press. There was growing activity on the part of the Finnish-Soviet Union Society and other Soviet sponsored cultural groups.

The attitude of the Soviet toward Bulgaria was warm and approving, in contrast to the coolness shown toward Finland. A place of special privilege for Bulgaria among the defeated powers was created by the combination of the traditional Russian benevolent feeling for the Slav, Bulgars and the strategic location of Bulgaria near to British-occupied Greece, and Soviet satisfaction with the Fatherland Front Government and

the enthusiastic adoption of the purge measures, and the abject and servile submission of the delegates from Bulgaria during the Armistice negotiations. The Soviet press endorsed suggestions for the federation of Yugoslavia and Bulgaria.

This country, Rumania, continued to be the bad boy and though for the most part press material was light, the Soviets did not hide their dissatisfaction with the failure of Rumania to cooperate completely in meeting their obligations under the armistice nor their dislike for the Rumanians. In an effort to bring about an improvement in the situation Vice Foreign Commissar Vyshinski spent several weeks in Bucharest.

Violent attacks by the Press on Szalasy as being a Nazi stooge were the result of the coup d'etat in Hungary which followed the armistice feelers put forth in Moscow by Northy. A Provisional Government was established at Debrecen, manifestly under the sponsorship of the Soviets, but evidently with respectable and wide non-Communist participation, after occupation of the larger part of Hungary by the Russians. At once the new government despatched a new delegation to Moscow for the conclusion of an armistice with the United Nations and declared war on Germany.

(7) There was a general attitude of polite reserve on the part of the Press toward countries of the United Nations which had not been liberated or which were in the process of being liberated by Soviet troops. There was no concealment of Soviet sympathy for the resistance forces in these countries which were often under Communist leadership. Because of its uncompromising demand for the disarmament of the resistance forces, the Government of Belgium was censured. Following the visit of Churchill to Moscow and the outbreak of strife between the ELAS forces and British troops in Greece, that country, which had been almost completely ignored by the Press for a long time, became prominent suddenly. The coverage of this matter in the Soviet Press, while it was extensive, was largely confined to the publication of factual reports from London, long excerpts from statements made by Eden and Churchill in defense of their policy being included. There was some publication of critical foreign comment, but in nothing like the volume which was used when a definite position has been taken by the Soviets. An article in 'War And The Working Class' which endorsed EAM made it abundantly clear where the sympathies of the Russians lay, regardless of this evident disinterestedness and disinclination to interfere.

The Soviets invited De Gaulle to Moscow and his visit resulted in the signing of a twenty-year alliance which was ratified by both of the countries without any delay. The new alliance was interpreted by the Press as being a security measure directed against a renewal of aggression by the Germans. The French Communist leader, Thorez, returned from Moscow to Paris. Another delegation arrived in France subsequent to recent visits to Italy and Britain by Soviet Trade Union delegations.

(8) Expressing

(8) Expressing the assumption that the war was about to be terminated, less than the usual amount of material against Germany was published by the press. Concern was expressed in regard to the transfer of German resources to countries which are neutral and regarding the efforts of prominent Nazi to escape from Germany. Harsh criticism was directed against international cartels and their advocates in Allied countries, especially in connection with the Rya Conference, as a possible refuge for German influence and capital and a rallying point for German efforts to rise up and wage war another time. A reminder that the free Germany movement in Moscow is still operating was evinced in an appeal by 50 German generals led by Marshal von Paulus, once more calling on the Germans to overthrow Hitler and surrender. There was contained in the appeal a warning to the Germans that they must now expect occupation and punishment but, that they would be able to take their place among the free nations afterwards.

Shocking German atrocities which were committed in the Lwow region and in the Baltic States were described in various reports of the Extraordinary State Commission. A portion of the reports was made up of long lists of Germans who were charged with responsibility including Commanding Front generals and in one direct responsibility for such actions was attributed to Himmler.

(9) Almost continuous Press attack was made on those neutrals of Europe who do not maintain diplomatic relations with the USSR, that is, Portugal, Spain and Switzerland. Refusal of overtures of Swiss to establish diplomatic relations was made on the grounds that its former anti-Soviet attitude had not been disavowed by Government of Switzerland.

The economic aid that each of these countries had given to Germany during the war was delineated in long detailed articles which indicated non-concern or ignorance for the realities of the economic warfare program of the Western Allies. A continuous attack was made on France and there was published much American material demanding that Spanish American diplomatic relations be broken. The picture given of Spain was that of a mere stopover point for Nazis who were escaping on their way to Argentina which often was identified with Spain as being under strong influence of the Nazis.

A rebuke was administered to Sweden for receiving refugees from the Baltic states who escaped before the approaching armies of the USSR and insistent suggestions were made that arrangements be made for the immediate return of these refugees regardless of their own desires.

(10) Increasing interest on the part of Soviets in Latin America was demonstrated by establishment of diplomatic relations with Chile (regarded as something of an achievement, obviously) and with Nicaragua and by some increase in press material on Latin America.

(11) Iran's refusal to consider grant of oil concessions in northern Iran to Soviets until after the war led to a violent campaign against

against the Saed Government which brought about its resignation, eventually. The Soviet Press fully reported mass meetings in Iran organized by Soviet sympathizers and attacks on Saed in the left wing papers. The press alleged that Saed and his government maintained contact with bandits who interfered with supply lines leading to the Soviet Union, that they were Fascist in their outlook and that their continuance in office was detrimental to the war effort. IZVESTIYA asserted that there was no legal basis for American troops being present in Iran, at the height of the controversy. A favored target for attack was Saed Kiseedien and reports of mass meetings demanding that he be exiled were frequent. It was urged that Saed and responsible members of his government be brought to trial after his resignation. Although the Soviets made it plain that they had no intention of dropping the issue, pressure for immediate grant of oil concessions relaxed.

(12) Stalin's definition of Japan as an aggressor nation in his November 6 speech was the most significant development in Far Eastern Soviet policy. Although the reaction of the Foreign Press to this departure was played down, subsequent Press material gradually made the new line apparent. There was published the sharp denunciation of Japan made at the Congress of the British Communist Party. The Press favorably reviewed a book which appeared on the siege of Port Arthur in the Russo-Japanese war. Publication of this book had been withheld for a number of years. The worsening situation of Japan resulting from damage being caused by B-29 raids was stressed in the regular reviews of the Pacific war. Soviet dislike of the Japanese was much more plainly apparent than a year ago, while Japan was handled by the press in a continual cautious and gingerly manner.

Because of the failure of the Chiang Kai Shek regime to reach an accommodation with Chinese Communists, hostility continued to be expressed toward that regime. Cabinet changes were viewed as merely a change in lineup without any basic modification of direction or policy, and no enthusiasm was shown for these changes.

(13) During this period developments within the country were of limited interest. Again the elections of deputies to the Supreme Soviet and local Soviets, who were elected in 1937 and 1938 for terms of four and two years respectively were put off. The Press for the first time felt it essential to defend this measure by urging the deputies to keep close contact with their constituents.

In the return of all categories of Soviet Nationals or individuals who could be claimed as such especially those found among German forces captured by the Allies, great interest was manifested. In order to facilitate repatriation a special commission was established. Intense touchiness was shown over the reported reluctance of many of these individuals to return and over the alleged encouragement being given to such sentiments by foreign officials. The stories of the press of warm

reception

reception accorded repatriates did not check with accounts of Embassy observers and seemingly reflected a wish to disarm the suspicions of those still in other countries. Along the western borders there continues population transfers.

Much space was devoted by the press to the progress of the reconstruction in the Baltic area while inveighing against the so called "Bourgeois--Nationalist" groups both in the Ukraine and there. It appeared clear that the Nationalist remnants survived in these regions and were creating difficulties for the Soviet officials.

In the top government personnel the first wartime change occurred with the replacement of Voroshilov, the only fully military representative on the State Defense Committee (War Cabinet) by Bulgarian political general and appointment of Kaganovich as Vice President of the Council of Peoples Commissars after his removal as Railway Commissar.

The trend of the Press is increasing toward recognition of the church as a beneficial factor in Soviet Society, although occasionally anti-religious articles still appear. Defense of Moscow medals were awarded Metropolitan Nikolai and other churchmen. A conference of the Holy Synod was announced for January at which time they are to elect a new patriarch. Invitations to attend this meeting have been given all the eastern patriarchs.

During the November holiday celebrations recipients of awards included a long list of Foreign Office authorities. Apparently this is another measure toward strengthening the Foreign Office's prestige.

HARRIMAN

SECRET

PARAPHRASE
WAR DEPARTMENT CABLE

from Marshall to MacArthur

FROM: CAD
TO: Commander in Chief, Southwest Pacific Area, Hollandia, New Guinea
DATE: 17 Jan. 1945
NC: WAR22518

From Marshall to MacArthur.

This is in regard to assistance to US citizens in the Philippines.

1. The War Dept. has been advised by the State Dept. of the plans for financial assistance to US citizens and their families through the US Consulate General in the Philippines when that office opens. An extension of financial assistance from the State Dept. appropriations up to \$70 a month is called for in the plan for needy US citizens against individual receipts embodying a promise to repay the US Government. When warranted less would be paid in some cases. It is felt by the State Dept. that cash assistance for citizens of the US is preferable to billeting and feeding by military, but it is not politically desirable to have this assistance to citizens of the US provided by relief funds of the Philippine Government. Assistance will end with termination of need, with repatriation, or if offered refusal to accept repatriation.

2. The State Dept. asks if comparable scheme can be used by the military before the US Consul General arrives in the Philippines and can handle this problem. This would involve the determination and identification of citizenship of recipients of funds. Obviously it isn't a good public policy to pay funds to persons not having proper claim, though agreement is made by the State Dept. to reimburse the War Dept. for payments made in good faith. 4500 citizens of the US in the Philippines have already been recorded by the State Dept. and the War Dept. will supply you lists. Estimate there will be 2700 or more claimants who may be identified through naturalization certificates, passports, seamen's papers, military discharge papers, or other official documents. The persons who don't appear on the list of 4500 and cannot give satisfactory evidence of their citizenship and identity would be cleared through the State Dept. by a cable giving identification data. The State Dept. says it will clear these cables quickly.

3. Contemplate you would make identification outlined in the 2nd paragraph and certification of amount of claim, and that finance officers would pay vouchers.

4. Also the State Dept. says that the British and possibly other Allied Governments may be expected to ask corresponding facilities for their nationals and that such nationals would be taken care of the way described in the 2nd and 3rd paragraphs above and the State Dept. would reimburse the War Dept. for payments to them and would take the responsibility for getting the funds from the other foreign governments.

SECRET

5. Desire your views about the feasibility of accomplishment of the foregoing State Dept. request. Would appreciate your advice on the following questions regarding Allied Nationals: (a) In the territory liberated so far what US citizens and United Nations Nationals other than Philippine citizens have been encountered? (b) If any, what procedure has been established for their care? (c) Do these procedures include only medical assistance, billeting and food, or do they provide also for financial assistance? What is the source of the funds used for this financial assistance, if any? (d) Have methods been devised to provide the required assistance for the large US and Allied colonies to be found eventually? Is the nature of such procedures temporary or permanent?

Info: ASF-Fisc.; G-2 (State, Interior, Treasury); Bud. Div; Mr. McCloy; OPD
CM-OUT-22518, Jan.

MM-1563
Distribution of true
reading only by special
arrangement (SECRET 7)

London

Dated January 17, 1945

Rec'd 6 p.m.

Secretary of State

Washington

589, January 17, 6 p.m.

FOR POLHE FROM LANE

Please deliver a paraphrase of the following
message to Susanne La Follette from Alberg Guigui.

MESSAGE BEGINS. Regret to advise you I cannot
go to USA soon and discuss with you whole matter of
relief. Funds are in the hands of Pierre Neuseyer
Treasurer of the OCF. MESSAGE ENDS.

FOR MRB. I have communicated with Hoffman in
Paris relative to this matter and he is attempting
to get Neuseyer to use funds to rescue French workers
deported to Germany or otherwise provide them with
relief.

STUART

MRM

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Dublin
TO: Secretary of State, Washington
DATED: January 17, 1945
NUMBER: 9

SECRET

In connection with the following message please refer to Department's message of January 13, No. 12.

I am informed by External Affairs that in response to the inquiry made by Briscoe regarding the rumor that the Germans intended to liquidate the inmates of the two camps in question, they addressed inquiry to the Government of Germany and then replied as follows to Briscoe.

Reply from the German authorities to our inquiries about the two camps, Oswiecim, and Hoss and Birkenau, has now been received by us. The Germans state that the rumor that it is their intention to exterminate the Jews in these camps is devoid of all foundation, is pure invention, and that the inmates of these camps would be evacuated if the camps were to be abandoned.

I am informed by Briscoe that he made no public statement and that he made no statement on his own authority, but that he merely forwarded the above to London to the Jewish agencies there. For this reason it seems that the statement in question is merely the reply of the Government of Germany to the inquiry of the Government of Ireland, which is vouched for by neither Briscoe nor the Irish Government.

GRAY

DC/L:LCW:MLM 1/19/45

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

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

January 17, 1945

1 p.m.

AMLEGATION

BERN

256

The following for Huddle and McClelland is WRB 355.

Refer your 8407 of December 29, indicating that officials at the Marianka Camp tore up Salvadoran identity papers in the possession of Jewish internees there.

Please request the Swiss Government to protest the above action in the name of the United States Government. The Swiss should indicate to the German authorities, that as was well known to the German Government, the persons holding the above 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 they would be accorded the same treatment as the German Government would expect this Government to accord to civilian internees of German nationality. The Swiss should request information from the German Government concerning the present whereabouts of the above holders of Salvadoran identity papers and assurances that they will be held in civilian internment camps pending exchange. The Swiss should also request the German Government to issue instructions to the appropriate German officials that in the future the latter should respect the rights of all persons declared by the United States Government to be eligible for exchange.

If you have the names of the Salvadoran document holders deported from Marianka, you may furnish these names to the Swiss.

In addition to this step, please draw attention of Political Department to fact that Salvador has informed Switzerland of its recognition of documents of this kind (reference your 3871 of June 17, section 6) and inquire whether Switzerland, as protective power for Salvador, could not protest to Germany against reported destruction of documents and deportation of holders.

STETTINIUS
(GHW)

WRB:M'V:KG LE WE CCA OE SWP AD
1/15/45

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

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

January 17, 1945
Midnight

AMLEGATION

BERN

272

The following for McClelland is WRB 366.

In view of large number of relief parcels recently reaching camp Belsenbergen, please urge upon Intercross the desirability of an Intercross delegate being stationed in or sent on an extended visit to that camp, to assist in the distribution of such parcels.

You may explain informally that the above suggestion is made to safeguard the lives of over 9,000 inmates reported to be in Belsenbergen (your 223 of January 12), in the light of general considerations developed in Department's 127 of January 9.

STETTINIUS
(GLW)

WRB:MMV:KG
1/17/45

WE

SWP

OK

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

EAS-83

PLAIN

Bern

Dated January 17, 1945

Rec'd 6:48 a.m., 19th

Secretary of State,
Washington.

343, Seventeenth

FOR WRB FROM MCCLELLAND

Kindly deliver following message from Union OSE
Geneva to Leo Wulmann of American OSE.

"We happy inform you confidentially that first
special team of 8 persons bearing name Joint OSE will
leave for Yugoslavia and January costs partly covered
by Mexican remittance.

Dr. Schwartz promised full JDC support for a sanitary
rescue relief team to go to Lublin area, one delegate
is already on his way there to establish contact with
local OSE organization.

We have recently cabled you details work in Rumania
and France.

Have you seen Dr. Silberschein". 14.70.

HUDDLE

WRB

CABLE TO AMLEGATION BERN, SWITZERLAND, FOR MCCLELLAND

In view of large number of relief parcels recently reaching camp Belsenbergen, please urge upon Intercross the desirability of an Intercross delegate being stationed in or sent on an extended visit to that camp, to assist in the distribution of such parcels.

You may explain informally that the above suggestion is made to safeguard the lives of over 9,000 inmates reported to be in Belsenbergen (your 223 of January 12), in the light of general considerations developed in Department's 127 of January 9.

THIS IS WRB BERN CABLE NO. 366.

1:15 p.m.
January 17, 1945

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

Reference your No. 7877 of December 1, paragraph 3.

Board has been advised that Andre Wolff, Commissioner of Information, Grand Duchy of Luxembourg, has just learned that ICRC has addresses of some 6,000 Luxembourg citizens in Germany who are in urgent need of relief. Friends of Luxembourg and labor groups sponsoring program have requested Board to inquire whether ICRC is in a position to use in behalf of these Luxembourg citizens in Germany the unused \$19,533.60 now in your hands. Please raise question with ICRC and advise Board urgently if ICRC is in a position to handle such a relief program in a manner satisfactory to you. You may assume that authorization will be forthcoming for use of funds for such a program.

THIS IS WRB BERN CABLE NO. 367.

4:00 p.m.
January 17, 1945

SECRET

OPTEL No. 20

Information received up to 10 a.m., 17th January, 1945.

NAVAL

1. GREECE. Night 11th/12th. One of H.M. Destroyers captured 2 caïques and a motor boat in Gulf of Volo and M.L. sank 2 ELAS Caïques in Gulf of Corinth.
2. MEDITERRANEAN. 15th. French Cruisers bombarded San Remo and Porto Maurizio. Italian Cruiser, 2 Destroyers and gun boat released from Balearic Islands and have arrived Malta.
3. EAST INDIES. One of H.M. Submarines sunk seven coastal craft north of Sumatra during recent patrol.
4. ENEMY ATTACK ON SHIPPING. A U.S. troop ship in convoy damaged off Havre by mine or torpedo and beached yesterday.

MILITARY

5. WESTERN FRONT. U.S. troops from south and north of rapidly dwindling Ardennes salient have linked up in Houffalize. Patrols established along line of R. Ourthe without making contact. Elsewhere along 1st U.S. Army front fighting severe and enemy only withdrawing when forced to do so. British launched attack east of Meuseyck. Early reports indicate satisfactory progress.
6. GREECE. 15th. ELAS began withdrawal to line agreed by truce terms. There appear to have been some incidents south of Lamia. Allied troops landed Volo in Peloponnese.
7. EASTERN FRONT. Russians report new break through south of Warsaw. Advances up to 37 miles on front of 75 miles. Radom, 50 miles N.E. of Kielce, captured. In breakthrough further south advances reported to 40 miles west of Kielce and 20 miles north of Cracow.
8. BURMA. Chinese have captured Namhkam 40 miles S.E. of Bhamo.

AIR

9. WESTERN FRONT. 16th. 627 U.S. heavies despatched: 578 attacked railway centres at Dresden (305 tons) and Dessau (384 tons), oil plant Magdeburg (101 tons) and the Ruhland Plant (134 tons), Bitterfield Chemical Works (244 tons) and other targets (132 tons). Many heavies landed on continent and 114 outstanding. Supporting fighters encountered no enemy aircraft, but destroyed 25 on ground. Bombing results mostly unobserved. 366 medium bombers dropped 671 tons on communications behind enemy lines. 1628 fighters and fighter bombers flew offensive and escort sorties. Over 400 MT and many railway wagons and buildings destroyed. 12 Allied aircraft missing, 15 enemy aircraft shot down.
10. MEDITERRANEAN. 15th. 388 escorted heavies (756 tons) attacked railway targets near Vienna, Pathfinder technique employed most instances, and 23 bombed Treviso Railway Centre. 15 bombers missing. 148 Mitchells and 628 fighters and fighter bombers (4 missing) successfully attacked Brenner railway and communications north of Po. 25 Mustangs scored numerous hits on coastal gun positions at Lussinpiccola.

HOME SECURITY

11. ROCKETS. 16th. Three incidents reported, 16th/17th. Four incidents reported.

January 18, 1945
9:23 a.m.

HMJr: Hello.

Harry
White: Hello.

HMJr: Harry, I've got the Commissioner of Internal Revenue waiting outside and another group on a very important matter.

W: Well, if it's all right, I can tell you over the 'phone....

HMJr: Go ahead.

W: because I don't know what your plans are. Last night when we were over with Acheson and Clayton, we ran into a major snag on that Executive Order on the Finance Committee.

HMJr: Yeah.

W: Now, I -- not knowing what your plans are and having to clear it with you, I wanted to be sure if you expected to take it up with the President, that we have a chance to discuss it with you as early as you can.

HMJr: Just a minute -- I'll call the President and I'll postpone my meeting with him until I have a chance to see you. Is that all right?

W: If that's going to be the major thing you're going to take up with him, yes.

HMJr: Just a minute -- I'll call him and I'll tell him I'm going to postpone it.

W: But you may be able to clear it up by twelve if that's what it is -- possibility -- I don't know.

HMJr: Well, I don't know -- I don't see why I can't postpone my meeting with the President. I'll tell him that you people have run into a major snag.

W: The only thought I have is that that may be true lower down and may not be true with Stettinius. I don't think Stettinius would back those fellows up on what they want.

HMJr: Well, I think we'd better -- I'd better tell the President.

W: I see.

HMJr: Boy, it's easy to pull your leg. I think I made a mistake in recommending you for Assistant Secretary.

W: (Laughs) It should have been for Chief of Police.

HMJr: No, I don't think you'd be good at that.

W: (Laughs) I thought they were supposed to be dumb.

HMJr: Well, you see the President cancelled all appointments today.

W: Oh, he did?

HMJr: Yeah, I'll see you a little later.

W: Okay.

HMJr: Relax.

W: All right, sir. (Laughs)

HMJr: It's not even "funnee". (Laughs)

W: Well, it did seem a little curious to me, but I couldn't quite make it out.

HMJr: Mrs. Klotz is now recovering. She's been rolling on the floor with laughter.

W: I see. Well, I'm glad I gave her a laugh. Okay, I'll hold it.

January 18, 1945
10:25 a.m.

PRE-PRESS

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

H.M.JR: On this thing in the Times Herald in regard to the Procurement Division and veterans, this isn't a very good answer--Pehle's excuse. He sort of dumps it all over on to the Surplus Property Board--that they haven't made a ruling. It's not a very good explanation.

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

January 18, 1945
10:29 a.m.

John
Pehle:

That's one of the things that the Board is already trying to do something about, but it's not one that you can just say, "Okay, we'll do it". It's a very difficult one and it isn't for us to work out; it's for them to work out.

HMJr:

Are you sure of that?

P:

Yes, sir, the Act says, "The Board shall prescribe regulations, to effectuate the objectives of this Act to aid veterans; to establish and maintain their own small business, profession, or agricultural enterprises by affording them suitable preferences to the extent feasible and consistent with the policies of this Act."

HMJr:

And we can't then favor veterans until we hear from the Board?

P:

Oh, if we could figure out a way to do it that was intelligent, and it was an easy thing to do, we would have done it before now, but it's a very difficult thing to do. Wherever we can, we are favoring veterans.

HMJr:

Yes, but supposing I simply say that -- "Well, this is up to the Board", and the Board comes back and says, "Well, the Treasury ought to be able to figure this out."

P:

No, the Board -- the Board won't say that. I've already talked to Governor Hurley at length about it. The Board recognizes the very difficult problem and they hold public hearings on it. They don't know what the answer is yet. I think that they're leaning in favor of creating a separate Government Agency which will deal directly with the veterans and give them a certification that this is property they need in connection with setting up their business and then the -- then the Treasury and the rest of the disposal agencies could recognize the certificate.

HMJr:

Well, maybe there was something to my recommendation to the President to veto this -- that this was an unworkable law.

P: No, I don't agree with that. I think

HMJr: I know.

P:it would be -- the Act says -- and I think the Act is exactly -- correctly written -- that this is something the Board should work out. It doesn't say that every veteran is entitled to a preference on every kind of goods. It says, "Preference with regard to types of surplus property useful in helping them maintain their own small business, profession or agricultural enterprises."

HMJr: Well

P: And it provides for regulations which haven't been issued yet.

HMJr: Well, I'm certainly not going to raise it at press.

P: Oh, I wouldn't raise it at all, but

HMJr: The reason is I'm not -- I want to talk to you about this at length because I -- I

P: Sure.

HMJr: I'm not satisfied. I never liked to just duck something by saying, "Well

P: Well, this is not one that you could speak authoritatively on, Mr. Secretary, because it's the Board's responsibility and it's their policy, and if we did something, the Board could tell us to cut it out the next day.

HMJr: Yeah. But in the meantime, you're selling automobiles.

P: We're selling them to dealers.

HMJr: Yeah.

P: We're not in the retail business. If we were in the retail business, we wouldn't be selling these needed automobiles

HMJr: Well

P: as fast as we are.

HMJr: Well, I'm going to stop the argument because it's press time now, but I'm not in a -- you and I had better thrash this out.

P: Sure.

HMJr: All right.

H.M.JR: Very nice. They are selling to dealers, but the law certainly implies we should give veterans preference and it's a little hard to explain.

MR. BELL: Doesn't the law provide that, or at least the Attorney General ruled that the law doesn't become effective until the Board is operating.

MR. O'CONNELL: That's true, and the point is quite well taken in the long run, and that is that the Board is the outfit to work out the ways of perpetuating veterans preference. It's also true that in the meantime we are under a reasonable obligation to do as much as we can to have practices that will perpetuate the purposes of the Act, but John's problem is a big one.

H.M.JR: Technically, he's correct, but if a veteran wants to buy a automobile and he can't, he's going to blame me. I still say the law is a lousy law.

MR. GASTON: Is the Board organized?

MR. O'CONNELL: I don't know whether Gillette has even been confirmed. I doubt it.

MR. SHAEFFER: He hasn't been.

MR. GASTON: Two out of three.

MR. O'CONNELL: The Board doesn't say, but I think the Board could function with two. I think two members of the Board are enough.

H.M.JR: I shall not seek the question.

Mr. Shaeffer, what am I going to be asked today?

MR. SHAEFFER: You are going to be asked if you have a statement on the method of financing the Greeks. It was discussed ten days ago.

MR. WHITE: We have not been called upon to consider that question. It is a matter for the State Department.

H.M.JR: Is there anything pending before us?

MR. WHITE: Not before the Treasury, but there has been an exchange of cables-about a month ago.

H.M.JR: There is nothing pending before the Treasury?

MR. WHITE: That would be correct as far as financing is concerned.

MR. BELL: In your discussion a couple of weeks ago, wasn't it intimated we were in it, and they said they thought the Secretary referred some of their reporters to Mr. White to get a statement of how far we have gone into it?

MR. WHITE: We can answer that the State Department asked us to send a representative to help advise the Ambassador.

H.M.JR: I'll tell you what you mean. They asked me why we sent a man down to see him, and I said when Taylor gave his statement to the President, I wanted a copy of it, and I was never furnished a copy of it.

MR. SHAEFFER: They were never furnished with a copy either, Mr. Secretary. I have it here.

H.M.JR: Let me read it now. I'll refer this question to White. He's good at that kind of thing.

MR. WHITE: Good at evasion.

H.M.JR: What else?

MR. SHAEFFER: That's all.

There may be a question on Podesta being recalled by the Italian Government. PM had it this morning.

MR. WHITE: Dan got a letter from him, about being misunderstood and misjudged, which is what we would like. It would give us an opportunity to say we'll be very glad to go into the matter with him, and we are going to ask Joe if he won't see him, and that would give us an opportunity to investigate him.

MR. BELL: I think he is coming to town today, and I am sure I am going to get a telephone call tomorrow.

H.M.JR: Anything else?

MR. SHAEFFER: That's all I have.

MR. BELL: There is quite a bit of rumor around New York--Wall Street--that there will be no more two's and two and one-half's in the basket, and some indication that there is a study going on to change the rate structure. I think we have got to deny all of that at this time, say that we don't know anything about it, don't know where the rumor started, that it didn't come from the Treasury.

H.M.JR: That isn't true.

MR. BELL: You get this thing started.

H.M.JR: And your middle name is Washington!

MR. GASTON: We are always studying rates, of course, in connection with finance. We always have. Our study becomes more intense just as each Drive approaches.

MR. BELL: We have not yet begun to study what goes in the basket.

H.M.JR: If I have to lie, I'm going to refer to you.

MR. BELL: I hope they don't raise it.

H.M.JR: I just got through giving a sermon to Internal Revenue that honesty is the best policy.

MR. BELL: On integrity. White lies don't hurt.

Vets Barred From Buying War Surplus

By DICK LEE

NEW YORK, Jan. 17 (N. Y. News).—Last September Congress with a great flourish passed the so-called Surplus Property Act which provided specifically that in the sale of war surplus the returning veteran should get the first call—particularly on trucks that would set him up in farming or small business.

Since that time millions of dollars of surplus vehicles have been sold—nearly five million dollars' worth during last November alone. Not one has gone to a veteran. In fact, he is specifically barred to this day by the ruling that only established dealers with repair equipment can buy them.

And the reason given by the Procurement Division of the Treasury Department—the auto sales department of the surplus setup—is that the newly created surplus property board has never found time to put the veterans' end of the Surplus Property Act into force and effect.

Upon the letterhead of the board date of January 11, 1945, the surplus information assistant at Washington, E. F. Mulligan, informed a would-be buyer, J. A. Frink, of East Hampton, Conn., that automobiles were going to recognized dealers only. Frink, a returned veteran, protested loudly.

V. J. Rader, director of the New York regional office of the Treasury Department's Procurement Division which handles automotive sales, explained today that this ban on sales to veterans was due to the Washington board's failure to put the law into effect by promulgating needed regulations.

January 18, 1945
11:03 a.m.

Oscar
Cox: Hello.

HMJr: Yes.

C: Mr. Secretary?

HMJr: Speaking.

C: I wonder if I could buy your lunch some day.

HMJr: Uh -- sure -- but I've got a perfectly good restaurant here.

C: You have?

HMJr: Yeah.

C: Well, I can't compete with you on that.

HMJr: I gather you've got something on your mind. Huh?

C: Well, no, nothing specific -- quite a few general things I'd like to

HMJr: Yeah.

C: bring you up to date on....

HMJr: Yeah.

C: and chat with you about.

HMJr: Well, I'd like to see you because I hear lots of things about different things that are going on that you're interested in.

C: Right.

HMJr: I'll tell you, it so happens I'm tied up today and tomorrow and Saturday. See?

C: Yeah. How about early next week? There's no rush on it.

HMJr: Well, if there's no Cabinet Friday afternoon, see?

C: Right.

HMJr: Supposing I give you a ring.

C: That will be fine.

HMJr: See? And then we'll get together Friday afternoon.

C: That will be swell.

HMJr: Supposing -- I'll hold -- say, tentatively -- four o'clock on the theory that there will be no Cabinet.

C: Good.

HMJr: How's that?

C: That's grand.

HMJr: And then next week some time we'll have lunch together anyway.

C: All right.

HMJr: Because I would like to see you this week.

C: Good.

HMJr: How's that?

C: Wonderful.

HMJr: And we'll -- we'll contact you.

C: All right, I appreciate that. Thank you.

HMJr: Thank you.

C: Bye.

January 18, 1945

11:15 a.m.

Re: BRETTON WOODS-FOREIGN ECONOMIC POLICY BOARD

Present: Mr. O'Connell
Mr. White
Mr. DuBois
Mr. Luxford
Mrs. Klotz

H.M.JR: The things we were going to take up, on the part of Stettinius, with the President, were, for instance, things between Treasury and State that affect the Treasury. That's what I would like to discuss now.

MR. WHITE: You cleared them all up but one, and that is the message on Bretton Woods we agreed upon last night. Dean Acheson approved it except for a minor change, and it is entirely satisfactory to us, and I am sure it would be to you, because you have everybody you wanted on it, the Legislative Committee that they had recommended and you approved.

H.M.JR: The Message on Bretton Woods is settled.

MR. WHITE: May I get the other documents then? I didn't know you were going to take that up.

H.M.JR: Didn't you tell them?

MR. O'CONNELL: I didn't tell anybody anything.

H.M.JR: I said tell the boys what it is about.

MR. O'CONNELL: I didn't understand that. I thought you meant just to tell them to be here.

Do you want me to tell them my story now?

H.M.JR: Any way you want.

MRS. KLOTZ: He just meant to tell them what the meeting is about.

H.M.JR: I said to tell the boys what the meeting is about.

(The Secretary, Mr. White, Mr. Luxford and Mrs. Klotz leave the conference temporarily.)

H.M.JR: Evidently you didn't get invited.

MR. DuBOIS: He told me if we didn't get invited, he would send me over the documents and give us our chance.

(Mr. White and Mr. Luxford re-enter the conference.)

H.M.JR: How about McCloy? Is he coming at three-fifteen?

MR. DuBOIS: I wanted to mention that to you. I didn't know whether or not you wanted to do that.

H.M.JR: I would like him to come.

MR. DuBOIS: If you have the time.

H.M.JR: I have the time.

MR. DuBOIS: I dictated a memo on Rosenman if you want it.

H.M.JR: I have mine.

MR. WHITE: Was I correct in stating it was fairly satisfactory?

MR. DuBOIS: No. I have been misled there. I think he could be--

H.M.JR: I am waiting.

MR. WHITE: This is a copy of the thing you had. That's what you gave Acheson.

(Mrs. Klotz re-enters conference.)

H.M.JR: Yes.

MR. WHITE: The first item--I haven't the copy--I think it is the Legislative Committee. There is the agreement. Harold Smith signed it, but wanted to change the accompanying letter, which the President would send to various agencies, and softened it a bit. Luxford seemed to think it was all right, so he is retyping that, and he was hoping to send it over this morning. I haven't received it, but, if that's all right, that's settled.

H.M.JR: I haven't signed that yet.

MR. WHITE: As soon as the original is retyped--do we have the original?

MR. LUXFORD: No, what we did, Mr. Secretary is send a carbon to Acheson, telling him to arrange to get an agreement with Smith, and we didn't want you to sign until Smith had indicated it was all right with him.

MR. WHITE: Smith has indicated.

MR. LUXFORD: Acheson has all the papers.

MR. WHITE: Your original will be sent over here for your signature.

H.M.JR: Get it over here by two o'clock.

MR. WHITE: The second item is the Budget Message.

H.M.JR: Message to Congress on Bretton Woods.

MR. WHITE: We have agreed on that. It has been retyped this morning and will be ready in fifteen minutes or a half-hour. It's about five or six pages long. It is an effective Message--if the President would accept it, it will be very good.

H.M.JR: That ought to be to the President with a letter from Stettinius and me. If you want to do this--

MR. LUXFORD: We thought maybe you would do that afterwards.

H.M.JR: I don't know whether I could get to see him. I had an appointment with him two times on that, and Stettinius called up to explain. He said he's seeing the President at eleven forty-five on the Mexican Conference, but I have been two times on that point, so I think that the easiest way to reach the President these days is through a joint letter which we can get over there, and I think if we send a letter signed by Stettinius and myself, that he would O.K. it.

MR. WHITE: To the President?

H.M.JR: Signed by Stettinius and me.

MR. WHITE: We will draft that at once.

MR. O'CONNELL: At this point I would like to make a suggestion. It seems to me, in my thinking--

H.M.JR: In this letter to the President I would tell him, (1) about the meeting which I haven't told him about which we had here, that meeting with Wagner and those people, you see--they wanted to come--give him a little paragraph about that; and (2) the telephone call I got from John McCormack saying, "Come on, send this thing up."

MR. WHITE: They thought their Message would be very helpful, and McCormack would like to receive the legislation right away.

H.M.JR: Yes. I would put that in a letter.

MR. O'CONNELL: My point is along that same line, but I would assume the best time to have the Message go down would not be before the time that we have agreed upon the form of legislation with Spence and Wagner, and have a copy of the bill to put in the hopper the same day. Say, "We hope you will like it," to the

President, and send it down, but as to the time, maybe have them approve it and hold it.

H.M.JR: I would say something like this, in this letter, say, if we are going to do this thing, then inasmuch as Stettinius will be out of the country, leave it with me to send it up on the Hill at the time that all the leaders on the Hill say it is the proper time.

MR. WHITE: That would fit Acheson's request not to go forward until we had agreed on specific proposals.

H.M.JR: If the President would leave the Message with me to send up at a time the leaders say it is the proper time to send it up--

MR. WHITE: The third item--

H.M.JR: Or if you can put it another way, if he would leave word with somebody, leave it with somebody at the White House, you see? And put it, leave it with an appropriate person. I don't want it. Leave it with me, what the hell! I will confer with the leaders on the Hill as to the proper time. Leave it with me.

MR. WHITE: With Stettinius out of town, that is appropriate.

H.M.JR: Say with Stettinius out of town, leave it with me.

MR. WHITE: I forgot the third item.

H.M.JR: Bretton Woods legislation.

MR. WHITE: Oh, legislation. They are not yet in agreement. How much, Joe, how far apart are you?

MR. O'CONNELL: I have explained that. I have mentioned it to the Secretary before and I would like to mention it again. On Tuesday I called Dean--on Monday or Tuesday--Acheson to tell him we were sending a copy of our draft of the Executive Order over, and

during the conversation Dean asked me if I would be willing to sit down with him and Judge Vinson to see if we could not come to an agreement to have Vinson as arbitrator, so to speak, on the one point which was a very difficult point in our meeting on Saturday. You walked out before it was over. It is a very technical question, as to whether or not the legislation would get a better reception if it were set up as we have set it up in terms of authorization to the President to sign it, or whether it would be set up on a basis of Congressional indication, indication of Congressional approval, and desire he participate in this thing like in the banking fund. The problem is one of strategy, almost entirely, although there would be some substantial disadvantage from our point of view, because we will have to include more in the legislation if we follow the State Department's approach. I told Dean I would, though. I haven't heard from him since.

MR. WHITE: I am wondering whether, at that point, you better not get the opinion of Wagner and Spence, rather than--

MR. O'CONNELL: We have to get their opinion anyway, but it was Dean's thought, I am sure, that we could possibly come to an agreement between ourselves, and with Vinson to help us to come to an agreement, and at that point we would still have the problem of whether or not Wagner and Spence, particularly the Senator, would believe that they might come to an agreement on one approach, and the Senators believe the other approach is better, even if we did agree.

MR. WHITE: How much do you think they are giving up if we agree with that?

H.M.JR: Excuse me, just so I get it straight. What is the thing you want Vinson to arbitrate?

MR. O'CONNELL: Whether or not the form of legislation should be as we have suggested, that the Congress authorize the President to sign the Bretton Woods agreement. That's our suggestion. The State Department wants to have the

legislation start off by indicating that it is the policy of Congress that the President enter into such agreements, as the Bretton Woods agreement, and then goes on to make substantial or substantive revision of the law as required, appropriations point, and so forth.

H.M.JR: May I say something before Luxford? Please, do you mind?

MR. LUXFORD: Surely.

H.M.JR: My own feeling is this: I would not go to Vinson as an arbitrator, see? I would go to the members of the Delegation who are in Washington, just the way we would at Bretton Woods. We have a little meeting--there is a question as to State's strategy--we don't know. We would like to have the other Delegates to listen.

MR. O'CONNELL: You mean the Delegates to Bretton Woods?

H.M.JR: Who are in Washington, which would be Vinson, Eccles, Spence--I mean, call a little meeting if it is that important. In other words, to be frank, I don't want to give Vinson that exalted position. When we left, Senator Wagner said, "Whenever you are ready with the next thing, let me know." If this is important enough, then I would like to have a little meeting of the Delegates and put it up to them.

MR. WHITE: That will also give the Delegates a feeling you are taking them in on these matters, because they certainly don't--

MR. O'CONNELL: I think this is primarily a matter of Congressional strategy. It has to do with whether it will look less like a treaty if you send it one way, rather than the other.

H.M.JR: I wouldn't take Vinson's advice.

MR. O'CONNELL: Maybe Vinson would agree with us.

H.M.JR: I don't care. Even if he does, I wouldn't care. I'll tell you why. This is an important matter. Vinson, the other day at luncheon--you don't know about him--but he talked too damned much, and he was laying down the law all the time to Spence, and these other people, didn't give Spence a day in Court, as to how to handle Congress. Now, the whole idea of my recommendation--I don't know whether it was mine--but the idea of the Presidents of having two members of the House and two of the Senate was to keep them informed, so when we go on the Hill they could help us put through legislation--and I just felt that Vinson was shooting off his mouth too much the other day. To me he was objectionable. If I had been a Congressman, I would have said, "Look here, Fred, you are down running this department; I am Chairman of the Committee on Banking and Currency, and Mr. Morgenthau wants to know when it should be introduced. Let me tell him."

Now, I like Fred. No one could have been more loyal or more useful to me at Bretton Woods than he was, so I want to say that I think there should be a meeting of the Committee. I think that the proposed Message of the President on Bretton Woods should be read to them, and I think that it is very important that they feel they are part of this thing and that they should see this Message. Then, if there is any other question which should be put up to them--not Vinson alone, but if I was at Bretton Woods and had nothing else to do, that's how I would handle it. I have only had one meeting. I would call them together and say, "We have made this much progress. We want to know whether you approve of it. What are your suggestions?" They may not like the Message. They may have some very good suggestions. There is a question on which State and Treasury doesn't see eye to eye. We would like your advice.

MR. O'CONNELL: I don't think we have exhausted the possibility of State and Treasury seeing eye to eye. I don't think the difference between the State and Treasury approach is anything that is worthy of taking up the time of the Delegation.

H.M.JR: No message should go to the President without four Congressional Delegates seeing it, and being consulted about it.

MR. WHITE: Wait, do you want to delay this letter until he is out of town?

H.M.JR: No, I would get that anyway, and if they make suggestions, wire them; and when we wire those things to the President, he is very good about them. See? I have done a lot of talking, not just on that. I'll put it this way. You are writing up something where minds meet. If we must consult this Delegation more--

MR. O'CONNELL: That may very well be true, but I certainly see no profit in having the Delegation attempt to decide whether or not this--

H.M.JR: If you don't mind, I overrule Acheson's suggestion that we use Vinson as an arbitrator. I think we should have a meeting of the Delegation to bring them up to date, and at that time, incidentally, bring up the other question. Is that all right with you?

MR. O'CONNELL: Yes, sir. I think so. I think that this difference between us and State which we argued two hours on Saturday--

H.M.JR: I haven't talked to anybody since you talked to me, so nobody here has seen me on this.

MR. O'CONNELL: I understand.

MR. LUXFORD: What I wanted to add, Mr. Secretary, was when Bunn was over here clearing the President's Message yesterday he was also in on the legislation with Acheson. Now, Bunn said he submitted a proposal for Acheson's consideration to compromise the difference between State and Treasury, which from our point of view would be very good. If Acheson is preparing to go along with that, this whole thing becomes a tempest in a teapot.

H.M.JR: I would have the meeting anyway.

MR. LUXFORD: If we can get an agreement between State and Treasury--

H.M.JR: Say, for arguments sake, we are going to have a meeting on Monday. Look, gentlemen, if between now and Monday we can't settle this between State and Treasury, then Mr. Morgenthau is going to refer to the Delegation. How is that?

MR. O'CONNELL: I would be amazed if we could not come to an agreement with State.

MR. WHITE: There should be a meeting anyway. I am in thorough agreement with that. We need their support, not their nominal support, but we want them to feel they are in the picture, and it's their fight as well as ours. They won't feel that we have neglected them.

H.M.JR: It would be a grave error to have the President send a message on the Hill without first submitting it to the four Congressional Delegates. If they only change one word, they will love it. Now, I started this thing. I was the first fellow to start this thing working with them, and now everybody is doing more. Let's stop arguing, see, and leave it this way. We will set a date now, see, for a meeting of the Delegates, to submit the President's Message, and you lawyers who are working on this thing will tell State that if this thing isn't settled by then, then they can bring it up. See? Why don't we aim for Wednesday? Is that too far off?

MR. O'CONNELL: Well--

MR. WHITE: No, Tuesday or Wednesday.

H.M.JR: I can aim for Monday. I am free Monday.

MR. WHITE: Maybe Tuesday would be better.

H.M.JR: I can't. I have OSS. I'll tell you what we will do.

MR. WHITE: You are asking four Senators to come down. Usually they need a little more time.

H.M.JR: You might send a wire to Fred Brown and tell him what is happening.

MR. WHITE: I can telephone him. I think that will be better. It is quite a jump from Chicago to here.

H.M.JR: Tell him if he doesn't, we will mail him a copy of the thing.

MRS. KLOTZ: What about the other Congressman who came and was here a short time?

MR. WHITE: Somers, and there is another one.

H.M.JR: Was Crowley a Delegate?

MR. LUXFORD: He never showed up.

MR. WHITE: I forgot all about it. He was a Delegate.

H.M.JR: What do you recommend?

MR. WHITE: I think you ought to bring him in. I don't think he is going to like the Message.

H.M.JR: He wasn't here the other day.

MR. WHITE: We forgot about him.

H.M.JR: What do you recommend?

MR. LUXFORD: I wouldn't include him.

MR. WHITE: Well, you see if he knows the other Delegates are meeting, and he is not, then where he was neutral before, he becomes an enemy. I think it's better to invite him.

H.M.JR: O.K. You check with this outside, and I'll tell you, Luxford, you act as Secretary of this Delegation, will you please? See that this goes all right, will you? You act as Secretary and round this thing up.

MR. WHITE: The next item is the last item.

MR. O'CONNELL: Let me be sure I understand the form of legislation between now and the time you meet. We are to proceed with the hope that we will come to an agreement with the State Department, and all I am prohibited from doing is talking to Vinson.

H.M.JR: You are not prohibited. Let's get the language straight. I don't want to use Vinson as an arbitrator on this matter, because I didn't particularly like the way he handled himself, versus these Congressmen the other day. I thought he was--well, bombasting is the word.

MR. O'CONNELL: Acheson made the suggestion.

H.M.JR: On a matter of this importance, if we can't get together, I would refer it to the Committee as a whole.

MR. O'CONNELL: O.K.

H.M.JR: I am glad it came up. I never would have thought of referring the President's Message to this group beforehand.

MR. LUXFORD: Probably the President will have acted on it by that time. We won't know when we give it to him whether he has approved it or not.

H.M.JR: We have it anyway.

MR. WHITE: If he has approved it, fight off changes; if he hasn't approved it, fight off changes.

H.M.JR: I was supposed to see the President today, but it was postponed because White wasn't ready.

MR. WHITE: I was up too late last night.

(Discussion off the record.)

H.M.JR: Oscar Cox called me up and asked me if he could buy me a lunch. I want you to know I'm coming up in the world. (Laughter)

Let's do the next thing.

MR. WHITE: The next thing is the Executive Order. The one that Joe sent over and was agreed upon here was this one. I am sorry I haven't the original.

MR. LUXFORD: I have the original.

MR. WHITE: There were two orders before you. The long one is the one we felt carried out your policy and we agreed upon. That, Joe sent over to Dean Acheson to consider. You asked him about it yesterday afternoon. (Referring to Attachment A.)

Dean said he had wanted to talk to Clayton about it. He said there were minor changes and one major change. I asked him what the major change was, and he said the major change--

H.M.JR: Where did you meet last night.

MR. WHITE: At his office. While he was here I asked him what the major change was so I could discuss it with you.

H.M.JR: You weren't confirmed yet, so you are going over there. (Laughter)

MR. WHITE: That's right. I was thinking of a song.

(Discussion off the record)

MR. WHITE: He said that the major change was that the Committee was to be authorized to make recommendations for the appointments on all committees dealing with all bodies representing the United States in international fields. Remember, I mentioned that to you in the car? I said I don't understand why they should include that, and you said you didn't think it was important.

H.M.JR: I didn't say that it wasn't important.

MR. WHITE: You said you didn't see why it should be in here. We ought to keep this as simple as possible. I said that merely to show that Acheson was a little less than honest, to put it generously, because when he came there the night he handed us this short document--and this short document is a very different document from the long one, and I don't know--shall we discuss this short document?

H.M.JR: Which is the one--

MR. WHITE: The short one is the one they are recommending. The short paper. (Referring to Attachment B.)

H.M.JR: Let me read the long one first.

MR. WHITE: That's the one we gave them.

(The Secretary holds a telephone conversation with General Watson, as follows:)

January 18, 1945
11:48 a.m.

Operator: There you are.

HMJr: Hello.

General
Watson: (Aside: No, I'm sterilized. I disagree with you.)
Hello.

HMJr: I don't hear you.

W: I just took a drink of whiskey.

HMJr: You took a drink of whiskey?

W: I'll tell you I had a little cold. I just told
Ed Stettinius and Nelson Rockefeller I want to
keep myself sterile -- sterilized, I mean.

HMJr: (Laughs) Oh, boy, was that a slip!

W: Not sterile.

HMJr: That is known as a Freudian slip.

W: I know, I'm already

HMJr: If you don't know what that is, ask your wife.

W: Well, I'm that way anyhow.

HMJr: Yeah.

W: There's no use asking anybody. (Laughs)

HMJr: Yeah. Yeah.

W: Say, look here, he said, "Henry by himself after
Cabinet tomorrow," is what he said. Now, if
you don't get in there tomorrow, let me know and
I'll get you in before we go.

HMJr: Well

W: I think he meant you'll kind of follow him back.

HMJr: What's that?

W: I thought

HMJr: Well, if I can do it, but not in the Cabinet room.

W: I know, but I thought you'd follow him in.

HMJr: Well, will you assist me?

W: I'll do all I can. About six others are trying to do it. Francis Biddle and everybody else. It might be that I'll have to get him to see you a minute Monday -- or Sunday.

HMJr: Yeah, but I lost out today and

W: Well, you're going to play poker with me Sunday night, I think.

HMJr: Yeah, but I gather that Stettinius and Rockefeller are getting in.

W: Well, I'll tell you, they had -- it's about this Mexican Conference

HMJr: Yeah.

W: he wanted to see them.

HMJr: But Stettinius and Morgenthau, no soap, huh?

W: Well, it can be but I thought you'd rather have that -- I'm responsible for that -- I thought you'd rather have the separate one.

HMJr: Well -- who's listening to you?

W: Nobody.

HMJr: Yeah, I'd rather have it.

W: Well, that's what I thought.

HMJr: Yeah.

W: You know I'm trying to -- I'm trying to do the thing that will save you and the President -- and I know he's got to see you and he's got to see Ed, and he's got to see Nelson.

HMJr: Yeah.

W: So I thought that was the best. And I'll take your money from you Sunday night so help me, God!

HMJr: Huh.

W: I figure on getting about seventy-five dollars.

HMJr: Not if -- not if you've -- not if you are what you just claimed you are.

W: (Laughs) You know instead of saying I was sterilized, I said I was sterile.

HMJr: Yes, I know. You'll never hear the end of that one.

W: Huh?

HMJr: You'll never hear the end of that one.

W: Well, it's probably true.

HMJr: Okay.

W: All right.

HMJr: Bye.

H.M.JR: It's Cabinet tomorrow, and I am supposed to stay behind and see him in his office, so I had better take those pages with me.

You say "economic," not anything about financial. Is that all inclusive?

MR. WHITE: It includes financial.

H.M.JR: Now, this is the other. Did you purposely leave out the word financial?

MR. WHITE: Yes, we did.

MR. O'CONNELL: It was intended to include that.

MR. DuBOIS: It is better not to be too specific on it.

H.M.JR: "Domestic fiscal and economic policy of the United States." That overlaps right into Byrnes' field.

MR. WHITE: There is nothing under this document that wouldn't be in their field.

MR. O'CONNELL: On this point, under (B), as I read it, it says to bring the international organization in line with--

MR. DuBOIS: You know what that gives them the excuse for doing.

MR. O'CONNELL: ...domestic. Well, it doesn't assert that organization enters into the domestic field.

H.M.JR: As far as I have read the thing--the reason I am for this, and the reason I think I can sell this to Stettinius is this is a much simpler form, and it is vague, and the President doesn't like these things that are too wordy. If we use small type, we can get it all on one page. He would like that.

Let's feel our way along, and we won't get a lot of opposition from other people.

MR. LUXFORD: This is the difference.

H.M.JR: This thing is nailed down.

MR. LUXFORD: It's a sledge hammer!

H.M.JR: One month after it is written, it is out of date.

MR. WHITE: The way they worded this, what was a high-policy word, they converted into a super government operation, because we haven't given them the power to direct. They are going to run all these things. It's not a question of establishing a policy.

H.M.JR: Let me get this thing.

MR. WHITE: They know very well because they have done that very deliberately, and I told Acheson that.

H.M.JR: I'll ask for Mr. Yost of the State Department on the telephone.

MR. WHITE: They were going to talk to Stettinius this morning. We told them we thought this would not be acceptable to you, because it reached out so much more than you intended, and it would create a great deal of animosity among departments and be unworkable, and it is carrying out what we understood to be your policy. We discussed it at some length, and they said they would have to talk that over with Stettinius this morning.

MR. LUXFORD: So that he won't do badly, this will not go on one page. The White House dictates the form of Executive Orders. It will be short, though.

H.M.JR: We can submit it. You can shorten this thing up. You don't have to have margins.

MR. LUXFORD: Under instructions from the White House, we can't change a line in spacing all the way through. It will be two pages.

H.M.JR: That's all right. I won't have any trouble selling it.

MR. WHITE: I think he would make a mistake to try to run this. You notice how they are setting up the Secretary in the State Department, and that they are directing all these activities. It's an absurd performance on Acheson's part.

H.M.JR: Listen. Let me--I'll get to Stettinius if I can. I am going to see him alone for three minutes. I can do this thing in three minutes. And then, I'll--well, I don't know, you fellows decide on it--I don't want to take too many. There isn't any use for fifteen of us to go over.

MR. WHITE: I don't think you need anybody on this. One man. You don't need anybody to sell this to Stettinius.

H.M.JR: I think I will go alone. If they get into a legal clinch, the less I know, the better.

MR. O'CONNELL: There is no legal problem involved in an Executive Order.

MR. WHITE: If they say they want to change it, it doesn't mean they can't, and say if it doesn't, you would like it your way and not include it. (Laughter)

H.M.JR: Did they at no time agree to this?

MR. LUXFORD: They took our form and--

MR. WHITE: That is much more in harmony with what went before, anyhow.

H.M.JR: One thing I want you to do when I see Stettinius. Did you notice, Harry, they did not have Pete Collado in on this?

MR. WHITE: They didn't tell Pete Collado. At least he said he called Glasser to know what went on. Whether he did it purposely or not, I don't know.

H.M.JR: I want a little memo from you for my own use on Pasvolsky, see? I am going to give him the works, and I want to tell them also from you--they are going to have this promptly after lunch--on these State Department men, who were advising Winant on the European Advisory Committee how lousy they are. There are three men over there. I just want those. I want those on one sheet for me to remember.

MR. WHITE: I don't know much about Pasvolsky.

MR. DuBOIS: We all know who they are.

H.M.JR: I want those three names, see?

MR. WHITE: You are going to discuss it with Stettinius or the President?

H.M.JR: With Stettinius. We are having a meeting at three-fifteen, and he will just have to sit and listen.

MR. DuBOIS: Are you supposed to confirm that with Mr. McCloy, Mr. Secretary?

H.M.JR: I don't think so, but we can.

Now, who is interested in the Criminal Commission? Joe, are you interested?

MR. O'CONNELL: I have been in on some of the more recent discussions.

H.M.JR: It would be nice if you would come in.

MR. DuBOIS: Luxford and I?

H.M.JR: If the three of you will be here at three-fifteen.

EXECUTIVE ORDER
ESTABLISHING A FOREIGN ECONOMIC
POLICY BOARD

By virtue of the authority vested in me, as President of the United States, by the Constitution and statutes of the United States, and in order to provide for the more effective coordination of the functions and activities of the Government in relation to foreign economic problems, it is hereby ordered as follows:

1. There is hereby established the Foreign Economic Policy Board (hereinafter referred to as the Board). The Board shall consist of the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce and the Secretary of the Interior. The Secretary of State shall be Chairman of the Board. The Chairman of the Board shall request the heads of other agencies and departments to be represented in the Board's deliberations whenever matters specially affecting such agencies or departments are under consideration.
2. It shall be the function of the Board, acting subject to the direction and control of the President:
 - (a) To develop unified programs and to establish policies with respect to the economic relationships between this Government and foreign governments.
 - (b) To arrange for the unification and coordination of the activities of this Government relating to foreign economic affairs.

(c) To report to the President at frequent intervals concerning its activities and to make such recommendations to him as the Board may deem appropriate.

All action of the Board shall be in conformity with the foreign policy of the United States as determined by the Secretary of State.

3. It shall be the duty of all agencies and departments to supply or obtain for the Board such information and to extend to the Board such assistance and facilities as the Board may require in carrying out the provisions of this order. Nothing contained in this order shall remove the responsibility or authority of each executive department or agency for carrying out its own functions and operations but such functions and operations shall be carried out in accordance with the foreign economic policies formulated by the Board.

4. All prior executive orders and instructions insofar as they are in conflict herewith are amended accordingly.

COPY

ATTACHMENT B

Draft 1/16/45 A-A:DA:jk

TOP SECRET

EXECUTIVE ORDER
ESTABLISHING A FOREIGN ECONOMIC
POLICY BOARD

By virtue of the authority vested in me, as President of the United States, by the Constitution and statutes of the United States, and in order to provide for the more effective coordination of the functions and activities of the Government in relation to foreign economic problems, it is hereby ordered as follows:

1. There is hereby established the Foreign Economic Policy Board (hereinafter referred to as the Board). The Board shall consist of the Secretary of State, the Secretary of the Treasury, the Secretary of Commerce and the Secretary of the Interior. The Secretary of State shall be Chairman of the Board. The Chairman of the Board shall request the heads of other agencies and departments to be represented in the Board's deliberations whenever matters specially affecting such agencies or departments are under consideration.
2. The Board shall:
 - (a) direct and unify the international economic and financial operations and activities of the agencies of the Government of the United States,

(b) bring international economic and financial activities of the United States into proper relation with those international organizations in which the Government of the United States participates, and also with the domestic fiscal and economic policy of the United States,

(c) direct the relations of the United States with all international economic and financial organizations in which the United States participates, in the following manner

- (i) make recommendations to the President of the United States regarding the appointment, reappointment and removal of United States representatives accredited to such organizations;
- (ii) lay down general policies for the guidance of the United States representatives accredited to such organizations;
- (iii) receive regularly full reports from the United States representatives accredited to such organizations, and make a continuous review of their activities; and
- (iv) (something about authorizing such action on behalf of the United States as the Executive can authorize).

(d) report to the President at frequent intervals concerning its activities and make such recommendations to him as the Board may deem appropriate.

All action of the Board shall be in conformity with the foreign policy of the United States as determined by the Secretary of State.

3. There is hereby established a secretariat for the Board in the Department of State. The Department shall provide the necessary supplies, facilities and services.

4. It shall be the duty of all agencies and departments to supply or obtain for the Board such information and to extend to the Board such assistance and facilities as the Board may require in carrying out the provisions of this order. Nothing contained in this order shall remove the responsibility or authority of each executive department or agency for carrying out its own functions and operations but such functions and operations shall be carried out in accordance with the foreign economic policies formulated by the Board.

5. All prior executive orders and instructions insofar as they are in conflict herewith are amended accordingly.

Prepared for conference with the

237 ✓

President 1/18/45 - appointment was cancelled.

*King saw Pres after
Cabinet 1/19/45 - see that date
for papers taken with him*

2.9

WHITE HOUSE

Thursday, January 18, 1945

1. Letter HM Jr wrote January 1, 1945, to the President pointing out why it was important to give cooperation to Russia.
2. Under Secretary Grew's letter of January 15th in regard to above letter to the President.
3. Memorandum to the President, dated January 18th, in regard to financial aid to Russia.
4. Two cables from Harriman.
5. Letter to the President on Foreign Financial Policy Board dated January 5th.
6. Memorandum to the President dated January 10th on Foreign Financial Policy.

January 1, 1945

My dear Mr. President:

During the last year I have discussed several times with Ambassador Harriman a plan which we in the Treasury have been formulating for comprehensive aid to Russia during her reconstruction period. We are not thinking of more Lend-Lease or any form of relief but rather of an arrangement that will have definite and long range benefits for the United States as well as for Russia.

Ambassador Harriman has expressed great interest and would like to see the plan advanced. I understand from him that the Russians are reluctant to take the initiative, but would welcome our presenting a constructive program.

You will recall that at Quebec Mr. Churchill showed every evidence that his greatest worry was the period immediately following V-E Day. We have now worked out a Phase 2 Lend-Lease program with the British after two months of very hard work.

I am convinced that if we were to come forward now and present to the Russians a concrete plan to aid them in the reconstruction period it would contribute a great deal towards ironing out many of the difficulties we have been having with respect to their problems and policies.

If a financial plan of this nature interests you at this time, I would appreciate an early opportunity to discuss it with you and Mr. Stettinius.

I am sending Mr. Stettinius a copy of this letter.

Sincerely,

(Signed) H. Morgenthau, Jr.

The President

The White House.



DEPARTMENT OF STATE
WASHINGTON

January 15, 1945

My dear Mr. Secretary:

I have studied your letter of January 1 to the President relating to the Treasury's plan for comprehensive financial aid to the U.S.S.R. during her reconstruction period. In this connection you will have received paraphrases of Ambassador Harriman's two telegrams regarding the recent Soviet request for a large post-war reconstruction credit.

We have been considering these matters and would be pleased to sit down with you and members of the Treasury staff to discuss your plan and the Soviet request.

Sincerely yours

A handwritten signature in black ink, appearing to read "Joseph P. Terrell", written in a cursive style.

Acting Secretary

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





THE SECRETARY OF THE TREASURY
WASHINGTON

January 18, 1945.

MEMORANDUM FOR THE PRESIDENT

Subject: U.S. - U.S.S.R. Negotiations on the
Lend-Lease, 3(c) Financial Settlement
for Supplies Delivered after VE-Day

Informal discussions with the Russians were begun by Harriman a year ago and formal negotiations have been going on for at least 9 months. Yet, at the present time, negotiations are stalemated. A summary of the course of negotiations follows.

1. Harriman began general discussions with the Russians in January 1944.
2. In March 1944, after formal negotiations began, the Treasury was requested by the State Department to recommend interest rates and amortization provisions for the financial settlement and did so under letter of March 22, 1944.
3. In early August 1944, State requested the Treasury to suggest concessions on the interest rate and amortization provisions on the basis of Russian counter-proposals, which was done.
4. In late August 1944 when the Russians rejected these concessions, the Treasury proposed to the State Department a new approach involving a financial settlement without the payment of interest. This proposal was rejected by the State Department and the FEA, and these two agencies involved in the negotiations continued to present the Russians with an inflexible position on disputed points.
5. On September 22 the State Department sent to Moscow the "final" terms of an agreement which the Russian negotiators had already indicated would be unacceptable to Moscow.
6. The Russians did not respond officially to the "final" proposal of this Government until January 6, 1945 when they proposed to Harriman a long-term credit which would include the lend-lease 3(c) supplies.
7. At the present date, State has revived the Treasury proposal of August 1944 involving a non-interest financial arrangement, in an effort to break the stalemate.



PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow
TO: Secretary of State, Washington
DATED: January 6, 1945
NUMBER: 61

SECRET

We refer herewith to our previous cable of January 4, 1945, No. 29.

It is my belief that the Department will be interested in receiving my reactions now that I have recovered from my surprise at the strange procedure followed by Molotov in starting discussions concerning a post-war credit in such a detailed aide memoire.

One. It is felt by me that the unconventional character of the document and the unreasonableness of its terms should be entirely disregarded by us and it should be chalked up to the strange ideas of the Russians on how to obtain the best trade and ignorance of normal business procedures. It has increasingly become my impression from our experience that Mikoyan has not gotten away from his Armenian background. Negotiations are started by him on the basis of "twice as much for half the price" and then he gives in little by little expecting to wear us out in the process.

Two. It was made very clear by Molotov that great importance was placed by the Soviet Government on a large post-war credit as a basis for the development of relations between the United States and the Soviet Union. An implication that development of

development of our friendly relations would be dependent upon a generous credit was sensed by me from his statement. Of course I very strongly and earnestly feel that the question of the credit should be brought into our over-all diplomatic relations with Russia and the Russians should be given to understand at the appropriate time that willingness on our part wholeheartedly to cooperate with them in their vast problems of reconstruction will depend upon their behavior in international affairs. In this connection I also feel that the eventual Lend-Lease settlement should be kept in mind.

Three. It appears probable that the prospects of a meeting were kept in mind in the timing of the delivery of this note. Therefore, it is interpreted by me to indicate that the Russians would expect a discussion on this subject if there is a meeting.

Four. Apparently the time has come when the policy of our Government should be crystallized and a decision reached on what we are prepared to do provided there is satisfactory development in the other aspects of our relations.

Five. My basic conviction is that we should do everything possible through credits to help the Soviet Union develop an economy which is sound. It is strongly felt by me that the sooner a decent life for its people can be developed by the Soviet Union the more tolerant they will become. It is necessary for one to live a considerable period of time in Russia to appreciate fully the unbelievably low standards prevailing among the Russian people and the extent to which their outlook is

effected

effected thereby. During this war the Soviet Government has proved that it can effectively organize production and I am satisfied that although they will retain a substantial military establishment, the great urge of Stalin and his associates is to provide a better physical life for the people of Russia.

Six. In order that political advantages may be retained and that we may be satisfied that the equipment bought is for purposes which meet our general approval, I believe that control of any credits granted should be retained by the United States Government.

Seven. In the note accepting the Fourth Protocol which Gromyko recently delivered to the Department I noticed the Soviet Government's request that we should put into production industrial equipment which the Soviet Government agrees to pay for under terms of the long term credit. However, there is no reference made to the terms of this credit and therefore it is assumed by me that the terms proposed in the aide memoire handed me have been referred to by the Soviet Government. Should this be correct, it would appear that an attempt is being made by the Soviet Government to improve our proposals for the three C credit under Lend-Lease in this new proposal for combining post-war and Lend-Lease credits.

Eight. Apart from the post-war credit question, it is recommended that the Soviet Union be informed promptly by the Department, either through me to Molotov or through Gromyko or both: (a) that Lend-Lease credit must be segregated from the consideration of credits for the post-war period; (b) that final terms for

-4-

terms for the credit under three C have already been given by the Department; (c) that before any further long range industrial equipment can be put into production agreement must be reached on the terms of this Lend-Lease credit. We have observed from experience that in the length of time being taken by the Russians in erecting the oil refineries and tire plant there is little likelihood that the war will be directly influenced by equipment for long range projects now put into production, and it would not seem that the equipment for these projects is urgently needed at this time unless there is willingness on the part of the Soviet Government to accept the generous terms of our offer of financing.

The foregoing message is secret for the Secretary.

HARRIMAN

DC/L:IDB:MLM

1/9/45

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow
TO: Secretary of State, Washington
DATED: January 4, 1945
NUMBER: 29

SECRET

I called last night upon Molotov at his invitation. An aide memoire dated January 3 was handed me by him, which was as follows in substance:

It was stated in Gromyko's note of October 31 concerning the fourth protocol, that the Soviet Government would put forward for our government's consideration its proposals for a long term credit to the U.S.S.R. Accordingly, the Soviet Government wishes to state as follows: Bearing in mind the repeated statements of American public figures concerning the desirability of receiving extensive large orders for the postwar and transition period, the Soviet Government considers it possible to place orders in the amount of six billion dollars on the basis of long term credits. These orders would be for industrial equipment and manufactured goods (oil pipes, rails, railroad cars, locomotives and other products). Also, the credit would cover orders for locomotives, railroad cars, rails and trucks and industrial equipment placed under Lend Lease, but not delivered to the Soviet Union before the war's

conclusion

conclusion. Credits should run for 30 years, amortization to begin on the last day of the ninth year and on the last day of the thirtieth year to end. Reckoned from the end of the 9th year, the amortization should take place in the following annual payments: $2\frac{1}{2}\%$ of principal for first 4 years; $3\frac{1}{2}\%$ for second 4 years; $4\frac{1}{2}\%$ third 4 years; $5\frac{1}{2}\%$ fourth 4 years; 6% last 6 years. Either in full or in part, the Soviet Government will be entitled to pay up principal prematurely. Payment may be postponed for an agreed period, if the two governments decide that because of unusual and unfavorable economic conditions, payment of current installments at any time might not be to mutual interest. Interest to be fixed at $2\frac{1}{2}\%$ annually.

A discount of 20% off the government contracts with firms of all orders placed before end of war and falling under this credit, should by the United States Government be granted to the Soviet Union. There should be left to agreement between the American firms in question and the Soviet representatives the prices for orders placed after the end of the war.

I stated, after reading the memorandum, that I would report it to my government but that there would be no use in my making any general comments thereon.

However, I called Molotov's attention to the fact that at the present

the present time our government has authority from Congress to deal with that part of this proposed credit which concerns the period of Lend Lease only, explaining that this authority stops with the termination of hostilities and that new authority from Congress would be a prerequisite thereafter. In addition, I said that, as he knew, we had been trying for months to come to an agreement with the Soviet Government with respect to financing those requests for industrial equipment under the fourth protocol which we had received from them. The interest rate we had offered was $2-3/8$, not $2\frac{1}{4}$, as I pointed out. Although I did not recall the figures on price adjustments I stated that it was not 20 percent.

It was stated by Molotov that he understood my position and the necessity for my referring this matter to my government, but wished to know whether I personally considered it appropriate to raise this question at the present moment. Speaking from an entirely personal viewpoint, I replied that I thought the moment entirely favorable for arriving at a final agreement about the Lend Lease orders for the war period and for the opening of preliminary discussions on the question of postwar credits. It was pointed out by me that it would take some time to work out an agreement and to obtain the required authority from Congress, and that for this reason discussions should be begun before the

war

war was concluded.

In addition, I stated that I was sure that my government would wish to divide into two parts the proposal advanced in the memorandum, namely, the Lend Lease and postwar periods. Concerning the Lend Lease period, I was satisfied that our answer would be the final terms that had previously been submitted to the U.S.S.R.

Agreeing that, of course, the Lend Lease questions must be settled, Molotov stated that an answer had been sent through Gromyko that same day, but he thought that consideration should also be given to the remainder of the question. He said the future of Soviet-American relations must rest on a solid economic basis and have certain vistas (prospectus) before it, and that of the question now before us, that of the Lend Lease credit under the fourth protocol was only a small part. The present moment is considered by the Soviet Government appropriate to raise in general the broad question of postwar credits. Of course, the Soviet Government was interested in this question itself; but it seemed to him that the American Government and American industry must also be interested in knowing the desires of the Soviet Union.

Inquiry was made of Molotov as to what period the Soviet Government would expect to obtain delivery of these six billion dollars worth of goods and he replied over a period of several years, the limits of which would have to be determined by the two governments through agreement.

Concluding

Concluding the interview, I reminded Molotov that to study and work out a solution to this question would take some time. Replying to his remark about American industry, I called his attention to the fact that we were now short of labor in the United States and viewed the present Lend Lease requests entirely from the standpoint of giving the Soviet Union assistance.

My comments on this proposal extraordinary both in form and substance will be forwarded to the Department in a subsequent cable.

HARRIMAN

DC/L:MAS:AN

1-9-45

January 5, 1945

My dear Mr. President:

I am sending you, enclosed herewith, a memorandum on a Foreign Financial Policy Board, and also a proposed Executive Order.

Ed Stettinius and I would like to have an opportunity to discuss this with you at an early date. This does not mean that Ed and I are having any fundamental differences; on the contrary, we have gotten off to a grand start together. However, it is our belief that nobody but yourself can settle this question because, quite frankly, we do not know just what you have in your mind.

Sincerely yours,

(Signed) H. Morgenthau - 1.

The President,

The White House.

MEMORANDUM RE: ESTABLISHMENT OF A FOREIGN
FINANCIAL POLICY BOARD

1. The President suggested to the Secretary of State, on August 21, the possibility of establishing a Foreign Financial Policy Board. The Secretary of State, on September 26, raised certain doubts with respect to this proposal, stressing the functions of the Executive Committee on Economic Foreign Policy. The Secretary of State indicated, however, that there might be a need for an interdepartmental committee to coordinate, within the general framework of foreign economic policy, foreign financial activities and indicated that he would be glad to ask the Executive Committee on Economic Foreign Policy to explore the matter and prepare a plan for coordination of our foreign financial operations.

2. The Executive Committee on Economic Foreign Policy has now submitted a plan proposing the creation of a Financial Section of that Committee which would be on an equal level with the General Section of the Committee, both Sections having the power to make recommendations to the President. It is provided that the Executive Secretary of the Executive Committee should be the secretary of the Financial section as well as the General section, and the Executive Committee Secretariat should serve the Financial Section as well as the General Section.

3. This proposal submitted by the Executive Committee on Foreign Economic Policy has a great deal of merit. In view of the fundamental importance of the issues with which both the economic and financial committees will be dealing and in order that those committees may carry as much weight with governmental authorities as possible, it is suggested that both committees be formally established at a Cabinet level. The Secretary of State would chairman the committee on foreign economic matters and the Secretary of the Treasury would chairman the committee on foreign financial matters. Both Cabinet committees would, of course, have appropriate technical sub-committees.

4. As a further measure to augment the prestige of the proposed Committee, it is suggested that it be established pursuant to Executive Order.

5. It is also suggested that both committees have separate secretariats although close liaison could be maintained between the two secretariats. Both secretariats would exchange documents and each could have a representative at all of the meetings of the other's committee.

6. The Executive Committee on Economic Foreign Policy has suggested that the Financial Section of that Committee should represent the Treasury Department, the Department of State, the Reconstruction Finance Corporation, the Foreign Economic Administration, and the Export-Import Bank. The Committee also suggests that there should be an observer from the Bureau of the Budget and that representatives of the Board of Governors of the Federal Reserve System, the Office of Economic Stabilization, the Surplus Property Board, the Securities Exchange Commission, and other agencies be invited to participate when subjects of particular interest to them are under consideration. The Treasury Department agrees with these suggestions.

7. The Secretary of State, through his chairmanship of the foreign economic committee and his representation on the foreign financial committee, would be in position to coordinate the activities of both committees as well as to see to it that the decisions of both committees conform to the foreign policy of the United States as formulated by the State Department.

EXECUTIVE ORDER
ESTABLISHING A FOREIGN ECONOMIC AND
FINANCIAL POLICY BOARD

By virtue of the authority vested in me, as President of the United States, by the Constitution and statutes of the United States, and in order to provide for the more effective coordination of the functions and activities of the Government in relation to foreign economic and financial problems, it is hereby ordered as follows:

1. There is hereby established the Foreign Economic and Financial Policy Board (hereinafter referred to as the Board), to be composed of a Committee on Economic Foreign Policy (hereinafter referred to as the Economic Committee), and a Committee on Financial Foreign Policy (hereinafter referred to as the Financial Committee). It shall be the function of the Board, acting through these Committees and subject to the direction and control of the President:

(a) To develop unified programs and to establish policies with respect to the economic and financial relationships between this Government and foreign governments.

(b) To arrange for the unification and coordination of the activities of this Government relating to foreign economic and financial affairs.

(c) To report to the President at frequent intervals concerning its activities and to make such recommendations to him as the Board may deem appropriate.

All action of the Board shall be in conformity with the foreign policy of the United States as determined by the Secretary of State.

2. The Board shall discharge its responsibilities through the Economic Committee and the Financial Committee. Each Committee shall be coordinate in rank and each shall have the full power to speak for the Board within their respective spheres of activity.

(a) The Economic Committee shall consist of the Secretary of State, the Secretary of the Treasury, the Secretary of Agriculture, the Secretary of Commerce, the Secretary of Labor, the Chairman of the United States Tariff Commission, and the Administrator of the Foreign Economic Administration. The Chairman of the Committee shall be the Secretary of State.

(b) The Financial Committee shall consist of the Secretary of State, the Secretary of the Treasury, the Administrator of the Foreign Economic Administration, the Chairman of the Reconstruction Finance Corporation, and the President of the Export-Import Bank. The Chairman of the Committee shall be the Secretary of the Treasury.

The Bureau of the Budget shall have an observer on each Committee. The Chairman of each Committee shall request the heads of other departments and agencies of the Government to be represented in the Committee's deliberations whenever matters specially affecting such departments or agencies are under consideration. Each member of each Committee may designate an alternate from among the officials of his Department or Agency and such alternate may act for such members in all matters relating to the Board.

3. The respective jurisdiction of the two Committees shall be determined by the Chairmen of the Committees acting jointly. The Chairmen shall consult together from time to time with a view to allocating functions among the two Committees and to coordinating their activities. In the event that the Chairmen are of the opinion that any particular problem should be considered by both Committees, they may decide to hold joint meetings.

4. The Chairman of each Committee shall appoint a Secretary to the Committee and such staff as may be necessary. The Secretary of each Committee or his representative shall be entitled to attend all meetings of the other Committee and shall be responsible for keeping the membership of his Committee fully acquainted with the work of the other Committee.

5. It shall be the duty of all agencies and departments to supply or obtain for each committee such information and to extend to each committee such assistance and facilities as the committee may require in carrying out the provisions of this order. Nothing contained in this order shall remove the responsibility or authority of each executive department or agency for carrying out its own functions and operations but such functions and operations shall be carried out in accordance with the over-all foreign financial policies formulated by the Board through its respective Committees.

6. All prior executive orders and instructions insofar as they are in conflict herewith are amended accordingly.



THE SECRETARY OF THE TREASURY
WASHINGTON

January 10, 1945.

MEMORANDUM FOR THE PRESIDENT

The role which the Treasury Department has traditionally occupied in the field of foreign financial policy is frequently overlooked. This fact is clearly brought out by the following illustrations:

1. The Liberty Loan Act of 1917 authorized the Secretary of the Treasury, with the approval of the President, to enter into arrangements for the extension of credit to foreign governments. Under this Act the Treasury Department made war and reconstruction loans of approximately nine and one-half billion dollars.
2. When President Wilson attended the Peace Conference in Paris he requested Secretary of Treasury Glass to send a representative "in whom you have the utmost confidence * * * to represent you in these important matters." In response Secretary Glass recommended Mr. Norman H. Davis who was then representing the Treasury in Europe. Albert Strauss and T. W. Lamont later joined the Treasury Commission and while they worked for the President they were able to express the Treasury viewpoint on all financial (and apparently economic) matters which arose at the Peace Conference.
3. In February 1922 Congress authorized the establishment of the World War Foreign Debt Commission consisting specifically of the Secretary of the Treasury, as Chairman, and four (later seven) other members to be appointed by the President with the advice and consent of the Senate. The Act authorized the Commission, subject to Presidential approval (and subsequently Congressional approval), to refund or convert, and to extend the time of payment of any obligation of any foreign government to the United States

FOR DEFENSE



arising out of World War I. Under this legislation agreements were entered into with thirteen different foreign governments.

4. As a matter of fact our files indicate that the financial relations between the United States and foreign governments during and after the first World War were conducted by the Secretary of the Treasury, with the President's approval. For this purpose the Secretary of the Treasury dealt directly with representatives of foreign governments and had special financial representatives in Europe for such purposes. At that time it was not even customary for the Secretary of the Treasury to clear such matters with the State Department.

5. Under this Administration Congress enacted the Gold Reserve Act of 1934 and established a two billion dollar stabilization fund to be operated by the Secretary of the Treasury with the approval of the President. Pursuant to this legislation, the Treasury has entered into stabilization agreements with Russia, Brazil, China, Cuba, Ecuador, Iceland, Liberia, and Mexico. Under this legislation and with your approval, the Treasury also negotiated the Tripartite Monetary Accord between the United States, Great Britain and France. Subsequently the Netherlands, Belgium and Switzerland adhered to this Accord.

6. To carry out the provisions of the Silver Purchase Act, the Treasury negotiated agreements with Canada and Mexico for the purchase of their silver production at the Treasury's buying price for silver. All operations under these agreements are conducted by the Treasury through the Federal Reserve Bank of New York as its fiscal agent.

7. The Hyde Park Declaration of April 20, 1941 which was the basis for our war time financial relations with Canada grew out of exploratory discussions between the Treasury Department and the Canadian authorities. Since that date there have been constant discussions between the Treasury and Canadian representatives on the subject of Canadian dollar balances. When the Hyde Park Agreement was modified in 1944 the discussions were conducted in the Treasury Department between the Canadian Minister of Finance and the Secretary of the Treasury.

8. You designated the Secretary of Treasury as Chairman of the American group conducting the recent discussions with the British over Phase II Lend Lease requirements. During these discussions the Secretary of the Treasury also served as Chairman of all joint meetings with the British.

9. The Treasury has played a leading role in our financial relations with China. Thus in February of 1942 Congress authorized the Secretary of the Treasury, with your approval, to extend a \$500,000,000 loan to China and we negotiated the loan. More recently, the Treasury has just concluded a financial agreement with the Chinese Government for the settlement of all War Department obligations up to September 30, 1944.

10. The Treasury from the very beginning has led all discussions in this Government and with foreign governments leading to the formulation of the Bretton Woods Agreements. You appointed the Secretary of the Treasury as Chairman of the United States Delegation and he was subsequently elected President of the Conference at Bretton Woods at which 44 nations were represented.

J. M. [unclear]

January 16, 1945

REMINDER FOR THE SECRETARY -

To mention to the President Harriman's cable
that he saw when he was in Quebec.

Jan. 14, 1945

MEMORANDUM FOR THE PRESIDENT

I am attaching a miniature sheet of Chinese semi-postal stamps which one of my men has brought back with him from China. The excess over face is for the purpose of raising revenue for relief purposes.

The translation of the group of characters at the top of the sheet, the right hand side and the left hand side are respectively:

"All of us should extend help to those who are dying from famine and flood"

"Issued by the General Post Office of the Ministry of Communications"

"50th Year of the Republic of China."

The translation of the group of characters at the top of the stamps, the right hand side and the left hand side are respectively:

"Postage of the Republic of China"

"Extend relief to the people in difficulty"

"Additional tax stamps."

The Chinese characters at the bottom of the stamps represent the denominations.

It will be noted that while the stamps were originally printed to be issued in the 50th Year of the Chinese Republic, or 1941, they were not actually sold to the public until October, 1944. Moreover, the original denominations have been crossed out and recharged with new higher denominations, reflecting the inflationary situation in China. The increase in the denominations, however, seem to be quite arbitrary.



DEPARTMENT OF STATE
WASHINGTON

January 9, 1945

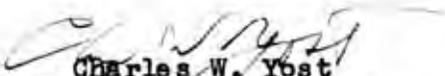
SECRET

My dear Mr. Secretary:

In compliance with your request I am sending you herewith paraphrases of two cables from Ambassador Harriman in regard to the Soviet request for long-term credits and of a cable from Ambassador Caffery giving French views concerning the post-war treatment of Germany.

Sincerely yours,

For the Secretary of State:


Charles W. Yost
Executive Secretary
Executive Staff Committees

Enclosures:

Three paraphrases.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

January 18, 1945
2:30 p.m.

HMJr: Hello, Ed.

Secretary
Stettinius: Hello, Henry.

HMJr: You're a friend. You're a pal.

S: Yeah. What did I have -- what did I -- I couldn't control it.

HMJr: Ha, ha, ha. Okay.

S: No.

HMJr: Yeah. Yeah.

S: Listen, call me your pal, really.

HMJr: Yeah.

S: Pa Watson called me about eleven o'clock and said, "Be over here at 11:45 on preparations for the trip."

HMJr: Yes.

S: And I went over and left the binders. I said, "What about Secretary Morgenthau? He and I were to have a joint appointment today."

HMJr: Yes.

S: He said, "The President cannot do that today."

HMJr: Yes.

S: "That will be done later."

HMJr: Yeah.

S: Then he said that -- he said something about an appointment after the Cabinet meeting.

HMJr: Yeah. Well, he told me -- I -- you know I've been asking for a week to have a chance to see the President alone.

S: Yeah.

HMJr: And he said I could have that after Cabinet Meeting.

S: Yeah.

HMJr: But what -- you called me -- I don't know what you had in mind, but I

S: Well, all I called you for was to come clean and tell you that I'd been sent for.

HMJr: All right.

S: And that -- on my other business and not on our joint business.

HMJr: I believe you. Now, look, Ed, there are two memoranda which are, I think, important for you and me and that's on this question of Foreign Economic Policy Board.

S: Yeah.

HMJr: Our boys have written a very simple one.

S: Yeah.

HMJr: Acheson has written a very complicated one

S: Yeah.

HMJr: which I think, and this is only for your ears, represents the old spirit of the State Department and not the new one.

S: That is, of us grab -- hold -- hanging onto everything and not letting

HMJr: That's

S: Not the team-play.

HMJr: Yeah.

S: Yeah.

HMJr: If you and I could have, oh, ten minutes together

S: Yeah.

HMJr: and alone.

S: Yeah.

HMJr: I think we could settle this thing.

S: Yeah.

HMJr: I think it's important for everybody's sake that it be settled before everybody leaves town.

S: Yeah.

HMJr: Now, I'll -- any -- I think we ought to settle it so that we could send something over to the President.

S: Yeah.

HMJr: And what -- what time

S: The hell of it is if you -- can you send something over there without it getting referred to the Bureau of the Budget and then referred to F.E.A. and then referred to

HMJr: Well

S: all over the lot.

HMJr: maybe we'd better ask him, if we can come to an agreement and I'm sure we can in not more than ten minutes

S: Henry, why not -- why not we both stay after the Cabinet meeting tomorrow?

HMJr: That's all right.

S: That's what I think -- had in mind -- that I would hang behind there.

HMJr: Yeah.

S: And that we would see him together after the Cabinet meeting.

HMJr: That's all right. I'm supposed to see him alone but let's

S: Well -- but I will leave -- I mean, do this one and then I'll just slip out.

HMJr: Good. Now, but we'll have to see him before that -- Ed, you and I have to see each other before that.

S: Yeah.

HMJr: When do you want to do it?

S: Well, I'm just -- I've got about -- literally twenty appointments this afternoon.

HMJr: All right. Then this afternoon is out.

S: Tomorrow morning.

HMJr: All right.

S: Well, suppose we meet each other before the Cabinet Meeting.

HMJr: Uh

S: I'll meet you fifteen minutes before the Cabinet Meeting in the Cabinet Room.

HMJr: Well, no, that -- I'll tell you why that won't work, because whatever we agree on, we can't get it written.

S: Uh huh. Okay.

HMJr: See what I mean?

S: Okay.

HMJr: I mean, we ought to do it the first thing in the morning.

S: All right, I'll come to your office at nine o'clock.

HMJr: That's sold.

S: Sold?

HMJr: Sold.

S: Morgenthau's office at 9:00 a.m.

HMJr: Yeah.

S: Alone.

HMJr: Alone.

S: With a very cooperative spirit in my soul.

HMJr: And same here.

S: All right, old boy.

HMJr: Thank you.

S: Thank you, Henry.

January 13, 1945
2:47 p.m.

HMJr: Hello.

Operator: Mr. White.

Harry
White: Hello.

HMJr: Harry.

W: Yes, sir.

HMJr: There's a letter from you -- to me January 12th from Grew in which he said, "For the Ambassador's information as well as that of the Department of State, I should very much appreciate being advised the source of the Treasury Department's information." Now, that's an open letter and the girls are worried. What are we going to do about it?

W: Well, that was one of the things in which you thought you might take up with Stettinius and tell him that I had a copy of the letter with me when we went there yesterday, but it wasn't appropriate. We thought you'd handle it orally rather than in writing, but we can reply in writing if you like. We've got a letter drafted.

HMJr: Well, let's clean it up. Let's have an answer tomorrow.

W: In writing? All right.

HMJr: Yeah, let's clean it up.

W: All right. We've got it ready now. I'll send it around.

HMJr: All right.

W: And would you have a chance to sign that letter with regard to French Lend-Lease. They've called up several times.

HMJr: Have your girl bring it in right now.

W: Okay. All right, sir.

January 18, 1945
2:49 p.m.

Bernard
Baruch: Hello, Henry.

HMJr: How are you?

B: All right.

HMJr: Well, unfortunately, we're going to have cabinet tomorrow.

B: That's all right, my boy.

HMJr: Now, with all that's going on tomorrow and next day -- all these cocktail parties

B: We'd better not try to meet.

HMJr: Well, I don't think that either of us would be very satisfied.

B: No.

HMJr: And you're going home Saturday, I understand.

B: Well, I may stay over Saturday and Sunday and if I do, we can get together then.

HMJr: Well, if you're here Sunday afternoon, I'd love to have you come up and have a cup of tea and we could have a quiet

B: Well, that's -- if I'm here Sunday, I'll do that Harry -- Henry.

HMJr: Will you do that?

B: Yeah.

HMJr: I'll keep it open.

B: All right, my boy, I'll let you know.

HMJr: And if you're around, we could be quiet at the house.

B: That will be fine. I'll let you know.

HMJr: Thank you.

B: Thank you.

January 18, 1945
2:58 p.m.

HMJr: Hello.

Harry
White: Hello.

HMJr: Harry.

W: Yes, sir.

HMJr: Mrs. Morgenthau has drawn my attention to the fact that there's a debate tonight on one of these "Town Hall of the Air" -- I don't know which one -- in which Tobey and Pepper are going to take part.

W: Is that so?

HMJr: I thought

W: Subject matter

HMJr: Germany.

W: I see.

HMJr: And I wondered if anybody has talked to Tobey -- whether he -- if it's New York, of course, it's too late, but if it's here, I think it would be distinctly worthwhile to give Tobey the kind of talk that I gave Pepper.

W: Yes. They're on tonight, huh?

HMJr: Yes.

W: Probably in New York. Well, I'll find out right away if you'd like.

HMJr: And between you and Luxford take care of it.

W: All right. You don't know whether he's -- well, I'll find out --- if he's debating against Pepper, it's kind of unfortunate, but we can narrow the ground of difference if that's so.

HMJr: Well, on account of the people opposite him I think he's with Pepper, but

W: Oh, I see.

HMJr: I think so.

W: I see. Would it be worthwhile to have -- if he's in New York -- to have Luxford go up and spend a couple of hours with him ahead of time? It would be worthwhile, I think.

HMJr: It's too late.

W: You think so?

HMJr: Yes.

W: All right, I'll see what can be done.

HMJr: I'm going to forget about it.

W: All right, sir.

TREASURY DEPARTMENT
INTER OFFICE COMMUNICATION

TO: Secretary Morgenthau
FROM: R. W. Coyne

277
Hoyt wants to see
art sketch before
DATE 1/18/45
anything is
done -

Told me Coyne
can get
1/18

We have gone ahead with your suggestion on
the V-mail gift certificate, and I will have art
sketches on it tomorrow. We already have an
order for a quarter million of the certificate.
It should be a very popular item.

RWB

Sketches to Hoyt - 1/19
Sketches sent to Mr Coyne - 1/20

ASSISTANT SECRETARY OF THE TREASURY

January 18, 1945.

Memorandum

TO: Secretary Morgenthau
FROM: Mr. Gaston

The Hecht Company wants to run a War Savings ad with your picture as one of a series for which they also are endeavoring to get Secretary Forrestal, Jimmie Byrnes and others. Copy suggested by War Savings is attached. I have made only slight revisions in a couple of paragraphs. The booklet contains samples of prior ads run by Hecht, including one with a picture said to be of you.

OK
JMB

TOTAL EFFORT FOR TOTAL WAR

We Americans are an easy-going people most of the time. But when aroused--!

The trouble is, it takes us a long time to get our dander up. We think that everybody likes freedom, home, worship and the other good things of life. It is hard for us to believe that anyone could destroy the institutions we cherish.

Pearl Harbor was an eye-opener. After that black day we pitched in to defend our country against unprovoked assault. It took us a long time to reach the point where we could carry the war to the Japs. We are doing that now, but there is still a long way to go.

Gaining a foothold inside Fortress Europe was the hardest task yet. We did that, at tremendous cost, on D-Day last June.

Now we know that we are engaged in total war, on fronts all over the world, on land, sea, and in the air.

The only way a total war can be won is by total effort. And wars are not won on battlefields alone. The home front is an integral part of the fighting front.

We have to forego temporarily our freedom to do many things, to travel, indulge in luxuries, even to purchase certain clothing and food. These things we do to bring total effort to bear where it counts most--against our enemies.

There is another way to help--the financial way. Since Pearl Harbor day more than 85 million Americans have bought more than \$30 billion of War Savings Bonds, but that is not enough. It is not enough to lend to our Government what we can conveniently spare from everyday living. We still enjoy ease and plenty here at home. No bombs have dropped on our factories or farms; no paratroopers have besieged our cities. Our great resources must be put to full use. The shorter the war the less

costly it will be in lives and money.

Let everyone reexamine his conscience on his own total effort. Perhaps you are putting 10% or 15% of your income into War Bonds. Ask yourself--couldn't you put in more? What is 10%, or any percent, when our lives and fortunes are at stake? Those ragged Continentals freezing and starving at Valley Forge, the doughboys inching forward in the Argonne, did they stop to consider how much support to give America?

For total war there can be nothing less than total effort. Buy War Bonds to the total limit of your ability. And hold them. We fight not to enslave but to set men free, to make room upon the earth for honest men to live in.

File

January 18, 1945

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

(For your information; no action required)

The Joint Committee on Internal Revenue Taxation met this morning from 10 to 11:45 a.m. and heard the report on estimated Federal expenditures during the transition period, prepared by the combined staffs.

The next meeting is scheduled for 10 a.m. next Tuesday, January 23, at which time the report on revenue estimates will be presented. You have seen both the expenditures report and the revenue report.

Mr. Lindow presented the expenditures report this morning in a very effective manner. The reaction of the Committee was cordial. They asked if we had expenditure figures for a postwar year after transition is completed. I explained that we would like to have instructions from the Committee on the assumptions to be used for such important postwar policies as: size of the Army and Navy, foreign trade and loan program, agricultural aid, unemployment aid, etc. The Committee seemed reluctant to make policy assumptions and suggested that we project figures into the postwar period on the basis of the assumptions used in today's report. We shall endeavor to do this.

The question of the slowness of individual income tax refunds was brought up. The present status of the refunds was explained by Mr. Atkeson, of the Bureau of Internal Revenue, who said it was hoped that the remaining refunds for 1943 would be made before March 15. He did not suggest that any change in refunding methods was contemplated or being followed.

The general spirit seemed to be excellent. Present were Representatives Doughton (Chairman of the Joint Committee), Cooper, Dingell, Reed, and Woodruff, and Senators George, Barkley, Vandenberg, and Taft, in addition to members of the Treasury staff and the Joint Committee staff.

Roy Blough

Revised
(Sent to ...)

January 18, 1945

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

(For your information; no action required)

The interdepartmental tax committee met Thursday, January 18, from 2 to 4 p.m. Present for outside agencies were Messrs. Gerhard Colm of the Budget Bureau, Edward Prichard of Judge Vinson's office, Richard Musgrave of the Federal Reserve Board, and Walter Salant of the C. P. A.

I first raised the question whether, as part of the "tougher" attitude taken by the Government in recent weeks, any further increases in wartime taxes should be recommended. The answer was unanimously in the negative.

We discussed whether the committee should consider problems of social security financing and decided to do so and to invite the Social Security Board to participate. The consideration will be on an informal technical level.

A memorandum on transition tax adjustments which are being considered with Mr. Stam's staff is to be discussed at the next meeting, to be held Wednesday, January 24.

Mr. Prichard expressed great concern about the problem of holding the wage and price line during the next few months. He says labor leaders apparently fear that unless they get wage increases now they will not be able to get them when overtime is reduced, despite the policy of the Government. Both he and Mr. Salant expressed the view that the next six months would be the most difficult of the war thus far on the stabilization front.

Roy Blough

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
January 18, 1945

TO Secretary Morgenthau
FROM J. W. Pehle

This is with reference to the attached news item from today's Times Herald on the veterans problem on war surpluses.

Section 16 of the Surplus Property Act reads as follows:

"The Board shall prescribe regulations to effectuate the objectives of this Act to aid veterans to establish and maintain their own small business, professional, or agricultural enterprises, by affording veterans suitable preferences to the extent feasible and consistent with the policies of this Act in the acquisition of the types of surplus property useful in such enterprises."

Treasury Procurement is but one of the disposal agencies which will carry out the policies to be formulated by the Surplus Property Board. The Board has just begun its existence and the third member, Senator Gillette, has not as yet been confirmed.

It must be recognized that the question of veterans preference is one of the most difficult ones confronting the Board.

Under all the circumstances, questions on veterans preference should be referred to the Surplus Property Board.



Vets Barred From Buying War Surplus

By DICK LEE

NEW YORK, Jan. 17 (N. Y. News).—Last September Congress with a great flourish passed the so-called Surplus Property Act which provided specifically that in the sale of war surplus the returning veteran should get the first call—particularly on trucks that would set him up in farming or small business.

Since that time millions of dollars of surplus vehicles have been sold—nearly five million dollars' worth during last November alone. Not one has gone to a veteran. In fact, he is specifically barred to this day by the ruling that only established dealers with repair equipment can buy them.

And the reason given by the Procurement Division of the Treasury Department—the auto sales department of the surplus setup—is that the newly created surplus property board has never found time to put the veterans' end of the Surplus Property Act into force and effect.

Upon the letterhead of the board date of January 11, 1945, the surplus information assistant at Washington, E. P. Mulligan, informed a would-be buyer, J. A. Frink, of East Hampton, Conn., that automobiles were going to recognized dealers only. Frink, a returned veteran, protested loudly.

V. J. Rader, director of the New York regional office of the Treasury Department's Procurement Division which handles automotive sales, explained today that this ban on sales to veterans was due to the Washington board's failure to put the law into effect by promulgating needed regulations.

JAN 1954

MEMORANDUM FOR THE PRESIDENT:

Your memorandum of January 11 requests my thoughts on the proposal described in Congressman Wefauver's letter of January 8 to you, to provide the opportunity for members of the Cabinet and other top Administration officials, upon the invitation of Congressional legislative committees, to appear on the Floor of the House for the purpose of making reports and answering questions.

Congressman Wefauver's proposal, which is the subject of his H.Res. 31 now before the House Rules Committee, would establish a Report and Question Period, to be held at least once every two weeks, but not more than once a week, to last not more than two hours. During the first half of the Report and Question Period, the member or members of the Executive branch who had been invited to appear would answer the written questions previously submitted by the legislative committee or committees which issued the invitation to attend. During the last half of the Report and Question Period, Members of the House would be permitted to ask questions orally, the time to be divided equally between the majority and the minority and to be under the control of the Chairman and ranking minority member of the legislative committee which issued the invitation. The oral questions would be required to be germane to the previous discussion on the written questions.

I believe that the stated objective of the Wefauver proposal, to encourage closer cooperation and understanding between the Executive branch and the Congress by providing the opportunity for formal face-to-face discussion of national issues, is highly commendable. I am also convinced that his proposal has been sincerely conceived and carefully designed to achieve that objective. Moreover, as the Congressman has explained in discussing his proposal on the Floor of the House, it

would not only make it possible for the Executive branch to give Congress better and more current information, and enable Members of Congress to have a more sympathetic understanding of the problems and difficulties of the Executive branch, but it would save the time of both top Administration officials and Members of Congress by avoiding the necessity for many, and frequently duplicating, appearances before various committees of Congress.

As you know, of course, I am in a rather unique position with respect to the Kefauver proposal, since under the law passed in 1789 by the First Congress, creating the Treasury Department, the Secretary of the Treasury is required to "make report and give information to either branch of the legislature, in person or in writing, as may be required, respecting all matters referred to him by the Senate or House of Representatives or which shall appertain to his office." In November of 1948, Congressman Kefauver asked my views on his then pending resolution, and I replied that in my opinion its objective was highly desirable and that the experiment would be well worth trying. A copy of my letter of December 1, 1943 to Congressman Kefauver is attached.

(Signed) H. Morgenthau, Jr.

DJS:rgs
1/17/45

December 1, 1943.

Dear Mr. Kefauver:

I am replying to your letter of November 26 asking my opinion on your resolution which would provide for regular appearances of members of the Cabinet before the House in session to answer written and oral questions which members might desire to ask.

I have been much interested in your suggestion since I first read about it. What you have suggested is in essence, as I understand it, a proposal to improve contacts and understanding between the House of Representatives and the heads of the Executive Departments. I think that a highly desirable objective.

I would myself be happy to accept the invitation of the House to appear on such occasions, assuming, as I have no doubt would be the case, that the rules of the House would permit the representatives of the Administration the same freedom in discussion as is accorded to members.

One can not of course predict precisely the development of such an innovation, but it seems to me that an experiment of this kind is well worth trying. I think it might serve to promote other contacts between members of the House and the administrative departments which would be mutually helpful and tend to improve our governmental processes.

You have my permission to present this letter to the Rules Committee and I should be happy also to appear before that Committee when it discusses the resolution if circumstances permit and if the Committee should desire my appearance.

Sincerely,

(Signed) H. MORGENTHAU, JR.

Secretary of the Treasury.

The Honorable Estes Kefauver
House of Representatives

6-11-45
11-11-45
7-11-45

THE WHITE HOUSE
WASHINGTON

January 11, 1945

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY

PLEASE READ THE ENCLOSED LETTER FROM
CONGRESSMAN KEFAUVER AND LET ME HAVE YOUR
THOUGHT. I HAVE WRITTEN HIM AS PER THE
ENCLOSED COPY. WHATEVER YOUR THOUGHTS ARE
ON THE SUBJECT ARE MERELY FOR MY GUIDANCE
AND NOT FOR PUBLICATION.

F. D. R.

(COPY)

THE WHITE HOUSE

WASHINGTON

January 11, 1945.

My dear Mr. Kefauver:

I have your letter of January sixth and at the next Cabinet Meeting I shall ask the Cabinet for their opinions. I feel I ought to do this because after all it does affect every Department and I want to get their opinion about the Resolution.

Of course, it goes without saying that I am wholly in favor of the objective, though I cannot tell you at this moment my final thought on the procedure suggested.

I shall be very glad to see you when I get the suggestions or reports from the members of the Cabinet.

Always sincerely yours,

F. D. R.

Honorable Estes Kefauver,
House of Representatives,
Washington, D. C.

ESTES KEFAUVER
30 Dist., Tennessee

SECRETARIES
HENRIETTA V. O'DONOGHUE
LUCILE P. LAMON

Home Address:
NATTANOOBA, TENNESSEE
COMMITTEE ON JUDICIARY

Congress of the United States
House of Representatives
Washington, D. C.

FIELD REPRESENTATIVE:
ROBERT S. BRADY
McMURVILLE, TENNESSEE

January 6, 1945

THE WHITE HOUSE

JAN 9 8 38 AM '45

RECEIVED

The Honorable
The President of the United States
The White House
Washington, D. C.

My dear Mr. President:

You will recall that during the last Congress I presented H. Res. 327 to amend the rules of the House to provide for a report and question period during which members of the Cabinet and top Administrators would be invited to accept the invitation of Legislative Committees to appear on the floor of the House, make reports and answer questions. That Resolution was very favorably commented on by the Press of the nation and was endorsed by the leading students of government throughout the country. I wrote you a letter explaining the Resolution and in reply you suggested that we defer consideration of it until this year.

On the first day of the new Congress I introduced H. Res. 31, which is substantially the same as the Resolution I had before the House last term. In the current Resolution it is provided, however, that the oral questions, during the latter half of the report and question period, must be germane to the preceding discussion, and it is further provided that, by agreement with the Legislative Committee issuing the invitation, an under-Secretary or Assistant Secretary may appear in place of the Cabinet Member or Department Head.

As I see it, the necessity of closer cooperation and understanding between the Executive and Legislature has never been so vital in the history of the nation as at the present time. The operation of this Resolution would give Congress better and more current information. It would give us a more sympathetic understanding of the problems and difficulties of the Executive Department. It would give the Executive Department an opportunity to present his case to the entire membership of the House and it would certainly make for better relationship at a time when closer collaboration is vitally necessary.

I was delighted to read in the American Magazine of this month that

- 2 -

The Honorable
The President of the United States

January 6, 1945

Justice Byrnes favors the adoption of this plan. I wanted to again present it to you for consideration, and I should be very happy to have the opportunity of discussing it with you, if that is convenient.

With very best wishes, I am

Sincerely yours,

A handwritten signature in cursive script, appearing to read "Eric S. Power". The signature is written in dark ink on a light background.

79TH CONGRESS
1ST SESSION

H. RES. 31

IN THE HOUSE OF REPRESENTATIVES

JANUARY 3, 1945

Mr. KEFAUVER submitted the following resolution; which was referred to the
Committee on Rules

RESOLUTION

1 *Resolved*, That rule XXXIII of the Rules of the House
2 of Representatives be amended by adding at the end thereof
3 the following new paragraph:

4 “3. There shall be held in the House immediately fol-
5 lowing the reading of the Journal on at least one day in each
6 period of two calendar weeks, but not oftener than one day
7 in any one calendar week, a ‘report and question period’,
8 which shall not consume more than two hours, during which
9 heads of departments, agencies, and independent establish-
10 ments in the executive branch of the Government are re-
11 quested to answer orally written and oral questions pro-
12 pounded by Members of the House. Each written question

1 shall be submitted in triplicate to the committee having juris-
2 diction of the subject matter of such question, and, if ap-
3 proved by such committee, one copy shall be transmitted to
4 the head of the department, agency, or independent estab-
5 lishment concerned, with an invitation to appear before the
6 House, and one copy to the Committee on Rules with a
7 request for allotment of time in a report and question period
8 to answer such question. Subject to the limitations pre-
9 scribed in this paragraph, the Committee on Rules shall
10 determine the date for, and the length of time of, each report
11 and question period, and shall allot the time in each period
12 to the head of a department, agency, or independent estab-
13 lishment who has indicated his readiness to deliver oral
14 answers to the questions transmitted to him. All written
15 questions to be propounded in any one period shall be ap-
16 proved by one committee. With the consent of the com-
17 mittee which has approved the written questions to be pro-
18 pounded in any period, the head of a department, agency,
19 or independent establishment may designate to represent
20 him in such period the head of a principal division of such
21 department, agency, or independent establishment, and, in
22 the case of a department, the head thereof may designate the
23 Under Secretary or an assistant secretary of such department.
24 The latter half of each period shall be reserved for oral ques-
25 tions by Members of the House, one-half of such time to be

1 controlled by the chairman of the committee which has ap-
2 proved the written questions propounded in such period and
3 one-half by the ranking minority member of such committee.
4 Each oral question shall be germane to the subject matter
5 of at least one of the written questions propounded in such
6 period. The time of each report and question period and the
7 written questions to be answered in such period shall be
8 printed in two daily editions of the Record appearing before
9 the day on which such period is to be held, and the proceed-
10 ings during such period shall be printed in the Record for
11 such day."

79TH CONGRESS
1ST Session

H. RES. 31

RESOLUTION

To amend the Rules of the House to provide for a report and question period at which heads of departments, agencies, and independent establishments in the executive branch of the Government are requested to appear and answer questions.

By Mr. KEFAUVER

JANUARY 3, 1945

Referred to the Committee on Rules

January 18, 1945

MEMORANDUM FOR THE FILES

Re: Bretton Woods Conference with Delegates

Mr. FitzGerald spoke to me and stated that he had been unable to get in touch with Senator Wagner as he was out of town and would be out of town all of next week and inquired as to whether we should proceed in his absence. After consulting Messrs. White and O'Connell, I spoke to Senator Wagner's secretary, Dave Delman, and explained the situation to him. He said that Senator Wagner was in the south and would not return before the end of next week and that under the circumstances, he felt certain that Senator Wagner would want us to proceed in his absence. He said that he would advise the Senator by letter of what we were doing and I told him that I would speak to him after the luncheon next week and outline the developments.

I advised Mr. FitzGerald of the above and he is proceeding to arrange the luncheon.

Original to Secretary Morgenthau
Cc: Mr. White
Mr. O'Connell



COPIES TO BUDGET AND STATE 1/24/45

201

Original and one copy returned to Mr.
Latta at White House by Charles Bell.

THE SECRETARY OF STATE
WASHINGTON

January 18, 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-American Petroleum Agreement.

St. Lawrence Seaway.

Food

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. 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.

4. At the earliest possible date there should be initiated the action necessary to adopt the Bretton Woods proposals. A draft message to Congress on Bretton Woods should be promptly submitted by the committee to you.

5. The proposed committee should give immediate consideration to the time and method of initiating action

on the

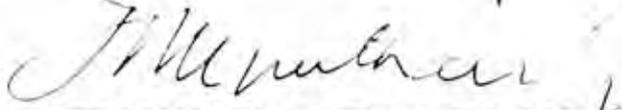
on the Food and Agriculture Organization, the Export-Import Bank and other matters.

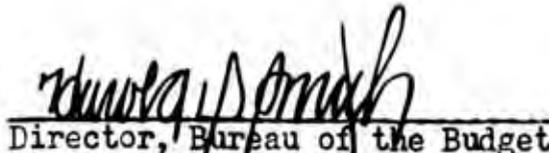
6. The Foreign Relations Committee should be advised officially that the Dumbarton Oaks proposals will be submitted to the Senate as a treaty.

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

If you approve the proposals made in this memorandum, there is attached a draft of a letter you might send to the other departments and agencies concerned.


Secretary of State


Secretary of the Treasury


Director, Bureau of the Budget

Enclosure:
Draft of letter

O.K. but add Wallace
JEM

DRAFT

Dear Mr. _____:

I have a special committee to make plans and recommendations concerning priority, timing, and manner of submission for a legislative program in the foreign affairs field. The committee consists of the Secretary of State, Chairman, the Secretary of the Treasury, and the Director of the Bureau of the Budget, who have been authorized as the main offices to consult with the heads of other interested agencies.

I know that I may count on your full cooperation with this committee in its work.

Very sincerely yours,

JAN 18 1945

Dear Mr. Pattersons

There is enclosed a copy of the recommendation concerning reciprocal aid for our armed forces, which was made by Dean Acheson to the American Committee. We understand that the recommendation emerged from a number of inter-departmental conferences on this matter and a good many discussions with the British, the representatives of the Dominions and the Government of India.

The Committee has accepted this recommendation as representing the best solution of the problem which can be achieved at this time.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Robert Patterson,
Under Secretary of War,
U. S. War Department,
Washington, D. C.

Enclosure.

LNC:as 1/16/45

Regraded Unclassified

November 25, 1944.

My dear Mr. Secretary:

In accordance with your request at the combined meeting with the British group on lend-lease matters of November 22, 1944, there took place in my office the same afternoon a meeting to resolve the problem of reciprocal lend-lease aid to our armed forces from the British Dominions. There were present at the meeting, among others, Lord Keynes and Mr. Brand representing the United Kingdom, Senator Keane and Messrs. Moore and Dunk representing Australia, Mr. Reid of New Zealand, Mr. Symon representing the Government of India, Lt. Gen. Styer and representatives of the State and Treasury Departments and the Foreign Economic Administration.

Senator Keane and the other Australian representatives presented forcefully their position as already set forth in their memorandum of November 20 which has been circulated in mimeograph form. Mr. Reid of New Zealand expressed himself as concurring fully with the position taken by his Australian colleagues and indicating that within the limits of the supply possibilities of New Zealand his Government would certainly make available materials to our armed forces as in the past with no serious problem of geographical destination. Mr. Symon read instructions from the Government of India indicating its intention to continue reciprocal lend-lease aid to the utmost, limited only by the very pressing supply and transport problem which now exists in India.

General Styer expressed himself as very pleased with the actual performance under reciprocal lend-lease, especially in the case of Australia to which the meeting was primarily devoted, but stated that as the scene of

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

C O P Y

operations moves out of the South and Southwest Pacific areas the Army was desirous of obtaining assurances that the reverse lend-lease aid would continue. The Army therefore continued to press for a new understanding on this point in writing.

Subsequent discussions brought out that the Australian position as indicated in the document referred to above would in fact solve at least 99 per cent if not 100 per cent of the problem and at my request the representatives of Australia, New Zealand, and the Government of India agree to furnish signed memoranda reiterating their positions (copies of these memoranda are attached). In view of these entirely satisfactory assurances from Australia, New Zealand, and the Government of India I indicated that I would recommend to your Committee their acceptance, and the elimination as a condition to lend-lease aid of paragraph 10 of the Joint Report on Army Ground Items and the parallel paragraph 11 of the Joint Report on Air Items.

Sincerely yours,

/s/ DEAN ACHESON

Dean Acheson
Assistant Secretary

Enclosures:

Memoranda from representatives
of Australia, New Zealand, and
Government of India.

COPY

COPY

INDIA SUPPLY MISSION

635 F Street, N. W.
WASHINGTON, D.C.

24th November 1944.

TELEPHONE - EX 5484

Dear Mr. Acheson,

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

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

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

Yours sincerely,

ACB SYMON

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

COPY

COPY

TOP SECRET

NEW ZEALAND LEGATION

WASHINGTON 8, D. C.

24th October, 1944.

Dear Mr. Acheson,

Encl.

Confirming the discussions on Reciprocal Aid in Stage II in your office this week, I enclose a note setting out New Zealand's attitude on this subject.

Yours sincerely,

JOHN S. REID
First Secretary

Dean Acheson, Esq.,
Assistant Secretary of State,
WASHINGTON, D.C.

COPY

TOP SECRET

RECIPROCAL AID - NEW ZEALAND

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

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

COPI

Regraded Unclassified

C O P Y

NOTE ON AUSTRALIAN RECIPROCAL AID

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

forces as reciprocal aid, within locally accepted programmes, the categories of goods and services which they now furnish. They would also agree that, where for strategic reasons it is necessary to transfer to other theatres supplies which have already been provided to the local U.S. Command, no objection should be raised to the transfer.

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

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

Washington, D.C.

20th November, 1944.

FEDERAL RESERVE BANK
OF NEW YORK

January 18, 1945.

CONFIDENTIAL

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

I am enclosing our compilation for the week ended January 10, 1945, analysing dollar payments and receipts in official British, French, Canadian, and Australian accounts at the Federal Reserve Bank of New York.

Very truly yours,

/s/ H. L. Sanford

H. L. Sanford,
Assistant Vice President.

Enclosures 2

COPY

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

January 19, 1945

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended January 10, 1945, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

Emb

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

Strictly Confidential
Week Ended January 10, 1945

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE (1)			
	D E B I T S					C R E D I T S					Net Incr. (+) or Descr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Descr. (-) in \$ Funds (d)
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Reserves of Sterling Gold	Securities (Official) (b)	Transfers from Official Australian Account	Other Credits (c)					
War Years (g)														
First	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3 (f)	1,095.3 (f)	+ 299.0	
Second	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1	
Third	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1	
Fourth	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3	
Fifth	1,197.7	300.4	61.4	835.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-	
1944														
September	151.0	19.9	50.4	80.7	56.5	-	-	1.0	55.5	- 94.5	-	-	-	
October	127.9	21.0	7.4	99.5	54.7	-	-	1.0	53.7	- 73.2	-	-	-	
November	74.2	65.4	2.9	28.9	92.1	-	-	1.0	91.1	+ 17.9	-	-	-	
December	80.6	21.9	-	58.7	91.8	-	-	-	91.8	+ 11.2	56.7	6.5	- 50.2	
1945														
January														
February														
March														
April														
May														
June														
July														
August														
Week Ended														
December 20, 1944	8.1	5.4	-	2.5	44.9	-	-	-	44.9	+ 36.8	0.5	0.4	- 0.1	
December 27, 1944	8.1	1.4	-	6.7	5.9	-	-	-	5.9	- 2.2	1.8	4.5	+ 2.7	
January 3, 1945	38.0	3.0	-	35.0	29.6	-	-	-	29.6	- 8.4	10.0	0.5	- 9.5	
January 10, 1945	43.3	25.4 (1)	31.3	6.6	9.0	-	-	-	9.0 (h)	- 54.3	0.6	1.1	+ 0.5	

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940) \$89.6 million
 England (through June 19, 1940) \$27.6 million
 England (through June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) 22.0 million

See attached sheet for footnotes.

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of war securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$30 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (h) Includes \$7.4 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports.
- (i) Transactions for account of Caisse Central de la France d'Outre - Mer included for first time in week ended December 6, 1944.
- (j) Includes \$ 15.0 million paid to account of Commodity Credit Corporation, U. S. Department of Agriculture.

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

Statistical
Week Ended Jan. 10, 1945
Confidential

PERIOD	CANADA (and Canadian Government)						AUSTRALIA (and Australian Government)									
	DEBITS			CREDITS			DEBITS			CREDITS						
	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C	Net Incr. (+) or Decr. (-) to Reserves	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Net Incr. (+) or Decr. (-) to Reserves			
					For U.S. A/C	For French A/C	Other Credits									
War Years (a)																
First	323.0	16.6	306.4	306.7	412.7	29.8	36.7	32.4	+ 181.7	31.3	3.9	27.3	38.1	30.0	6.1	+ 4.9
Second	460.4	-	460.4	460.0	246.2	3.4	123.0	88.5	+ 1.6	73.2	16.7	55.5	31.2	62.9	18.3	+ 9.0
Third	525.8	0.3	525.5	566.3	198.6	7.9	-	160.0	+ 80.5	107.2	57.4	48.8	112.2	12.2	95.0	- 5.0
Fourth	723.6	-	723.6	958.8	47.3	170.4	-	741.3	+ 235.2	377.0	155.1	41.8	300.4	-	200.4	+ 3.4
Fifth	849.3	1.0	848.3	958.5	38.3	61.4	-	899.0	+ 283.3	328.6	253.0	45.6	287.7	-	247.7	- 10.9
1944																
September	74.5	0.1	74.4	91.8	-	30.4	-	41.4	+ 17.3	3.8	1.0	4.8	7.3	-	7.3	+ 3.5
October	24.1	-	24.1	28.2	-	7.4	-	16.8	+ 60.3	20.3	1.0	19.3	21.0	-	21.0	+ 0.7
November	38.8	-	38.8	53.7	-	2.9	-	30.8	+ 14.9	3.4	1.0	2.4	5.8	-	5.8	+ 2.4
December	41.5	0.7	40.8	32.7	-	-	-	32.7	+ 8.8	3.4	-	3.4	14.4	-	14.4	+ 14.0
1945																
January																
February																
March																
April																
May																
June																
July																
August																
Week Ended																
December 20, 1944	5.4	-	5.4	14.5	-	-	-	14.5	+ 9.1	1.0	-	1.0	1.1	-	1.1	+ 0.1
December 27, 1944	15.0	0.7	14.3	4.7	-	-	-	4.7	- 10.3	-	-	-	0.3	-	0.3	+ 0.3
January 3, 1945	13.9	-	13.9	21.6	-	-	-	21.6	+ 6.7	2.5	-	2.5	17.7	-	17.7	+ 15.2
January 10, 1945	2.8(a)	-	2.8	39.6(a)	-	31.3	-	8.3(d)	+ 36.8	2.6	-	2.6	0.6	-	0.6	- 2.0

Average Weekly expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fifth year of war	16.1 million.
Sixth year of war (through January 10, 1945)	7.9 million.

- (a) For monthly breakdowns see tabulations prior to: April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
 (b) Reflects changes in all dollar holdings payable on demand or maturing in one year.
 (c) Does not reflect transactions in short term U. S. securities.
 (d) Includes \$ 4.1 million deposited by War Supplies, Ltd. and \$ 4.0 million received from New York accounts of Canadian chartered banks.

THE SECRETARY OF STATE
WASHINGTON

January 18, 1945.

SECRET

Dear Henry:

Referring to your letter of January 8th enclosing the copy of a proposed cable to the American Legation in Stockholm on the subject of the Legation's relations with Marcus Wallenberg, head of Enskildabank, I have taken steps to have the views expressed in your proposed cable conveyed to our Legation in Stockholm.

It might be useful for us to have sometime the information on which you base your feeling about Wallenberg and the Enskildabank for guidance in our future relations with them.

Sincerely yours,



The Honorable

Henry Morgenthau,

Secretary of the Treasury.

CABLE TO MINISTER JOHNSON, STOCKHOLM, SWEDEN

In view of well-known German practice of exterminating Jews surviving in any area previous to its evacuation, Department and WRB consider it necessary once more to draw attention of Swedish authorities to the danger faced by the Jewish survivors in German-controlled territory.

Accordingly, it will be appreciated if you will visit Swedish Foreign Minister, and urge that continued efforts be made from now on to keep the surviving victims of Nazi persecution alive during the coming stages of hostilities in Europe. You should specifically mention in this connection the four largest concentrations of Jews in Axis territory known to exist, viz. Lodz with 60,000 to 80,000 inmates, Theresienstadt with 40,000 to 60,000 inmates, camps near Vienna with 18,000 inmates, and camp Belsenbergen with 9,000 inmates, and you should also mention any other localities or regions where Jews are believed by you to survive.

In your conference with Swedish Foreign Minister it should be made clear that this Government considers that frequent and extended visits of Swedish Consuls to places and regions where Jews are concentrated constitute one of the most effective means of preventing their further extermination. This method proved its efficacy in Budapest where, thanks to the presence of Swedish personnel, many lives appear to have been saved.

More particularly, in view of large number of relief parcels recently reaching camp Belsenbergen, with the assistance of Swedish YMCA and Red Cross, please urge upon these organizations the desirability of their delegates being stationed in or sent on an extended visit to that camp, to assist in the distribution of such parcels. You may explain informally that this suggestion is made in the light of the above considerations with a view to safeguarding the lives of over 9,000 inmates reported to be in Belsenbergen.

Furthermore, you should emphasize ^{to} ~~the~~ Foreign Minister the mounting evidence of confusion among local German officials and their increasing accessibility to psychological pressure seeking to dissuade them from executing extermination policies ordered by certain German authorities, and urge that full advantage be taken of this state of mind in the interest of saving lives, through unofficial as well as official channels.

Please endeavor to make clear to Swedes that the activities suggested above should be actively pursued as long as the danger continues.

Please endeavor to make clear to Swedes that the activities suggested above should be actively pursued as long as the danger continues.

Please advise Department and WRB of Swedish reaction.

The following from WRB for Minister Johnson and Olsen:

It would be helpful if you inquired at frequent intervals what specific action Swedes are taking to carry out the above suggestions.

In view of the situation as outlined above and in view of recent reports indicating effectiveness of publicity and other forms of psychological

- 2 -

pressure upon German officials, you are requested to make special efforts through all channels available to you to increase such pressure with a view to safeguarding the lives of the surviving victims of Nazi persecution.

THIS IS STOCKHOLM CABLE NO. 293

1:30 p.m.
January 18, 1945

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

BAKzin:ar 1/17/45

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

January 18, 1945

9 p.m.

ALLEGATION

BERN

288

The following for McClelland is WRB 367.

Reference your No. 7877 of December 1, paragraph 3.

Board has been advised that Andre Wolff, Commissioner of Information, Grand Duchy of Luxembourg, has just learned that ICRC has addresses of some 6,000 Luxembourg citizens in Germany who are in urgent need of relief. Friends of Luxembourg and labor groups sponsoring program have requested Board to inquire whether ICRC is in a position to use in behalf of these Luxembourg citizens in Germany the unused \$19,533.60 now in your hands. Please raise question with ICRC and advise Board urgently if ICRC is in a position to handle such a relief program in a manner satisfactory to you. You may assume that authorization will be forthcoming for use of funds for such a program.

STETTINIUS
(OLW)

WRB:MMV:ED
1/18/45

WE

SWP

via press wireless

BERNE, JAN. 18—A series of well-founded reports reaching here disclose that Heinrich Himmler is on the eve of concluding one of the most sinister bargains of his sinister career.

Under the guise of humanitarianism, the Gestapo chief is proposing, through a number of intermediaries, the mass release of 300,000 political deportees from Germany, mostly Jews. The price would be the tidy sum of \$5,000,000 to be deposited in banks of a neutral country.

This bargain is being discussed between Jewish committees and neutral intermediaries acting for Himmler, in several European capitals. It would include citizens of France, Belgium, Holland and Italy. The names of the intermediaries are not known.

The transaction, on which your correspondent after careful investigation is able to throw light, is of much wider scope than first meets the eye. Himmler wants Jews, and Jews alone to be released. Then, when these political deportees reached their liberated countries, their compatriots will be struck by the fact that there are no Christians among them. This will undoubtedly foster much bitterness and anti-semitism and create trouble all around. Furthermore, it would be easy to smuggle a certain number of fifth columnists out during the transaction, whose activity in the liberated countries will be of great value to the Gestapo.

In fact, Himmler has a great deal to gain and little to lose by such a transaction. Three hundred thousand less mouths to feed will be a distinct relief to Reich economy. And Germany's finances are now in such state that any foreign currency is most welcome. Against this is the loss of 300,000 workers, but the majority of these are in such pitiable physical condition that loss of their output could not seriously affect Germany's industry.

But this delicate question has its humanitarian side. Nobody can fail to be moved by the fate of millions of deportees in Germany, especially the worst treated of them all--the Jews. Arguments of those in favor of the transaction run thus:

1. If anybody can escape the German grip, so much the better and everything should be done to help.

2. Jews to be liberated will include the poor as well as the rich, for the money would come from Jewish committees abroad. It will not, as in the past, be an individual affair.

3. What are \$5,000,000 compared with 300,000 lives?

4. Now that all the neutrals have ceased deliveries of war material to Germany, the money paid, which will naturally come from Allied countries, will not help Germany's war effort.

Such arguments are naturally advanced by those who have friends and relations who will be benefited by similar transactions. For the proceedings are in no way new. Hitherto, however, they were concerned mostly with Hungarian and Rumanian Jews trying to escape from Nazi Gehenna--at enormous cost.

Last May Baron Weiss, a Hungarian multi-millionaire was allowed by Himmler to leave the Reich in a special plane to go to Lisbon. Since Hungary's occupation, 1,7000 rich Hungarian Jews have been authorized by the Gestapo to leave Germany in exchange for hard cash.

The first convoy of 300 Jews reached here the end of last August. A ransom was paid in Budapest in jewels or shares in Hungarian industries.

A second convoy of 1,400 Jews reached Switzerland on Dec. 6, 1944, having been "liberated" by Himmler after a payment of 1,000,000 Swiss francs. The Jews bore "Palestinian passports." Thus, the Nazis could claim that they were liberating enemy aliens and not Jews--and at the same time fill their pockets.

Negotiations leading to the release of these 1,7000 Jews were conducted by a prominent Hungarian newspaperman and Otto Braun, who assassinated Erzberger, and is now the head of the "Economic section of the Gestapo."

Braun grew ambitious for his scheme of release and had the impudence to send an emissary--a certain Joel Brandt--to Ankara last June to contact Allied circles. The Naive Brandt was requested to go to Cairo to "pursue his humanitarian negotiations." On his arrival there he was conducted to the nearest jail.

Today the deal is far bigger. It is far more dangerous too for Allied security and for the internal peace of the liberated countries. Observers here who pity political deportees, Jews and Aryans alike, who are in the Nazi thrall, hope nevertheless that the Allied governments will see through Himmler's newest bit of cunning.

MHS-1885
Distribution of true
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arrangement. (SECRET W)

Bern

Dated January 18, 1945

Rec'd 3:19 p.m.

Secretary of State

Washington

351, January 18, 3 p.m.

FOR WRB FROM MCCLELLAND.

Information requested by Vaadhahatzala Emergency
Committee (Department's 4399 December 30; WRB'S 347)
was obtained from Sternbuch on January 15, and will
be forwarded by pouch to WRB leaving Bern January 20.

HUDDLE

L/S

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

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

Please deliver following message to Gerhart Riegner, 37 Quai Wilson,
Geneva, from Dr. Arish Tartakower of the World Jewish Congress:

QUOTE NUMBER 285 BE ADVISED THAT ALL COMMUNICATION YOU
WILL RECEIVE FROM RUMANIA MUST BE TRANSMITTED US VIA
WAR REFUGEE BOARD FACILITIES AS PER REQUEST OF OFFICE
OF CENSORSHIP HERE. UNQUOTE

THIS IS WRB BERN CABLE NO. 368

2:45 p.m.
January 18, 1945

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

RDrury 1/17/45

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
TO: Secretary of State, Washington
DATED: January 18, 1945 (Rec'd Jan. 19)
NUMBER: 97

SECRET

The Ambassador transmits the following personal message for Mr. John Pehle of the War Refugee Board.

Your thoughtful telegrams and particularly the generous sentiments to which you have given expression are very much appreciated by me. It is my desire also to record the unfailing cooperation which I have received at all times from you personally, as well as from the War Refugee Board representatives.

STEINHARDT

DC/L:MAS:MLM 1/20/45

DD-1987

PLAIN

London

Dated January 18, 1945

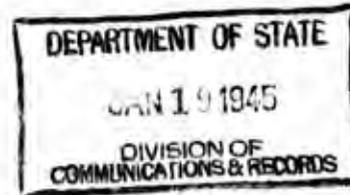
Rec'd 5:45 a.m.

Secretary of State,

Washington.

US URGENT

669, Eighteenth



The following is a correct and complete version of the Prime Minister's speech delivered in the House of Commons today: (Please have copies sent to the White House, the Secretary of the Treasury, the Secretary of War and the Secretary of the Navy:)

The Prime Minister (Mr. Churchill): I gathered that it was the desire of the House that there should be a further discussion of the war and foreign situations and policies at this time, before any new important international conferences take place. I will try to survey the whole--I cannot say the whole, but large and select portions--of this vast scene to the best of my ability. It has fallen to the hard^{lot} of Britain to play a leading part in the Mediterranean, and particularly in the Eastern Mediterranean. We have great responsibilities, and we have made great exertions, there. In Italy the British, or British-Controlled,

Divisions under

-2- #669, 31stcent, Iron Ho, Hon.

Divisions under Field Marshal Alexander's command, and still more if the whole area of the Mediterranean is included, outnumber three-fold those of the United States. There is battle along the whole front in Italy, and behind the front, in the hard-stricken peninsula, are many economic and political difficulties. The old structure, with its hateful rigours has been destroyed, and in its place we have had to raise a government of improvisation. We have the Bonomi Government, which has been trying to do its best under extraordinary difficulties, but which of course has no electoral authority behind it. But now, at any time perhaps in a few months, perhaps much sooner--, for no one can tell what is proceeding in the minds of the German war leaders--The Germans will be driven out of Italy, or will perhaps withdraw; and immediately the great populous districts of the north, the cities of Turin, Milan, and other centres of industry and activity and a large population of all kinds of political views but containing great numbers of vehement, or violent politicians, and in touch with brave men, who have been fighting and maintaining a guerrilla warfare in the Alps, all these will be thrown--probably at a time when the northern regions have been stripped bare of food by the retreating

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-3-#339, Eighteenth from London

food by the retreating Germans--hungry upon the fragile structure of the Italian Government in Rome, with consequences which cannot be accurately foreseen, and certainly not measured.

Now necessary it is for Britain and the United States, who bear the chief responsibilities, to maintain the closest and most intimate contact in the solution of all these new problems. Let me say once and for all that we have no political combinations, in Europe or elsewhere, in respect of which we need Italy as a party. We need Italy no more than we need Spain, because we have no designs which require the support of such powers. We must take care that all the blame of things going wrong is not thrown on us. This, I have no doubt, can be provided against, and to some extent I am providing against it now.

We have one principle about the liberated countries, or the repentant satellite countries which we strive for according to the best of our ability and resources. Here is the principle. I will state it in the broadest and most familiar terms: Government of the people, by the people, for the people set up on a basis of free and universal suffrage election, with secrecy of the ballot and no intimidation. That is and has always been the policy

-4-#669, Eighteenth from London

been the policy of this government in all countries. That is our only aim, our only interest, and our only care. It is to that goal that we try to make our way across all the difficulties, obstacles and perils of the long road. Trust the people, make sure they have a fair chance to decide their destiny without being terrorized from either quarter or regimented. There is our policy for Italy, for Yugoslavia and for Greece. What other interests have we than that? For that we shall strive and for that alone.

The general principle which I have enunciated guides us in our relations with Yugoslavia. We have no special interest in the political regime which prevails in Yugoslavia. Few people in Britain I imagine are going to be more cheerful or more downcast because of the future constitution of Yugoslavia. However, because the King and the Royal Yugoslav Government took refuge with us at the time of ^{the} German invasion we have acquired a certain duty towards the government and peoples on the other side of the Adriatic which can only be discharged in a correct and formal manner such as, for instance, would be provided by a plebiscite. I am the earliest outside supporter of Marshal Tito. It is more than a year since in this House I extolled his Guerilla virtues to

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-5-#669, Eighteenth from London

Guerilla virtues to the world. Some of my best friends and the Honorable and gallant member for (*) Preston (Major Churchill) is there with him or his forces now. I earnestly hope he may prove to be the saviour and the unifier of his country, and he is undoubtedly at this time its undisputed master.

Recently Bulgaria and Rumania have passed under the control of the Soviet Military authorities and Russian-controlled armies are in direct contact with Yugoslavia. As we feared that there might be misunderstandings and contrary policies between us and the Soviet Government about Yugoslavia, which can easily arise when armies enter a country which is in great disorder, the Foreign Secretary and I reached at Moscow an understanding with Marshall Stalin by which our two countries pursue a joint policy in these regions, after constant discussions. This agreement raised no question of divisions of territory or spheres of interest after the war. It arrived only at the avoidance, during these critical days, of friction between the great Allies. In practice I exchanged telegrams on behalf of His Majesty's Government personally with Marshall Stalin about the difficulties which arise, and about what is the best thing to do. We keep

President Roosevelt

-6- #669, Eighteenth from London

President Roosevelt informed constantly.

In pursuance of our joint policy, we encouraged the making of an agreement between the Tito Government, which, with Russian assistance, has now installed itself in Belgrade, and the Royal Government of Yugoslavia, which is seated in London, and recognized by us as, I believe, by all the powers of the United Nations. Marshal Stalin and His Majesty's Government consider that agreement on the whole to be wise. We believe that the arrangements of the Tito-Subasic agreement are the best that can be made for the immediate future of Yugoslavia. They preserve the form and the theme of monarchy pending the taking of a fair and free plebiscite as soon as conditions allow. King Peter II agrees in principle with these arrangements, but he makes certain reservations. The nature and effect of these are, I understand, at present under discussion. I should hesitate to prophesy or to promise how all this will turn out, but in all the circumstances, and having regard to the chaotic conditions arising out of this war, I do not see what else except this Tito-Subasic agreement could be done by His Majesty's Government and the Union of Socialist Soviet Republics than to contribute what they can to bringing about the widest possible measure of agreement among Yugoslavs, and to ensure that these

-7- #669, Eighteenth from London

ensure that these issues should not become a cause of friction among Allies. It is a matter of days within which a decision must be reached upon this matter, and if we were so unfortunate as not to be able to obtain the consent of King Peter, the matter would have, in fact, to go ahead, his assent being presumed. The King's point of view, as I understood it was that he was anxious about becoming responsible, while he had no power, for any severities or confiscations which might take place in his country before the plebiscite decided whether it was to be a monarchy or a republic. Such scruples must be respected, but cannot necessarily, in these times, indefinitely prevent the march of events.

From the troubles of Italy and Yugoslavia we come naturally to those of Greece. Once again we are guided by our simple policy: victory against the Germans; the establishment of and aid to the most coherent and substantial government machine that can be found; the delivery of such food as we and our Allies can spare and our combined shipping afford; the maintenance of tolerable conditions of law and order; and the holding of plebiscites or general elections fairly and squarely-- then exit at the earliest practicable moment. We toil through a mighty

-8- #669, Eighteenth from London

maze but I can assure the Committee it is not without plan. The story of events in Greece has been told so fully in the newspapers that I shall not attempt a chronological or descriptive account--(Interruption). I beg that I may not be interrupted. Every two or three minutes the Honorable member for West Fife (Mr. Gallacher) who receives exceptional courtesy in this House thinks it necessary to assert himself by making some half-inaudible and occasionally partially-intelligent interruption. I do not think that is in accordance with the wish of the Committee or the conditions of our debate.

I said that I should not attempt a long chronological account but there is no case in my experience certainly not in my war-time experience where a British government has been so maligned and its motives so traduced in our own country by important organs of the press or among our own people. That this should be done amid the perils of this war now at its climax has filled me with surprise and sorrow. It bodes ill for the future in which the life and strength of Britain compared to other powers will be tested to the full not only in the war but in the aftermath of war. How can we wonder and still less how can we complain of the attitude of hostile or indifferent newspapers in

the United States

Regraded Unclassified

-9-#669, Eighteenth from London

the United States when we have in this country witnessed such a melancholy exhibition as that provided by some of our most time-honoured and responsible journals-- and other to which such epithets would hardly apply. Only the solid and purposeful strength of the national coalition government could have enabled us to pursue unflinching and unyielding the course of policy and principle on which we were and are resolved.

But our task hard as it was has been and is still being rendered vastly ^(more?) are difficult by a spirit of gay reckless unbridled partisanship which has been let loose on the Greek question and has fallen upon those who have to bear the burden of government in times like these. I have never been connected with any large enterprise of policy about which I was more sure in mind and conscience of the rectitude of our motives of the clarity of our principles and of the vigour precision and success of our action than what we have done in Greece.

We went to Greece for the second time in this war. We went with the full approval of both our great Allies. We went on the invitation of a Greek Government in which all parties even the Communists were represented and as a result of a military conference at which the
generals of Elas

-10- #669, Eighteenth, from London

generals of Elas and of Edes were equally present. We came with good gifts in our hands stability and assistance to the all-party Greek Government who were formed and had to face the confusion left by the flight of the Germans. We brought food clothing and supplies. We came with a small force of troops. We took up our positions from no military point of view scattering and spreading our troops in a number of places on the coast and at small points inland where we hoped to be able to pour in the largest numbers of supplies as quickly as possible to a very hungry people. - We were received with flowers and cheers and other expressions of rapture and we British the wicked British--so denounced by the American correspondents whose names have no doubt been noted by the House and so hounded by some of our own--busied themselves in the distribution of supplies throughout those parts of the country to which we had access.

We had made Greece safe for UNRRA before the outbreak took place. Meanwhile for a period of six weeks or so the Greek Government representative of all parties were distracted by internal divisions and street demonstrations and all the time the Communist-directed forces were drawing down from the north and infiltrating into the city of Athens in which they had also a

29

-11- #669, Eighteenth, from London

had also a strong local faction. We had furnished these men for several years with arms in considerable quantities in the hope that they would fight against the Germans. They accepted the arms and they kept them and other arms they procured from the Italians and the Germans in their retreat-- captured or bought or otherwise obtained--and they kept them with a plan to seize the power of the Greek state in Athens once the Germans cleared out and went away. (Interruption) I cannot guarantee to carry unanimous opinion with me at every stage in the discussion of what is admittedly the most controversial matter of the hour in British policy.

I must speak a little about these Greek Communists among whom Macedonian and Bulgarian elements are also found possibly with territorial ideas of their own. They are a very formidable people. They have a theme and^a policy which they pursue by merciless methods while all sorts of other people in these regions have only been trying to keep body and soul together. I have been told that I made a mistake in under-rating the power of the Communist-directed ELAS. I must admit that I judged them on their form against the Germans.

I do not wish to

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-12-#669, Eighteenth, from London.

I do not wish to do them any military injustice. Of course it was not against the Germans they were trying to fight to any great extent. They were simply taking our arms lying low and awaiting the moment when they could seize power in the capital by force or intrigue and make Greece a Communist state with the totalitarian liquidation of all opponents. I was misled by the little use they were against the Germans especially once the general victory of the Allies became probable in spite of the arms we gave to them. I certainly under-rated them as a fighting force. If I am accused of this mistake I can only say with M. Clemenceau on a celebrated occasion: "Perhaps I have made a number of other mistakes of which you have not heard."

While the British were busy distributing the food and endeavouring to keep things steady the EAM and Communist ministers who were eventually increased to seven in the Papandreou cabinet were playing a different game. Throughout this has been a struggle for power. They were playing the game of the ELAS bands and of their Communist directors. While sitting in M. Papandreou's cabinet they were working in the closest combination with the forces gathering to destroy it and all that he and other colleagues represented in the every day life of
GREECE.

-13-#669, Eighteenth, from London.

Greece. EAM and Communist ministers threw sand in the wheels of the government at very stage. They did their best to hamper the landing and distribution of food by provoking strikes on some occasions. In addition they fought over every officer in the army which it was necessary for the poor state to raise--you cannot have a state without some kind of national army; I am entirely against private armies and we are not going to have private armies. Every single appointment was wrangled over in this time of crisis till the last minute and then when the moment came when the fierce mountaineers who had been so tame and idle against the Germans had got well into the city of Athens----

Mr. S. O. Davies (Merthyr): That is not true.

The Prime Minister: Well I speak according to the best information I have.

Mr. S. O. Davies: It is not true; it is a slander on the Greeks.

The Prime Minister: I have spared no pains to try to learn what I believe are the facts. I consider myself far better informed on this matter than I was a month or six weeks ago but what I have learned with great pains and patience has led me to a strengthening of my original conclusions and among them is undoubtedly the conclusion that the ELAS armed bands at any rate

for the

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for the last two years played very little part against the Germans. Now I really cannot argue with my Hon. friend. No doubt he and some of those who hold his views will have an opportunity of extolling their glorious deeds. I personally am not prepared to pay them anything like the tributes which are paid to the heroic French or Belgian Maquis or to the men in Italy who are in the mountains fighting their desperate battle. It seems to me they took aid from us with their eyes on more important local matters after the general war was over.

Every single appointment was wrangled over and when the fierce mountaineers had got well into the city and joined up with their confederates inside them all those seven ministers of the government resigned like clockwork except one whom I told the house about before who was a little late but by running very hard under the threat of death managed to keep his appointment. So far the Allies seemed very content with what had happened in Greece. Our minds rested upon its liberation from the Germans. We expected a certain amount of local ebullition while matters readjusted themselves and food could come in. After all there were other things going on at the same time. We rested on the pleasure which our early reception

in Athens

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in Athens and other Greek cities and islands had given to all of us especially to those who care deeply about Greece and her future.

Now we come to a new phase about which it was not possible to consult our Allies and upon which action had to be taken immediately. On the night of 4th-5th December I had before me a series of telegrams which showed that the advancing ELAS forces in Athens the Communists and all they could gather with them were within about 1,000 yards of the centre of Greek Government in the Hotel Grande Bretagne and also within the same distance ~~or~~ even less of the British Embassy into which all our womenfolk of the cipher departments and others had been gathered and it seemed that the overrunning of these places or at any rate of the seat of government by this ferocious and well-armed well-directed mob or army if you like-----

Mr. Gallacher (Fife West): Brigands.

The Prime Minister--or army of brigands if the Hon. member wishes---I shall have to tell the Committee much worse about them than that before I have finished. This was about to take place. Almost all the police stations in Athens and the Piraeus had been occupied or stormed by ELAS forces some with the slaughter of every single inmate. Firing was widespread throughout, the city--

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the city--it was growing it was approaching. General Scobie signalled:

"A general strike has been declared in Athens. All power and utility services have ceased working. Unless full order can be restored the situation of the government will be critical. All British troops including the parachute brigade are being held here." We were about to take some of our troops away when this happened. The parachute brigade was needed in Italy. The hour was late or rather early--two o'clock in the morning. Orders were sent to General Scobie to take over the military command of Athens and restore and maintain order by whatever measures were necessary. If I did wrong I take the full responsibility but my colleagues are most desirous to share it with me. For three or four days or more it was a struggle to prevent a hideous massacre in the centre of Athens in which all forms of government would have been swept away and naked triumphant Trotskyism installed. I think "Trotskyists" is a better definition of these people and of certain other sects than the normal word and it has the advantage of being equally hated in Russia. However by the skin of our teeth and thanks to the resolution of the handful of British soldiers on the spot the

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the spot the assailants were hurled back and Athens and as I firmly believe Greek freedom were saved.

On Christmas Day I thought it necessary to go to Athens with my right Hon. friend the Foreign Secretary. There was a demand from many quarters for the Regency and for the Archbishop. I was anxious to test that on the spot: I was anxious to see what could be done at the conference of all parties including of course the representatives of EAM and the Communists which I asked the Archbishop to convene in Athens. At this conference those severed by mortal hatred--mortal and living hatred--were seated around a table and found themselves united upon the Regency and in their minds at that time there was obviously only one man who could fill it. So the Foreign Secretary and I on our return laboured with the Greek King in order to procure his assent. We were successful and on 31st December Archbishop Damaskinos was invested with the royal power pending his Regency and I think with more than the royal power.

We did not seek to be consulted about his measures nor did we interfere in the choice of his Prime Minister nor in the character and composition of his government. I did not know when I left with any assurance who would be his Prime Minister or what men would be chosen by that Prime Minister and approved by him to fill the government.

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government. I gathered however that there was a general desire to avoid merely getting the leaders of parties together but rather to pick strong and real representatives of those parties the leaders of which are very numerous and not always free from the dangers of being discredited. The Archbishop struck me as being a very remarkable man with his headgear towering up morally as well as physically above the chaotic scene. I am sure he would not have undertaken his responsibilities unless he had been free to exercise his own judgement.

He called upon General Plastiras who under his close guidance formed a government of the character I have described--Liberal Socialist Left Wing Democratic and Republican in fact as we are assured with all the modern virtues but undoubtedly violently against the Communists. People here talk of making a government of all parties and of every one being persuaded to fall upon each others necks or at any rate to work together in a sensible manner. I must admit that I had had some of these ideas when I flew to Athens on Christmas Day but the House must not suppose that in these foreign lands matters are settled as they would be here in England. Even here it is hard enough to keep a coalition together even between men who although divided by party have a

supreme

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supreme object and so much else in common. But imagine what the difficulties are in countries racked by Civil War past or impending and where clusters of petty parties have each their own set of appetites misdeeds and revenges. If I had driven the wife of the Deputy Prime Minister out to die in the snow, if the Minister of Labour had kept the Foreign Secretary in exile for a great many years, if the Chancellor of the Exchequer had shot at and wounded the Secretary of State or War or the head of one or other of the great spending departments, if we who sit here together had back-bitten and double-crossed each other while pretending to work together and had all put our own group or party first and the country nowhere and had all set ideologies slogans or labels in front of comprehension comradeship and duty we should certainly to put it at the mildest have come to a general election much sooner than is now likely.

When men have wished very much kill each other and have feared very much that they will be killed quite soon it is not possible for them next day to work together as friends with colleagues against whom they have nursed such intentions or from whom they have derived such fears. We must recognize the difference between our affairs and those which prevailed in Athens especially while
the firing

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the firing was continuous all round us. That cannot possibly be overlooked. We should have been very glad to have seen a united government set up. We left them to it with a strong urge and appeal to unite and save their country no exception being made of Communists or any one at that moment. All next day they struggled. On several occasions the entire Liberal Party left the room and were with difficulty shepherded back into their places. It was absolutely certain that no agreement to form a united front could be reached and since then far worse things have happened than had happened before.

The days passed. Our reinforcements rapidly and steadily arrived. They were found without altering the operations on the Italian front by putting I am sorry to say an extra effort on divisions which were resting and which would otherwise have gone to rest camps. But the troops accepted these duties in the most loyal and hearty spirit and have frequently expressed the opinion that the people they were fighting were even dirtier than the Germans. Street by street Athens was cleared. Progress was very slow because of the care taken to disentangle the women and children and innocent civilians who were all intermingled with people in plain clothes who were firing.

The assailants

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The assailants have fled; Attica is free; a truce has been signed giving a much larger area of peace and order around Athens and the Pireaus which are the heart of Greece and which have always been the dominant center of the life of Greece. More than one quarter of the entire population lives there and in the region now liberated. I have not the slightest doubt that in the opinions they expressed and in the views they take they represent at least four-fifths of the whole Greek nation if it could express its view with conditions of peace and normal tranquility. Fighting has ceased now except for skirmishes with parties of ELAS troops who probably have not yet heard the news in this primitive country. Now the Greek people can talk things over as they choose under the guidance of Archbishop Damaskinos who is also ready to receive and has invited the representatives of EAM or what is left of EAM in the political structure and ELAS to come to meet him.

What do we seek in Greece? Do we want anything from Greece? What part do they play in our so-called power politics? How much does it matter to us from a national point of view what form their government takes? I repeat: we want nothing from Greece but her friendship and to earn that and deserve that we have to do our duty.

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duty. We cannot disentangle ourselves from Greece immediately after what has happened. We cannot do so until there can be either a free vote or a guarantee of a free vote under the most stringent and impartial supervision a vote of all the Greek people as to what they want in the future. Whatever they decide monarchy or republic left or right that shall be their law as far as we are concerned. When I see all the fury expended on this subject and when we are abused without one shadow of truth as far as if we wanted some islands or bases from Greece as if we needed their aid to keep ourselves alive I feel added anxiety for the future which with all its sombre and infinitely complicated problems is closing rapidly upon us.

However the "cease fire" has sounded and the rejoicings of the people of Athens have once again acclaimed the liberating British troops this time with an intense agonised fervour. At any rate there is a region where about 1,500,000 men and women can earn their daily living without fear of pillage or of being killed in street fighting. Meanwhile as a result of these events and also of the complete clearance of the city which proceeded for several weeks with heavy fighting night and day various alphabetical groups like Ske and Eld have I am informed speaking by the best available

leaders they

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leaders they have--for all is in confusion--subtracted themselves from EAM leaving now only KKE the communist in uncomfortable isolation clinging to their hostages.

Let me now read an extract from a despatch from our Ambassador Mr. Leeper whom I have seen at close quarters in difficult and dangerous circumstances and who I am bound to say has grown in stature with the tests which have been applied so severely and increasingly to him--a man now labouring with the utmost earnestness for a peace on the broadest possible basis. This is what he says:

"Ever since the Germans left the small but well-armed Communist Party"--he wrote this in a despatch a day or two ago--"has been practising a reign of terror all over the country. Nobody can estimate the number of people killed or arrested before the revolt in Athens actually began but when the truth can be known there will be terrible stories to tell. When the fighting began in Athens the brutalities increased rapidly. Men women and children were murdered here in large numbers and thousands of hostages were taken dragged along the roads and many left to die. Reports from Salonika show that much the same things was happening there."

Mr. A. Bevan (gbw Vale): on a point of order. I understand that the right Hon. Gentleman was quoting

from a

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from a document sent to him by the British Ambassador in Athens. May I be allowed to ask that the papers be laid upon the table?

The Prime Minister: It is fully within the rights---

Mr. A. Bevan: The right Hon. Gentleman is not the chairman.

The Chairman (Major Milner): The Hon. Gentleman has put a question to me. The answer is that except in matters where it is against the public interest it is usual to lay such documents on the table.

Mr. Gallacher: I want to ask if it is in order for the Prime Minister to quote from one of his own speeches 25 years ago about Soviet Russia?

The Prime Minister: Evidently the chance remark which I made the other day to the Hon. Member has stung him deeply. I shall continue to probe carefully the exact political shade which he adopts. With regard to this document I think I should be quite ready to lay the telegram which I quoted.

A Mr. Bevan: The whole document?

The Prime Minister: The whole document subject to anything that may be excluded on the grounds of the public interest.

Mr. Bevan: On account of public security?

The Prime

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The Prime Minister: Yes, on account of public security. There is a good deal more in it than I have read out. Some of the news may not be any more palatable to the Hon. Member,

Mr. Bevan: But we still want it.

The Prime Minister: I am not accepting it at all as an absolute rule that in time of war documents can be quoted without the most careful survey by the government. That is absolutely necessary. In times when blue books were given to the House even in peace frequent excisions were made and indicated by dots by ministers responsible for the safety of the country.

There is another tale told by a British officer Lieut-Colonel H. G. Morrison the King's Royal Rifle Corps who obtained his information by personal cross-questioning of a large number of hostages whom he met at a field dressing station.

The Colonel said: "on Christmas Day"--I will lay this too--

"A column of hostages composed of men and women dragged from their homes by the insurgents moved northwards from Athens. They were collected in one suburb and after most had been relieved of their footwear and many of their overcoats they were driven in dead of winter along the mountain roads covered with snow. Every day some
died of

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died of exhaustion and others were executed. For food these miserable bare-footed hostages were left entirely to their own resources. The inhabitants in villages from whom they begged food were mostly too terrorized to do more than look on in impotent sympathy. When their starvation became acute ELAS proposed to buy them food if they supplied the money. The equivalent of about 100 pounds sterling was raised but all they received in return was one half loaf of bread each. A favorite trick of the ELAS guards was to assemble these bewildered people and inform them that after so many hours march they would find a billet a hot meal and a bed. After several days of this they fully realized they would be lucky if they found room on the floor of a stable with no promise of food of any description.

Two characteristic details. A woman discovered to have money was deprived of it and shot. When other hostages protested the guards justified themselves by asserting that she had been working for the British. One man managed to extract a gold tooth from his mouth and barter it for a little food. A few fortunate stragglers from this column were picked up in the last stages of exhaustion their bare feet in ribbons. Hitherto those no longer able to walk had been executed;

but their

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but their guards were in a hurry and received warning that the British armed patrols were on their tail."

Mr. Gallacher: Tell me the old old story.

The Prime Minister: The Hon. Member may not only have the pleasure of having it told to him but of reading it in the document.

Mr. Bowles (nuneaton): Did the Colonel see all this himself?

Sir John Wardlaw-Milne (Kidderminster): Are not these the facts?

Mr. Gallacher: We have heard all those lies before,

Hon. Members: Order.

The Prime Minister: The Hon. Member continues to presume. I am reading the facts and he does not like the facts. I am telling him the truth and he fears the truth. These facts reflect on those whom he has so thoughtlessly championed and I will give him further warning. There is a great deal more to come and I think that the committee has a right to hear it. (interruption) When I quote from the Colonel of the King's Royal Rifle Corps and say he gathered his information from the advanced dressing station where he examined a number of these victims the Hon. Gentleman opposite immediately tries to suggest it is all some fake propaganda. He did not use those words but the whole sense of his interruption

was to cast

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was to cast doubt on an officer who has not the slightest interest political or otherwise to do anything but collect gather and convey the truth. Mr. Leeper adds:

"This is the story of one column of 800 hostages of whom about 200 were dead within 10 days. The total number seized runs into thousands and includes many reputable men and women well known to the Greek public. A good many survivors have now returned to Athens to tell a similar tale."

The following is an eye-witness report by another British officer. I cannot give his name. I have telegraphed for it and I will lay it before the committee shortly afterwards. He says:

"Whilst at Peristeri (an Athens suburb) interrogating ELAS prisoners I was informed by civilians and national guards that a great many hostages had been executed by ELAS and buried in ditches on the outskirts. I proceeded to the place where exhumation of bodies had begun and interrogated the cemetery guardian. According to his statement batches of 15 to 20 hostages were brought to the northeast corner of the cemetery every day by ELAS and murdered; Their bodies were then buried in some disused trenches. This system of trenches which covers some 200 yards is now filled with earth but trial diggings have uncovered bodies along most of its length. Further to the north and northwest are more trenches and pits which according to

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according to the guardian also contain bodies of hostages who were executed there. He estimates that in all 1,200 to 1,500 people were executed mostly with knives or axes. The latter testimony was borne out by partially exhumed bodies which I saw which had deep wounds in the back of the head or neck probably inflicted by a heavy knife. Apparently they were hostages taken in Athens during the early days of the fighting and who were systematically exterminated up till the ELAS withdrawal from Athens." I am sorry to trespass on the committee. This is one which only arrived this morning. It is from Consul-General Rapp who is at Salonika.

"Between 1 p.m. and 2 p.m. yesterday 16th January 31 sick civilians of whom 17 to 20 were in a dying condition were removed by ELAS from the municipal hospital at Salonika loaded on to bullock carts in their pajamas (some had pajama trousers only) and taken off to Verroia. Facts are verified by Mme. Riadis and M. Zannas of the Greek Red Cross who followed the convoy in a car a few hours later and distributed blankets. It is probable that several have already died from exposure. British military authorities are taking all possible steps to secure their immediate return."

Three days ago the roads leading out of Salonika were crowded with long columns of horse and bullock-drawn vehicles

vehicles which had been brought in from the countryside and had left with much booty and loot having stripped bare every house rich or poor in which they could find anything worth carrying away. I know perfectly well that the Hon. Member for Ebbw Vale (Mr. Bevan) would not stand for anything of this kind. I know that he would not but would rather throw away the great advantages in an argument that stand for one moment for inhumanity. I am not trying to suggest that Hon. Gentlemen opposite even those who are most excited are in any way associating themselves with this sort of thing and therefore I am taking great pains to show what has been going on and is going on in order that they may carefully watch their steps and choose their language in such a way as to keep themselves clear of all taint of approbation.

I give my warning to what I must call the ELAS-ites in this country and elsewhere. The prisoners are coming home and the truth is coming out. Two horrible stultifications await them. First the revelation and proof of the atrocities committed by those whom they have found it their duty to defend and secondly a great surprise is going to come upon them in the vote which the Greek people

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Greek people will give about these matters when our purpose of free election has been achieved. I would warn the committee that if we are going to tear ourselves asunder in this island over all the feuds and passions of the Balkan countries which our arms and those of our Allies have liberated we shall be found quite incapable of making our influence count in the great settlement which awaits the end of the war. It is, I believe the intention of the Regent and of General Plastiras to broaden the government continually but we really must leave this process to them and not try to interfere with it from day to day.

It is only fair for me to tell the committee that I do not believe that any of the existing authorities in Athens will ever work as colleagues with the Communist leaders who assailed the city and brought as they think all these miseries upon Greece. There is a violent feeling throughout the liberated area that there should be no amnesty. Even when we were there 3 weeks ago and when we held only a small part of the city most of the roads were dangerous. There were bands of men marching about poor clad men with placards bearing the words "no amnesty." Passions there are tense and I am told
that they

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that they tend to become more tense because of questions and answers in this House. We try to allay those passions as much as we can. The Government have been committed by me to the principle of "no proscription." That means that no person whether ringleader or otherwise shall be punished for his part in the recent rebellion unless he is found guilty by a properly constituted court of personal breaches of the laws of war or of the private crimes for which ordinary felons are punished. This principle has been accepted by the Greek Government and all statements to the contrary are over-ridden. Any statement which does not conform to it is over-ridden by the quite definite agreement which I made on the spot in respect of these matters and which I have every reason to believe will be maintained. It is quite possible that General Plastiras under tremendous pressure of people boiling with rage and bursting for revenge may have used some sentences which do not correspond or seem not to correspond with the interpretation which I have placed upon it. But the position of His Majesty's Government has been definitely taken up and our opinion is I am sure one which will be treated with respect and consideration by the Greek Government who are so largely dependent upon our armed forces for their existence.

Mr. Bevan:

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Mr. Bevan: This is of the utmost importance. The Right Hon. Gentleman may have heard that statements are being made to the effect that the Government are already weeding out from the administration in Athens any of those persons who recently sympathised with EAM. I do not say it is true because I do not know what the Right Hon. Gentleman knows. Would he make it quite certain that British arms will not be used to sustain a government which does not honour in full the law and the pledge he has now given to the House?

The Prime Minister: I think there is a great difference between putting people to death for the crime of rebellion or bringing them to penal processes and making sure that your government departments are not full of people who are working for the other side. I am dealing with the whole question of amnesty which relates to the penal processes of law such as imprisonment or sentences of death and an amnesty certainly does not mean that persons who are not trusted by the government of the day will immediately be made Cabinet Ministers or that employees who were found to have left their posts in the crisis and taken part in the fighting on the opposite side to the government of the day should be reinstated

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be reinstated or left in their positions. No one can stand for that and I want to be very careful not to lead the Hon. Gentleman the Member for Ebbw Vale into any ideas that I am promising something that goes beyond the actual words I have used.

As I say this principle which I have advised has been accepted by the Greek Government and I have no doubt it will be observed while any of our forces remain in the country but after that Greece will be completely free and sovereign and I cannot tell at all by what terrible feuds the wrangle may be carried on.

There is, however, one further reservation which I must make. The promise of "no proscription" or amnesty-- whichever term you prefer--is dependent as we see it upon the treatment and delivery of the hostages and no amnesty could be declared while the hostages were held in the grip of ELAS we thought it better that the fighting should stop. It is always a good thing for the firing to leave off in a case like this when you wish to reach a parley. We thought it better for the fighting to stop and that whatever parley took place about hostages would go on more quickly after firing left off than before. But let there be no mistake the name of

Britain and

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Britain and the honour of our country are deeply engaged in this matter of hostages. We cannot let it be said that we made arrangements for all our people to be saved and left anything from 5,000 to 10,000 Greeks men women and children to be carried off to the mountains by ELAS and its remaining associates to be used as a weapon of blackmail not merely to procure their own immunity from the crime of rebellion--for that as I have said is open to them if they take the proper course--but to be used to procure for them political advantages.

I tell the House quite plainly that His Majesty's ~~Government~~ Government will discharge their obligations however painful with complete integrity whether it is popular or not--to do so and that we shall not hesitate to rescue these hostages and punish their slaughter or maltreatment if we are to continue to hold office under the crown.

The Chairman: The sitting will be suspended until 2:15 p.m.

Sitting suspended.

On resuming,

The Prime Minister: I finished before lunch dealing with the Greek question and I quoted a statement by a British officer about the bodies which were being dug up. I had not got his name then but it has since arrived by telegraph

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by telegraph and is Captain R. F. G. Blackmer of the Royal Artillery. He gave an eye-witness account.

Now I turn a very different theme and story. I turn from the pink and ochre panorama of Athens and the Piraeus scintillating with delicious life and plumed by the classic glories and endless miseries and triumphs of its history. This must give way to the main battle-front of the war. In this my chief contribution will be the recital of a number of facts and figures which may or may not be agreeable in different quarters. I have seen it suggested that the terrific battle which has been proceeding since 16th December on the American front is an Anglo-American battle. In fact however the United States troops have done almost all the fighting and have suffered almost all the losses. They have suffered losses almost equal to those on both sides in the Battle of Gettysburg. Only one British army corps has been engaged in this action. All the rest of the 30 or more divisions which have been fighting continuously for the last month are United States troops. The Americans have engaged 30 or 40 men for every one we have engaged and they have lost 60 to 80 men for every one of ours. That is a point I wish to make. Care must be taken in telling

our proud

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our proud tale not to claim for the British army an undue share of what is undoubtedly the greatest American battle of the war and will I believe be regarded as an ever famous American victory.

I never hesitate as the committee I think will bear me witness to stand up for our own soldiers when their achievements have been cold-shouldered or neglected or overshadowed as they sometimes are but we must not forget that it is to American homes that the telegrams of personal losses and anxiety have been going during the past month and that there has been a hard and severe ordeal during these weeks for our brave and cherished ally. This implies no disparagement of our own exertions for we ourselves a month or two earlier lost 40,000 men in opening the scheldt. The bulk of our army on this occasion when Von Rundstedt attacked was separated by scores of miles from the impact of the new offensive. They could not possibly have been moved into battle in large numbers without criss-crossing the lines of communication and creating utter confusion. The British Army stood and stands in its northern position between the enemy and Antwerp in a strategic attitude capable of averting all possibility of a major disaster. Our armies are under the supreme

command of

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command of General Eisenhower and we march with discipline wherever we are told to go.

According to the professional advice which I have at my disposal what was done to meet Von Rundstedt's counterstroke was resolute wise and military correct. A gap was torn open as a gap can always be torn open in a line hundreds of miles long. General Eisenhower at once gave the command to the north of the gap to Field Marshal Montgomery and to the south of it to General Omar Bradley. Many other consequential movements were made and rightly made and in the result both these highly skilled commanders handled the very large forces at their disposal in a manner which I think I may say without exaggeration may become the model for military students in the future.

Field Marshal Montgomery at the earliest moment acting with extraordinary promptitude concentrated powerful British reserves at the decisive strategic point. Having been placed in command as he was by General Eisenhower of American forces larger than those he holds from His Majesty's Government or from the Canadian's larger than those he holds in the 21st

Army Group

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Army Group he fell unceasingly on the enemy in the north and has fought the battle all the time from that part of the assailed front. The United States First Army which was one of the group of armies under General Omar Bradley was severed by the inroad. It was reinforced with extraordinary military efficiency from the Metz area by General Patton's army who hurled themselves on the intruders from the south side of Bastogne. But all the movements of the commanders would have been futile but for the bravery of the troops. General Omar Bradley was commanding American troops and so was Field Marshal Montgomery. All these troops fought in magnificent fashion and General Eisenhower balancing the situation between his two commanders gave them both the fairest opportunity to realize their full strength and quality. Let no one lend himself to the chatter of mischief-makers when issues of this most momentous consequence are being successfully decided by the sword.

Lest it should be thought that the British Commonwealth and Empire are not playing their part in the battle of the Continent or in the general war let me

give a few

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Give a few facts and figures. We are maintaining at the present time in the field and in our garrisons the equivalent of upwards of 100 divisions apart from the vast Navy and Air Forces and all the workers in the munitions shops. Many of course are not mobile but 67 of them are at the front and in constant or frequent contact with the enemy. We are fighting incessantly on three separate fronts in Northwest Europe in Italy and in Burma. Of all the troops landed in France the losses sustained in fighting by the British Army and the United States troops have been very level in proportion to the numbers engaged. Of course there are over twice ^{as many} American troops on the western front as there are troops of the British Commonwealth. We in fact have lost half as many as our American allies.

If you take killed only British and Canadians have lost a larger proportion than the United States heavier though the United States losses are. We have taken measures which I announced some weeks ago to keep our armies up to the full strength whatever the losses may be and also to reinforce our divisions--I wish they were more numerous-- by supplementary units brigades

and so forth

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and so forth to add to the strength of the foot who bear the brunt of two-thirds of the losses of war. We therefore felt it necessary to make this demand for movement towards and into the battle of about 250,000 additional men to be drawn from every possible source in the next few months not only men but women. However, in the combatant sphere of the anti-aircraft batteries no woman will go but a volunteer. They have practically all volunteered.

In the United States

In the United States also extreme measures have been taken. Let the Germans dismiss from their minds any ideas that the losses or set-backs of the kind we have witnessed will turn us from our purpose. We shall go on to the end however the storm may beat and for myself I do not hesitate/^{today}to give my own opinion not dissented from by the experts with whom I live in constant contact that the decisive breaking of the German offensive in the west is more likely to shorten this war than to lengthen it.

We must regard Von Rundstedt's attack as an effort to dislocate and if possible rupture the tremendous onslaught across the Rhine and Siegfried line for which the Anglo-American armies have been preparing. The Germans no doubt hoped to throw out of gear before the on-fall of the Russian armies from the east this main stroke from the west. They have certainly lost heavily in their efforts; they have cast away a large proportion of the flower of their last armies; they have made a slight and ineffectual dent on the long front. The question they will be asking themselves is whether they have at this heavy price delayed appreciably the general advance of the armies of the west beyond the period when it had been planned? This is the question which no doubt today the German headquarters are anxiously asking themselves.

I always

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I always hesitated as the committee will bear me witness to speak at all about the military future but it is my hope and belief that by this violent attack in which they have lost perhaps double what they have inflicted they have in no wise delayed or still less averted the doom that is closing in upon them from the west. Harsh as it may seem to say a terrible thing to say in dealing with our own precious flesh and blood it is our interest and the American interest that the whole western front and the air everywhere at all possible flying times should be in continuous action against the enemy burning and bleeding his strength away at every opportunity and on all occasions if we are to bring this horror to an end. I think it was not necessarily a bad thing indeed it was a good thing that large parts of the western front were thrown into counter battles in open country by the enemy counter battles in the forests undulations and hills of the Ardennes rather than that all our troops should be compelled to advance at this season of the year across great rivers and seas of mud against lines of concrete fortifications. It suited the Allies that there should be as much fighting as possible in the open country rather than that the whole front should be crashing up against pillboxes.

In short as I see it the Germans have made a violent
and costly

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and costly sortie which has been repulsed with heavy slaughter and have expended in the endeavour forces which they cannot replace against an enemy who has already more than replaced every loss he has sustained. These German forces are needed now not only to support the German front in the west but even more to fill the awful rents only now emerging upon our consciousness as the telegrams come in which have been torn in their eastern line by the magnificent onslaught of the main Russian armies along the entire front from the Baltic to Budapest. Marshal Stalin is very punctual. He would rather be before his time than late in the combinations of the Allies. I cannot attempt to set limits to the superb and titanic events which we are now witnessing in the east or to their reactions in every theatre. I can only say it is certain that the whole of the eastern and western fronts and the long front in Italy where 27 German divisions are still held by no more than their own numbers will henceforward be kept in constant flame until the final climax is reached. The advance of the enormous forces of Soviet Russia across Poland and elsewhere into Germany and German-held territory must produce consequences of a character and degree about which the wisest strategists and the most far-sighted prophets will reserve their opinion until the results are known.

Simultaneously

Simultaneously with the battle of the Ardennes another battle almost as great has been fought by the United States in the Phillipines at the other side of the world. The Phillipines and the Ardennes--two vast military episodes-- have been proceeding simultaneously. When we think of the distances to be traversed in the Pacific and the vast consumption of ships and war material entailed of the mighty fleets and air forces engaged as well as the large armies convoyed and supplied in every detail we must marvel at the triumphant military strenght of the United States now roused from its peaceful free-and-easy life to become against its desire the greatest military power in the world. We also marvel at the folly of those treacherous schemers in Japan who so wantonly called out against them this incredible manifestation of armed power. General MacArthur's recovery of the Phillipines which is in full progress many months before it was expected is a fearful warning to the Japanese of their impending defeat and ruin. We offer our congratulations to General MacArthur and Admiral Nimitz on the increasing success and speed of their mighty combined operations.

I cannot

I cannot pass from this subject without mentioning the loss which we have sustained and which I personally have sustained in the death in action of my representative with General MacArthur Lieutenant General Lumsden one of our most distinguished and accomplished officers the man who at the very beginning of the war in the first contact with the enemy brought the armoured car back into popularity. He was killed on the port side of the bridge of an American ship approaching Luzon by a bomb which Admiral Fraser himself the Commander-in-Chief of our gathering Navy who happened to be there as a spectator only escaped by the accident of a few seconds. There have been large losses among the high commanders in these campaigns. In Air Chief Marshal Sir Trafford Leigh-Mallory and Admiral Bertram Ramsay we have lost two out of the three British commanders of the expedition across the channel General Montgomery being the sole survivor of the three.

There is one other campaign on which we and India have extended immense effort and where good fortune has attended us--the advance of the 14th Army--not forgotten but watched carefully their movements ever attended by our thoughts. The advance of the 14th Army in harmony with the Chinese on

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Chinese on its northern flank has carried them in an attack against the Japanese Army in Burma at some points almost 200 miles forward from Imphal Kohima and Myitkyina. Now is the time when all the fierce fighting at these places last year is reaping its reward. The stuffing was beaten out of the Japanese troops in these terrible conflicts in which we had very heavy losses--40,000 British Indians and others at least--and in which a far larger toll was taken by disease. I had always dreaded the new campaign in Burma this year on account of the heavy toll of disease which the march through the jungle exacts not only from the British but also from the Indians and the West and East African troops who have been fighting there with great distinction. I dreaded it for that reason and also because of the unimaginable difficulties of supply through all these hundred of miles of gorges from India where every bridge and culvert is swept away by torrential rains where rivers rise 20 to 30 feet in a few hours and over which all means of communication are so primitive and scanty.

I had always

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I had always dreaded the beginning of this new campaign in Burma which nevertheless it was necessary to achieve in order that having rid Burma of the invader the large forces there might acquire their mobility to act in the final stages of the war. Moreover the obstinate prolongation of the war in Europe necessarily delayed the movement to the east of many reinforcements of all kinds. Soldiers aircraft vessels of many different kinds used in amphibious operations were all delayed although Admiral Mountbatten had been led to count on them. First things have to come first. But in spite of these disappointments he and his dauntless army have made greater advances than were required or expected of them up to the present by the directives of the high command and they may well be described as "on the road to Mandalay" though I think from a different direction. This reference to the 14th Army, moreover, takes no account of the important capture of Akyab on the coast with its airfield a place for which alone a considerable expedition at one time seemed necessary. It has now been picked up out of hand by the troops of the 14th Army.

I have covered as far as I propose to do today the different military theatres of the war in which His Majesty's Forces with all their elements drawn from every part of the
British

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British Empire are contending without a moments surcease of slackening of effort. So it will go on--great efforts pulsating through the heart of this small island arising again all over the vast scope of the commonwealth and the Empire and not dying away even with the long fatigues monotonies and wearisome trials which the war imposes not only on the men who are fighting but on the men and women who stay at home and do all that is in them to back the soldiers at the front.

We have reached the 65th month of the war and its weight hangs heavy upon us. No one knows what stresses are wrought in these times by this long persistence of strain quite above the ordinary normal life of human society. Let us be of good cheer. Both in the west and in the east overwhelming forces are ranged on our side. Military victory may be distant it will certainly be costly but it is no longer in doubt. The physical and scientific force which our foes hurled upon us in the early years has changed sides and the British Commonwealth the United States and the Soviet Union undoubtedly possess the power to beat down to the ground in dust and ashes the prodigious might of the war-making nations and the conspiracies which assailed us. But as the sense of mortal peril has passed from our side to that of our cruel foes they gain the stimulus of despair and we tend to
lose the

lose the bond of combined self-preservation or are in danger of losing it.

There is therefore demanded of us a moral and intellectual impulse to unity and a clear conception and definition of joint purpose sufficient to overbear the fleeting reinforcement which our enemies will derive from the realization of their forlorn condition. Can we produce that complete unity and that new impulse in time to achieve decisive military victory with the least possible prolongation of the worlds misery or must we fall into jabber babel and discord while victory is still unattained. It seems to me to be the supreme question alike of the hour and of the age. This is no new problem in the history of mankind. Very often have great combinations almost attained success and then at the last moment cast it away. Very often by the triumphs and sacrifices of armies they have reached the conference table only to cast away what has been gained. Very often the eagles have been squalled down by the parrots. Very often in particular the people of this island indomitable in adversity have tasted the hard-won cup of success only to cast it away.

I therefore consider that this is a most grave moment to address the House and it is one which affects the members of every party--and all parties have the credit of our war effort; it is no monopoly to be flung from side to side in some future

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some future party dispute--we are all in this for good or ill. We all come through it together. Very often I say these troubles have arisen at a moment of success at a period when no one can doubt what the ultimate result will be and it is the duty of all parties to rouse themselves to their highest sense of their obligations and of the services which this house has already rendered to the cause of freedom.

At a time like this it is necessary to concentrate with clarity and command and mental perseverance upon the main practical issues with which we are confronted and upon which we hope and believe we are in accord with our principal allies. What for instance should be our attitude towards the terrible foes with whom we are grappling? Should it be unconditional surrender or should we make some accommodation with them through a negotiated peace leaving them free to regather their strength for a renewal of the struggle after a few uneasy years? The principle of unconditional surrender was proclaimed by the President of the United States at Casablanca and I endorsed it there and then on behalf of this country. I am sure it was right at the time it was used when many things hung in the balance against us which are all decided in our favour now. Should we then modify this declaration which was made in days of comparative weakness and lack of success now that we have reached a period of mastery and

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mastery and power?

I am clear that nothing should induce us to abandon the principle of unconditional surrender and enter into any form of negotiation with Germany or Japan under whatever guise such suggestions may present themselves until the act of unconditional surrender has been formally executed. But the President of the United States and I in your name have repeatedly declared that the enforcement of unconditional surrender upon the enemy in no way relieves the victorious powers of their obligations to humanity or of their duties as civilized and christian nations. I read somewhere that when the ancient Athenians on one occasion overpowered a tribe in the Peloponnesus which had wrought them great injury by base treacherous means and when they had the hostile army herded on a beach naked for slaughter they forgave them and set them free and they said:

"This was not

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"This was not done because they were men: it was done because of the nature of man."

Similarly in this temper we may now say to our foes "we demand unconditional surrender but you well know how strict are the moral limits within which our action is confined. We are no extirpaters of nations or butchers of peoples. We make no bargain with you. We accord you nothing as a right. Abandon your resistance unconditionally. We remain bound by our customs and our nature".

There is another reason why any abrogation of the principle of unconditional surrender would be most improvident at the present time and it is a reason by no means inconsistent with or contradictory to that which I have just given. We should have to discuss with the enemy while they still remained with arms in their hands all the painful details of the settlement which their indescribable crimes have made necessary for the future safety of Europe and of the world and these when recited in detail might well become a greater obstacle to the end of the struggle than the broad generalisation which the term "unconditional surrender" implies.

The Germans know perfectly well how these matters stand in general. Several countries have already surrendered unconditionally ^{to} the victorious Allies to Russia to Britain and the the United States. Already there is

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there is a tolerable life appointed for their peoples. Take Finland, take Italy: These peoples have not all been massacred and enslaved. On the contrary so far as Italy is concerned there are moments when one has almost wondered whether it was they who had unconditionally surrendered to us or whether we were about unconditionally to surrender to them. This at least I can say on behalf of the United Nations to Germany: "If you surrender now nothing that you will have to endure after the war will be comparable to what you are otherwise going to suffer during the year 1945".

Peace though based on unconditional surrender will bring to Germany and Japan an immense immediate amelioration of the suffering and agony which now lies before them. We the Allies are no monsters but faithful men trying to carry forward the light of the world trying to raise from the bloody welter and confusion in which mankind is now plunged a structure of peace of freedom of justice and of law which system shall be an abiding and lasting shelter for all. That is how I venture to set before the committee today the grave issue called "unconditional surrender" which an Hon. Gentleman opposite referred to--as he was quite entitled to do--the other day at question time.

I now come to the second of the main questions which lie before

lie before us namely to the principle which I have already dealt with in particular application to Greece Yugoslavia and Italy the question what principle should guide us in regard to countries which we and our Allies have liberated and also in regard to that quite different class German satellite states which are in one way or another working their arduous passage home. Here of course I can only speak for Britain and its special responsibility. The expression "power politics" has lately been used in criticism against us in some quarters. I have anxiously asked the question "what are power politics?" I know some of our friends across the water so well that I am sure I can always speak frankly without causing offense. Is having a navy twice as big as any other navy in the world powers politics? Is having the largest air force in the world with bases in every part of the world power politics? Is having all the gold in the world power politics? If so we are certainly not guilty of these offences I am sorry to say They are luxuries that have passed away from us.

I am therefore greatly indebted to my friend the illustrious President of the United States four times summoned by the popular vote to the headship of the most powerful community in the world for his definition of "power politics" With that marvellous gift which he has of bringing troublesome issues down to earth and reducing them to the calm level of ordinary life

the President

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The President declared in his recent message to Congress / that power / politics were "the misuse of power." I am sure I can say on behalf of all parties in the House that we are absolutely in agreement with the President. We go further; we define our position with even more precision. We have sacrificed everything in this war. We shall emerge from it for the time being more stricken and impoverished than any other victorious country. The United Kingdom and the British Commonwealth are the only unbroken force which declared war on Germany of its own free will. We declared war not for any ambition or material advantage but for the sake of our obligation to do our best for Poland against German aggression in which aggression there or elsewhere it must also in fairness be stated our own self-preservation was involved.

After the defeat of France in June 1940 for more than a year we were alone. We stood alone; we kept nothing back in blood effort or treasure from what has now become the common cause of more than 30 nations. We seek no territory; we covet no oilfields; we demand no bases for the forces of the air or of the seas. We are an ancient commonwealth dwelling and wishing to dwell at peace within our own habitations. We do not set ourselves up in rivalry of bigness or might with any other community in the world.

the world. we stand on our own rights.

We are prepared to defend them but we do not intrude for our own advantage upon the rights of any friendly country in the world great or small. We have given and shall continue to give everything we have. We ask nothing in return except that consideration and respect which is our due and if that were denied us we should still have a good conscience. Let none therefore in our own country and commonwealth or in the outside world misname us or traduce our motives. Our actions are no doubt subject to human error but our motives in small things as in great are disinterested lofty and true. I reprove those calumnies wherever they come from that Britain and the British Empire is a selfish power-greedy land greedy designing nation obsessed by dark schemes of European intrigue or colonial expansion. I reprove these aspersions whether they come from our best friends or worst foes. Let us all march forward against the enemy and for the rest let all men here and in all countries search their hearts devoutly as we shall certainly continue to do.

I have tried as well as I could to cover in a time
which is

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which is unconscionably long for a speech but ludicrously short for the subject the more prominent features of the world war. I will just add that we must keep our eye on jet-propelled fighter aircraft on the V-rockets and above all on the renewed U-boats menace. No doubt there are other dangers but taking the position as a whole I have never at any time been able to present a more confident statement to the House of the ever-growing might and ascendancy of the United Nations or of the military solidarity of the three great Allies. Political misunderstandings and difficulties of an essentially minor rank undoubtedly confront us. That is why I was so glad to hear that the President said in public on Tuesday that he was almost immediately starting to meet me and Marshal Stalin somewhere or other and quite soon. The Foreign Secretary and I with our military and technical advisers will be present without fail at the rendezvous and "when the roll is called up yonder we'll be there."

I have great hopes of this conference because it comes at a moment when a good many moulds can be set out to receive a great deal of molten metal and also at a moment when direct advance may be made towards the larger problems which will confront

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which will confront the victors and above all advance towards that world organization upon which as we all know the salvation of our harassed generation and the immediate future of the world depend. We shall enter into all these discussions with your sympathy and with the confidence of your support. Whatever happened the British Nation and Commonwealth may rest assured that Union Jack of freedom will for ever fly from the white cliffs of Dover.

WINANT

JMS

SECRET

OPTEL No. 21

Information received up to 10 a.m., 18th January, 1945.

NAVY

1. MEDITERRANEAN. Night 14th/15th. M.L.'s sank 1 enemy craft and set 2 on fire north of Kalymnos (Dodecanese).
2. ANTI-SUBMARINE OPERATIONS. 16th. U.S. Destroyers made promising attack against U-boat north of Azores.
3. ENEMY ATTACKS ON SHIPPING. A 1675 ton ship sunk by underwater explosion 170 miles east Malta.

MILITARY

4. WESTERN FRONT. In the South, U.S. troops unsuccessfully counter-attacked German bridgehead over Rhine north of Strasbourg where after initial gains they had to withdraw. In the Saar, U.S. troops continued to attack Hatten and Rittershofen but failed to clear either town in face very strong resistance. Ardennes Sector: U.S. 3rd Army made average advance 1 mile on a 12 mile front east and north Bastogne. Firm link now achieved by 1st and 3rd U.S. Armies at Houffalize. In Holland, despite fog, minefields and extensive bridge demolitions, British troops yesterday reached Echt, 3 miles north Susteren.
5. EASTERN FRONT. On the east Prussian sector Germans claim to have held Russian attacks south of Kvonc-Insterburg railway. North Central Sector: Russians announce capture of Warsaw in conjunction with offensive across river Narew north of city which began 14th Jan. In 4 days' fighting advance of 24 miles has been made on front of 60 miles capturing among other places Ciechanow (47 miles N.W. Warsaw). South Central Sector: on first Ukrainian front Russian troops continue their offensive and have captured Csestochowa.
6. BURMA. In Arakan Sector our troops continue make steady progress Myebon area despite stubborn resistance which proving costly to enemy. In Kaladan area West African troops unopposed have advanced 5 miles along road running south from Kyauktaw but opposition still encountered east of road.

AIR

7. WESTERN FRONT. Night 16th/17th. 1230 Bomber Command aircraft despatched (29 missing): Magdeburg 371 (1060 tons), clear weather, bombing good; Zeitz oil plant 328 (1324 tons), clear weather, bombing good; Brux and Wanne-Bickel Oil Plants 374 (1429 tons), heavy cloud bombing concentrated; other operations 157.
17th. 665 escorted U.S. heavy bombers (9 missing) attacked oil refineries Hamburg (351 tons), railway centre Peiserborn (1031 tons), and railway viaduct Bielefeld (94 tons). Results unobserved. Hamburg targets in addition attacked visually with results fair to good.
SHAEF (Air). Bad weather restricted operations southern and central sectors while northern sector 120 sorties flown by fighters and fighter bombers. Escorted 32 Beaufighters (6 missing) attacking shipping off Dutch coast hit uncompleted hull 3/400 feet long and set on fire 3 minesweepers.
8. MEDITERRANEAN. 16th. Unfavourable weather severely restricted operations.

HOME SECURITY

9. ROCKETS. 17th. 6 incidents reported.
Night 17th/18th. 2 incidents reported.