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February 1, 1945

In speaking to the map room I was told that the President did nothing on the message that I sent to him on Sunday. The only message that the President sent was the message for Judge Rosenman.

February 1, 1945
10:25 a.m.

PRE-PRESS

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

MR. SHAEFFER: I gather you were able to get the story. He wasn't in there. He may have had something to do with it. I thought you might want to tell them.

H.M.JR: I don't think so. I don't know enough about it. I don't know enough about these releases, one on Belgian Commercial Communications, and the other remittances to Italy.

MR. SHAEFFER: I see. I don't know enough about them.

H.M.JR: Are the releases ready?

MR. SHAEFFER: They will be ready around noon.

H.M.JR: Mr. White doesn't act as though he knows too much about it either.

MR. WHITE: About what?

MR. SHAEFFER: About putting out two press releases tomorrow morning, one restoring commercial transactions with Belgium.

MR. O'CONNELL: That's the same thing they did with France.

H.M.JR: It would be embarrassing to White if I announced those press releases. Is this Finnish thing all clear with State?

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MR. WHITE: We didn't include the press release, but this letter said it would be in the public's interest to do that, so would you like to clear the press release?

H.M.JR: Have you seen it? (Speaking to Mr. Bell.)

MR. WHITE: They might ask about the permission to pay private debts. If they do, we can merely say that is under consideration.

MR. BELL: What do you mean private debts? These are private debts, aren't they? You mean citizens, individuals?

MR. WHITE: Yes.

H.M.JR: All right?

MR. BELL: Yes, if the amounts are O.K. There will be a press release down in a few minutes on refunding.

H.M.JR: Do you want to talk to them verbally?

MR. BELL: It will be down before they get through here. You might tell them it will be along. If you want to give certificates exchanged, it is four billion six hundred and forty-six million against five billion forty million.

H.M.JR: You can tell them. What else?

MR. BELL: That is all I have.

H.M.JR: Anybody else? Herbert?

MR. GASTON: No. I haven't anything.

H.M.JR: Bell told me they were interested, Blough, in the speech in which they gave the figures.

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MR. BLOUGH: We put that off the record, but despite the fact that other people have said twenty-five billions, they seemed to be a good deal shocked by the idea that it might be that high, and I think it is a rather wholesome figure. If they think it is too high a figure, how can they get it down?

MR. BELL: I was just telling the Secretary the reaction you got from some of the people after saying twenty-five.

H.M.JR: Is everybody ready?

MR. BELL: Yes.

H.M.JR: I believe you were able to kill that story in the Wall Street Journal.

MR. SHAEFFER: I killed it through Bryant.

TREASURY DEPARTMENT
Washington

FOR IMMEDIATE RELEASE,
Thursday, February 1, 1945.

Press Service
No. 44-97

The Secretary of the Treasury today announced the final subscription and allotment figures with respect to the current offering of 7/8 percent Treasury Certificates of Indebtedness of Series A-1946, open to the holders of 7/8 percent Treasury Certificates of Indebtedness of Series A-1945, maturing February 1, 1945, and 1-1/8 percent Commodity Credit Corporation Notes of Series G, maturing February 15, 1945.

Subscriptions and allotments were divided among the several Federal Reserve Districts and the Treasury as follows:

<u>Federal Reserve District</u>	<u>Certificates Exchanged</u>	<u>CCC Notes Exchanged</u>	<u>Total Exchanges</u>
Boston	\$ 186,307,000	\$ 6,145,000	\$ 192,452,000
New York	2,684,675,000	237,410,000	2,922,085,000
Philadelphia	118,026,000	8,791,000	126,817,000
Cleveland	184,411,000	15,299,000	199,710,000
Richmond	64,534,000	5,179,000	69,713,000
Atlanta	87,361,000	5,852,000	93,213,000
Chicago	547,926,000	60,788,000	608,714,000
St. Louis	112,459,000	7,171,000	119,630,000
Minneapolis	52,788,000	4,710,000	57,498,000
Kansas City	135,124,000	10,855,000	145,979,000
Dallas	75,749,000	3,242,000	78,991,000
San Francisco	393,580,000	28,949,000	422,529,000
Treasury	<u>3,135,000</u>	<u>161,000</u>	<u>3,296,000</u>
TOTAL	\$4,646,075,000	\$394,552,000	\$5,040,627,000

-oOo-

February 1, 1945

MEMORANDUM FOR THE SECRETARY'S FILES:

Memorandum of meeting held in Secretary Morgenthau's office at 3:30 p.m., February 1, 1945.

Present: Secretary Morgenthau
Leo Crowley
Harry White
Mr. O'Connell

The primary purpose of the meeting was to discuss necessary legislation in connection with the Export-Import Bank, though a number of other matters were also mentioned.

1. Mr. Crowley indicated that, if agreeable to the Secretary, he would like to request an increase in the lending power of the Export-Import Bank of \$1.5 billion, and that at the same time the existing law be changed to remove some restrictions on existing power. He also indicated that he would want a provision in the law which would permit the Export-Import Bank to come directly to the Treasury for funds rather than, as now, to go to the R.F.C. Secretary Morgenthau indicated that the \$1.5 billion was agreeable to him, as were the other subsidiary suggestions. There was no discussion of the timing of the Export-Import Bank legislation, which may at some point become important because it will also go to the Banking and Currency Committee.

2. Mr. Crowley pointed out that they will be starting their legislation to extend the Lend-Lease Act shortly, and that it might be considered desirable to decide now how much money they should ask for for the next fiscal year. He pointed out that the Budget apparently contemplates about \$4.5 billion, which may be enough, depending on how soon the war with Germany ends, but that if they assume a fairly long continuance of the war with Germany they may need upwards of \$7 billion for lend-lease for the next year. After some discussion, and at the Secretary's suggestion, it was decided that it would be

desirable to defer as long as possible a decision as to how much will be needed for lend-lease for the next year. Mr. Crowley thought that it might not be necessary to make a decision on this point before May 1, and agreed with the Secretary that the picture may have changed so much between now and then that it is not necessary to decide now how much we should ask for. Legislation continuing lend-lease cannot wait until that time, but the appropriation of funds to carry out its operations is not necessarily tied to the substantive legislation, so the decision on the amount of funds necessary can readily wait.

3. There was some discussion of the pending lend-lease negotiations with the French, and Mr. Crowley agreed completely with the Secretary's position that no master lend-lease agreement should be entered into with the French until we have explored the dollar balance position of the French and are in a position better to decide how much lend-lease aid they will really need. Mr. Crowley felt that he, for one, would be in a much better position, both on the Hill and elsewhere, if, in defending lend-lease aid for the French, he can say that the aid being given or contemplated is in the light of and as a supplement to the funds of their own they have available for the same general purposes. Mr. White indicated that the Treasury's present thinking will involve an agreement on the part of the French to make a cash down payment in connection with goods they need of whatever percentage will be necessary to bring about an appropriate reduction in their dollar balances (which is another way of saying that they will make an appropriate contribution from their own funds in connection with whatever lend-lease agreement we make). He also indicated to Mr. Crowley that we feel it desirable to have a provision in the agreement that the entire situation will be re-examined immediately on V-E Day. These two matters are to be the subject of discussion at a meeting on the French lend-lease arrangement tomorrow, and Mr. Crowley indicated complete agreement on both points. He said he would tell Oscar Cox before the meeting tomorrow that he is in agreement with us.

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4. The Secretary also mentioned to Mr. Crowley the most recent proposal made by Marriner Eccles for bank holding company legislation. The subject was not discussed at length, but Mr. Crowley indicated pretty definitely that he would be very loathe to go along with Mr. Eccles on this matter. The matter was left with the general understanding that Mr. O'Connell will get in touch either with Mr. Crowley or Mr. Brown, General Counsel for F.D.I.C., before the Secretary talks further with Mr. Eccles about this matter.

Joseph J. O'Connell

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 1, 1945

TO Secretary Morgenthau

FROM Mr. Shaeffer *C.P.S.*

The objectionable article on the Dow Jones ticker concerning the Seventh War Loan did not appear in today's Wall Street Journal.

Our objection to it was based on four counts: Bad timing; mere guessing; not based on Treasury information, and our inability to argue its merits without disclosing the Treasury's tentative plans.

Congress of Industrial Organizations



718 Jackson Place, N. W. Washington 6, D. C.

OFFICE OF
THE PRESIDENT

EXECUTIVE 5581

February 1, 1945

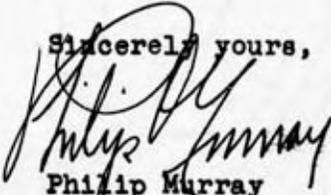
The Honorable Henry Morgenthau, Jr.
Secretary of the Treasury
Washington, D. C.

Dear Mr. Secretary:

Many thanks for your kind favor of January 29.

I am delighted to know that you were pleased with the CIO broadcast. Your participation was greatly appreciated and presented to the people a better understanding of the work which was done at the Bretton Woods Conference.

Sincerely yours,



Philip Murray
President

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2/1/45

Secretary gave a copy of this to Barth.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 1,
1945

TO Mr. Gamble

FROM Messrs. Murphy, Levy, Turner and Mager
NGM *WJL* *APF* *SM*

Take it away!

For the first time in history, the whole world has become one battlefield. Everything is on a vast scale. One indication of the vastness of this war was revealed by General Marshall only last month. General Marshall reported that in two months' time alone, we sent more supplies to the European Theater of Operations than were sent during all of World War One.

Our financial needs are, therefore, vast too. So far, the war has cost us two hundred twenty-nine billion dollars. This is more than seven times the whole cost of World War One.

Taxes are today paying for about forty-six percent of the current cost of the war. This is a far larger proportion than has been the case in any previous major war in our history. These taxes are being paid by all of the people up and down the line. The number of individual income taxpayers has increased from four million before the beginning of the defense program to fifty million at the present time. Never before has a democracy taxed itself on such a broad base.

The people are also participating on a vast scale in the part of war costs financed by borrowing. Before the war, there was only a handful of Government bondholders. During the war, eighty-five million persons have purchased Government securities.

In recent times, there has been some tendency to belittle the importance of war finance. There is an old saying: "To carry on a war, three things are necessary: money, money, and more money." Today we know that this is not so.

- 2 -

Men and materiel come first. But money is still important. For when you and I give up our money, we give up our claim on goods.

America's productive equipment and efficient labor force are its trump cards in this war. When you use your money to pay taxes or to buy war bonds, it means that a portion of this equipment and of this labor, which might otherwise have been devoted to making your luxuries and your comforts, is instead devoted to turning out more and better war equipment.

It is this better equipment which has made our casualties so much lower than those of our enemies. To a significant degree, we have been able to swap equipment for casualties -- that is, money for lives. But we should always remember that this has been made possible by your collective resolve, expressed through Congress, to pay taxes; and by your individual resolve to buy war bonds. It is only in this way that the American productive machine may be diverted from making the things of peace and devoted to winning this war as soon as possible and with the least possible cost in lives.

February 1, 1945

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 5, 1945

TO Secretary Morgenthau
FROM Mr. Murphy #47
Subject A. F. of L. Radio Program

In accordance with your request, I am attaching two proposed paragraphs for the A. F. of L. broadcast. These paragraphs are meant to follow the last complete paragraph on page 1 ending with ". . . eighty-five million persons have purchased Government securities."

I think you will be interested, in connection with the one-third figure, in the following quotation from the President's Budget Message for 1945 (submitted in January, 1944):

"The primary achievement of our debt policy has been the maintenance of low and stable rates of interest. Average interest rates payable on the public debt now are less than 2 percent. Interest received from all new issues is fully taxable. As a result, the net cost per dollar borrowed since Pearl Harbor has been about a third the cost of borrowing in the first World War."

The average interest cost of financing the war to date is now about 1.80 percent (up slightly from last fall due to the increased proportion of long-term securities issued in the last half of 1944). The one-third statement assumes that about 20 percent of this will be recaptured in taxes in excess of that recaptured on the securities in World War I.

Attachment

TREASURY DEPARTMENT

16

INTER OFFICE COMMUNICATION

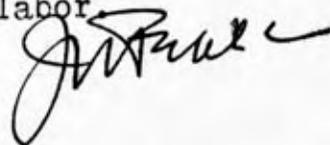
DATE Feb. 1,
1945

TO Secretary Morgenthau
FROM J. W. Pehle

Attached are proposed letters for your signature to Philip Murray and William Green requesting that representatives of organized labor be named with whom we can consult with regard to labor's views on surplus disposal policies.

It would be helpful to us to have the benefit of the views of organized labor.

Attachments



February 1, 1945

Dear Mr. Green:

As you may know, the Office of Procurement in the Treasury Department has been given the sizable task of disposing of consumer goods, as well as certain heavy construction machinery, surplus to the needs of this Government. The amount of goods in these categories declared surplus is already becoming great and will, in the future, reach very substantial amounts.

It is quite clear to me that Labor has a real interest in the methods followed by this Department in the disposal of these goods.

Accordingly, I suggest that you designate a representative with whom this Department can consult concerning your views on such problems. A similar letter is being sent to Mr. Philip Murray.

With personal regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable William Green,
President, American Federation
of Labor,
American Federation of Labor Building,
Washington, D. C.

February 1, 1945

Dear Mr. Murray:

As you may know, the Office of Procurement in the Treasury Department has been given the sizable task of disposing of consumer goods, as well as certain heavy construction machinery, surplus to the needs of this Government. The amount of goods in these categories declared surplus is already becoming great and will, in the future, reach very substantial amounts.

It is quite clear to me that Labor has a real interest in the methods followed by this Department in the disposal of these goods.

Accordingly, I suggest that you designate a representative with whom this Department can consult concerning your views on such problems. A similar letter is being sent to Mr. William Green.

With personal regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Philip Murray,
President of the C.I.O.,
715 Jackson Place, N. W.,
Washington, D. C.

JWPehle: lhh 2-1-45

TREASURY DEPARTMENT

19

INTER OFFICE COMMUNICATION

DATE Feb. 1, 1945

TO Secretary Morgenthau

FROM Mr. White *HW*

Subject: Request of Baron Rene Boel, Counselor of the Belgian Government, for an appointment.

Baron Boel has requested an appointment with you for the following reasons:

- (1) To extend his greetings upon his return to the United States after an extended stay in Belgium and in France;
- (2) To discuss with the Treasury the desirability of a Belgian-American currency arrangement.

You don't have to see the Baron if you are busy. It is just a gesture and has no importance at this stage of the discussions.

This memo was prepared by White at the request of the Secretary following White's asking for an appointment for Baron Boel.

The Baron saw Hngfr with White Saturday, Feb. 3, 1945 at 1212 n.

Feb 2, 1945

February 1, 1945

My dear Orson:

May I congratulate you on your column. I find that it makes very interesting reading. However, as a friend, I would like to offer a constructive criticism of part of the context of your column which appeared in the New York Post of the 29th where you say "I was assured on good authority that it was decided some time ago in a cabinet meeting to extend lend-lease to France. Only Henry Morgenthau knows why Treasury is still holding it up."

This particular story was planted by someone in Washington with a number of columnists. Several of them took the pains to check the story with me with the result that they were given the facts as far as my part was concerned in coming to an agreement with the French. It would have been mutually advantageous if you also had checked the malicious gossip that was planted with you.

You and I did some effective work together in counteracting the move for a negotiated peace. Since then I have been attacked on all sides for the so-called "Morgenthau plan" and now, more recently, somebody is trying to make trouble for me with the French.

I am confident that you and I stand for the same kind of future world so why not let us both put our shoulder to the wheel for measures like Bretton Woods, the post-war treatment of Germany, and many other international problems.

With kind regards, I remain

Yours sincerely,

Mr. Orson Welles,
427 North Canon Drive,
Beverly Hills, California.

(Signed) Henry Morgenthau, Jr.



Orson Welles' Almanac

A number of great men were born on January 29th, and you can do them honor in different ways. For William McKinley you should wear a carnation today, for Tom Paine you should buy a bond, and for W. C. Fields you can have a drink.

† * † © Ω

I flew to Washington to try to find out if Henry Wallace has a Hottentot's chance of getting the important job F. D. R. tried to give him.

The President has written two letters in Henry Wallace's behalf. Liberals who figure their big vote won F. D. R. the election are beginning to mutter that these two documents spell out a gigantic double cross. The truth, I'm sure, isn't nearly so melodramatic.

We haven't any reason to believe that Mr. Roosevelt doesn't like Mr. Wallace, but it's true that we haven't any proof that he's very fond of him. The President's best friends are joyous extroverts and boon companions, and Henry Wallace isn't either one. I think the President really meant it when he told him last July not to worry about taking organized support with him to the Democratic Convention.

I want to think the President was perfectly sincere when he put his arms around "Henry" and promised such a letter as would put his renomination for the vice-presidency in the bag. I do think the President permitted himself to be persuaded against Wallace, not because he didn't really approve of him, but because his personal feelings were luke-warm. I think that explains Document Number Two, the fateful "Dear Jesse" letter.

F. D. R. can be a lot more convincing; if he'd only get behind him and push, Wallace might be okay. But just now Roosevelt is way behind him, and when he pushed he shouldn't have tripped him at the same time.

Ω Π † ● †

The President's stock answer to all disappointed liberals is that he, the President, shouldn't have to do everything by himself.

Of course he's right; the liberals ought to be as well organized now for Wallace as they were in November for Roosevelt. But really, this time the blame isn't any more with them than with the President. There are exactly fourteen Senators who will have to answer to history. They were treated last Thursday to one of the richest and most sensible discussions of our economic future it has ever been a politician's privilege to enjoy. The Wallace program simply defied assault and the Senators, try as they might, could think of no objections they were willing to entrust to newspaper. The program is what matters, and the man was all they dared to vote against.

† † ≈ Ω †

No matter what happens, most of the top men presently in RFC and Commerce are expected to alleviate the D. C. housing shortage by resigning. With real leadership in these agencies, they should participate fully in foreign economic operations. Jesse Jones simply ignored the President's order to amalgamate the Rubber Development Corporation and the Export-Import Bank in FEA, and Leo Crowley isn't a man to fight very hard for anything.

† † † ⊕ †

I was assured on good authority that it was decided some time ago in a cabinet meeting to extend lend-lease to France. Only Henry Morgenthau knows why Treasury is still holding it up.

⊙ † † † ⊙

After amassing all this interesting information, I left Washington by fast express. We travelled much slower than the Russian Army.

ORSON WELLES.

Treasury Department
Division of Monetary Research

22^v

Date Feb. 1, 1945 19

To: Secretary Morgenthau

Oscar Cox sent me this cable.
It describes growing hardships in
Paris.

H.D.W.

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

Secret 23

T
Harry White

In case you haven't
seen it I think you and
the secretary may want to
read this cable

Jan 24, 1945

OC

Oscar Cox

0-2356

House
34



PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Paris
TO: Secretary of State, Washington
DATED: January 18, 1945 (Rec'd January 19th)
NUMBER: 141

SECRET

US URGENT

The present time of extreme hardship which Paris and other large centers of industrial populations are suffering is a matter of concern to qualified observers and they are afraid that there may be grave political and social repercussions if this period is prolonged. Restrictions which the government announced recently especially those which relate to the curtailment of transportation and distribution of coal and electricity have resulted in much greater suffering than had been anticipated by the population. (In this connection please see my message dated January 16, No. 219). The majority of households in Paris had some sort of electric heater to remove the chill from one room, this heater being referred to as the piece unique, the one room serving as sitting room, dining room, bedroom and kitchen, though it is true that Paris has been largely without wood or coal for the whole winter; but this last little comfort which had a certain psychological value as well as a real material value exists no longer. One of the most bitter cold spells in

WASHINGTON, D. C.
OFFICE OF EXECUTIVE DIRECTOR recent years
BOARD OF ECONOMIC WARFARE



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recent years has aggravated the suffering. The temperature remained well below freezing from January 9 to January 16. The hydro-electric systems were crippled by this freeze and the canals in the north are reported to be frozen to a depth of from 14 to 22 centimeters, canals on which the transportation of coal is largely dependent. Further, long range weather forecasts which of course may prove to be incorrect indicate that the rainfall in February and March will probably be greater than usual, which will result in swollen waterways; this would hinder river and canal traffic and even after the canals are free from ice would retard coal deliveries.

There has been a severe food shortage in Paris and other large centers of population, to add additional misery to the situation. In front of shops, bakeries in particular, there are long lines of people and it has been impossible for civilians to secure their bread ration in many cases. As a result of the heavy snowfall recently and difficulties of transportation, vegetables, including potatoes, which arrived in reasonable amounts in November and December, have largely disappeared from the market. The markets are not even operating in many cases.

The population of France has so far behaved with restraint while faced with additional suffering and misery. There have been no incidents here so far as we know such as those which

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 OFFICE OF EXECUTIVE DIRECTOR the press
 BOARD OF ECONOMIC WARFARE

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the press reported occurred at Lyons and Toulouse where, because of the shortage of food, housewives are reported to have made demonstrations. There has been a very definite psychological change in attitude nevertheless and the complaints, criticism and grumbling have taken on a dark bitterness which they have lacked heretofore.

The material means to rectify this situation are lacking although the Provisional Government is acutely aware of the dangers. General de Gaulle in his address on New Year's Eve and the press of France have taken the line therefore that the next two or three months will be difficult but that we will furnish shortly, substantial civilian supplies. In this hope the population is largely living at present.

Without substantial assistance from us it seems evident that the Government of France is not going to be able in the coming months to improve the general conditions. It will almost certainly shift the blame to other shoulders, notably our own, if it is unable to ^{improve} things since France is militarily at present a zone of American operations and we are held responsible for all that goes wrong, to a considerable degree. The fact that even in the zone of the interior certain cities, Paris in particular, swarm with military vehicles and personnel who occupy buildings which have been requisitioned and have other facilities which would be available to the French otherwise, probably fosters the French feeling that we have a great

OFFICE OF EXECUTIVE DIRECTOR
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responsibility here. The violent attacks against the lack of planning and foresight on the part of the Government which have appeared in the press and the recent widespread public criticism may serve to hasten the shifting of the blaim, (so far there has been very little criticism of us, comparatively.)

The great goodwill which we will incur by aiding the French people at this most difficult period should repay handsome dividends leaving out the imperative military necessity for order and calm on our lines of communication in France. I can only urge once more therefore that everything possible be done to increase the flow of civilian supplies for France at the earliest possible moment and that along the line of procurement and shipping assistance all help be given the French. One shipload of supplies at present is worth five shiploads a year from now, ~~xxx~~ as one Frenchman said to me.

CAFFERY

DC/L:LCW:MEM

1/20/45

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Treasury Department
Division of Monetary Research

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Feb. 1, 1945
Date.....19

To: Secretary Morgenthau

You should read marked portion
on Page 3. You might be interested
also in reading Pages 4 and 5.

H.D.W.

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

Hawke 75

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Jan. 26, 1945

TO Mr. White
FROM Colonel Bernstein

Joe Fisher The following are some points in the recent communication I received from SHAEF which may be of interest to you or others on the staff:

1. Brig. Robbins, the chief Civil Affairs Officer at 21st Army Group, (British) seems to feel that if we remove or suspend in accordance with the financial program all the undesirable people in public or private financial institutions "chaos would ensue". Robbins also tried to argue with the support of Brig. Gen. Meade (U.S.) that even though we have been ordered to remove Nazis regardless of administrative convenience we should not remove Nazis if "operational necessity" makes it desirable to retain them. A British group at SHAEF is trying to get out an administrative memorandum covering the point of operational necessity (which to me is a device to dilute the program for de-Nazification.) I am hopeful that McSherry will knock down this idea. When I mentioned the point to Colonel Marcus of the War Department he was quite shocked at the attitude being shown in the field on the question of de-Nazification and said that someone would get a "hell of a kick" if they didn't carry on the de-Nazification program.
2. Attached is Exhibit A which contains some interesting information with respect to Luxembourg.
3. Attached is Exhibit B which contains comments on proposed cable covering exports from Germany.
4. Attached is Exhibit C which contains some comments by Brig. Heyman, one of the key British officers in G-5 SHAEF.
5. The British War Office seems to be interested in our seeing that the German municipalities do not enact tax laws which are "illegal" and some British are taking the view that under international law an occupied power can not increase taxes; that the German governmental authorities will be acting as our agencies, and that if such German authorities increase taxes, we will be guilty of violating international law.
6. Leon Henderson at a dinner given by Ambassador Caffrey in Paris told the French that it was up to them and the Russians to take the strong policy vis-a-vis Germany; and that they could not count on the United States to take the lead but that they would obtain support from the United States on any strong policy they take.
7. Attached is Exhibit D which contains some comments by ^{Balington} Smith regarding long range planning for Germany.
8. Attached is Exhibit E which contains comments re meeting at Luxembourg.
9. Attached is Exhibit F which contains comments by Major Konbruck.

c/c Taylor, Blaney, DuBois, HARONS, KAMARCK

B Bernstein

Regraded Unclassified

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(2)

Exhibit A

Luxembourg Situation.

Reference attached letter from Luxembourg Mission (now called "Detachment") dealing with payments on account to the Luxembourg Government in connection with supplies to the US Army. The problem has been kicked around for sometime and I am certain you have seen the exchange of cables between AGWAR and Com Z as to the fact that the Belgian francs could be furnished to pay for Army procurement in Luxembourg chargeable to Belgian reverse lend-lease. The green light was given to contact the Belgians and Luxembourgers with a view toward their working out the financial arrangements between ourselves.

The present status is this: Com Z Procurement and Cobbs are willing to pay 50 million Belgian francs on account for these supplies direct to the Luxembourg Companies. Lambert at the Luxembourg Mission, in his letter, requests that the Currency Section advance the funds to the Luxembourg Government. Lambert also telephoned to state that M. Dupong is saying that Babington Smith promised to advance funds to the Luxembourg Government if ever needed, which he denies.

With this background and statement in the Luxembourg letter that the Luxembourg Government appears to be having difficulties in even gathering 50 million francs to pay for procurement handled through it, there is some question as to what the financial budget situation is in Luxembourg. Accordingly Babington Smith obtained Grasett's approval to go to Luxembourg for 2 days to discuss the whole financial situation with Dupong and the Finance Ministry. In view of all the facts, I thought it might be a good idea if I went along and have made arrangements to go on the 2 day trip.

I have a rather suspicious feeling about this whole thing and I would like to be with Babington Smith when he is dealing with Luxembourg. I will definitely do nothing but listen and report to you but I will see that no commitments are made in advance of your being around to pass on them.

I talked with Mike Hoffman on the problem generally as for possible Treasury interest. It is quite natural if Army Procurement pays for supplies, the US Government alone will be interested in settling with Belgium. Whereas if the funds come from the Currency Section, then the British Government will also be involved - something, I am sure, Babington Smith would not be happy about.

When I was in London, Tomlinson told me that the Secretary and H. White were most interested in reports that they had heard that the industrial plants in Luxembourg had not been bombed by either side in this war. The other day, Major Garlock and Lt. Bech (son of the Foreign Minister of Luxembourg) of the US Army arrived here to pick up the documents which had been photostated and were waiting to be picked up. During the course of the conversation, I learned the following:

- (3)
1. These reports are true. Large industrial organizations of Luxembourg have never been bombed. The local population knows this fact and it is a common local saying that in case of an air raid, the population should not go into underground shelters, but instead should take refuge in any plant of the Arbed Corporation because it "will never be bombed".
 2. As you know the Arbed Corporation is probably the leading Corporation of Luxembourg made up of 5 Corporations: Audum, Badage, Belva, Escls, and Audelange. Garlock and Bech told me it was internationally controlled and there was a large German ownership (when the Germans left Luxembourg, they took the President of Arbed with them as hostage).
 3. I was very interested in what Lt. Bech had to say. He is a former combat bomber pilot who is still getting in his flying time although stationed on the ground in Luxembourg. He tells me he knows of one RAF Wellington pilot who was almost court martialed in England for having jettisoned his bombs in the vicinity of one of the Arbed plants. He also told me that although Cologne has been bombed severely and practically to the ground, still there is one section on the outskirts which he could not identify but which he is certain contains very heavy industrial equipment. He says this area has never been touched by bombs. When he returned from one of his flights over Cologne, he requested permission to drop bombs over the area and he was told "there are reasons for not bombing area".

The Secretary and Mr. White may be interested in the above as an interim report. I will continue to keep my eyes open and see if I can learn anything else while in Luxembourg.

Exhibit B

Exports from and Imports into Germany.

I am attaching a copy of the export cable which was drafted by Chawner with certain changes by Babington Smith, Leon Henderson, Political Advisors, etc. You will notice the main plan is that SHAEF will authorize exports of goods from Germany if such goods are needed in support of Military operations or for approved import program for the liberated areas. It will also authorize limited border trade in certain cases (I understand the term "border trade" is a term of art describing local trade in border communities). Authorizing exports of goods would be handled by a civilian agency set up to deal with the problem.

You will wish to notice the following points about this cable which has yet to be cleared with G-4:

- a. I have succeeded in getting the language of the last sentence of para. 1 changed so as to eliminate the suggestion that SHAEF has authorized foreign exchange transactions. We will have to study further the question of how the financing of this border trade would be handled.
- b. I believe that the cable should make it clear that under no circumstances will SHAEF be interested in making reports as to commodities which might be needed by neutral countries (para. 3 of the cable). As the cable is drafted now, it appears that SHAEF will interest itself in determining the availability of commodities which might be desired by neutral countries. In view of the fact that the US Government is even proposing an economic blockade of Switzerland and other neutral countries, I have been taking the line that the very mention of the possibility that SHAEF might be called upon to deal with part of the problem of exporting goods into neutral countries indicates a basic lack of understanding by SHAEF of the facts of life. Chawner will take the matter up with the Political Advisors.
- c. I proposed that the next to the last sentence of para. 4 be amended to read: "It is not considered desirable for this Headquarters to make provisional ad hoc decisions on such matters as may have extensive political and economic consequences". I don't believe SHAEF should categorically state that all exports of industrial equipment and goods from Germany have extensive political and economic consequences. The present sentence gives this implication. I think that if we find a tool making machine which was obviously looted or returned to the French. At the bottom of this is the old Babington Smith fear of the French extending their economic tentacles into Germany. Henderson talked to Babington Smith and even commented to me on Babington Smith's strong anti-French position in this thing.

Exhibit C

Brigadier Heyman (One of the key officers from SHAEF.)

I had a long chat with Brigadier Heyman in which he expressed his views as to how to handle Germany in the post-war world. He states that he favors Germany's being dismembered into the basic kingdoms, e.g. Prussia, Bavaria, etc. He states that he does not feel that there is any need to curtail any of Germany's industrial power. He feels rather that the German industrial plant should be built up so as to produce for the rest of Europe. It is his feeling that the industrial production of Germany can be controlled by an Allied Board in each Kingdom.

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He says that he is not in favor of occupation of Germany: that the physical breakup of Germany will be enough to prevent another war. He says that if any political move takes place to consolidate any of the two states, then the Allies should step in and prevent the attempted consolidation. When I asked whether he thought the dismembering of Germany would be sufficient to prevent Germany from making war through economic and trade agreements among the separate German States (e.g. Zolleverein), he stated that he did not feel that economic union among the German States would lead ultimately to war and that political dismemberment is sufficient. He stated that those Americans who advocate reducing Germany's industrial power to nothing are looking at the problem as isolationist Americans. He says that he believes that the sponsors of the American Policy for an "agrarian Germany" are sponsoring the program because they wish to leave Europe as soon as possible to itself and they believe that the German problem could be handled by one strong destruction move. He stated further that Americans should look at the German problem as Europeans because all Europeans know that the rest of Europe is dependent upon the German economy.

Brig. Heyman stated that he feels strongly that the US should make it known to everybody in advance that it will fight on the side of England and France if any move is made by the separate German states to consolidate themselves. He states that intelligent Britains "do not fear Russia; they fear Communism".

Exhibit D

The Need for Long Range Planning for Germany.

a. Babington-Smith said that he thought many people were not taking a long range view in planning for Germany. He stated that it is no solution to burn down German factories and to reduce Germany to an agrarian state; that people should apply their controls and try to bring Germany to her senses. He stated that several years ago he was appointed as one of the financial advisers at one of the large colleges of Cambridge University and as such he planned finances "not for 10 or 15 years but for hundreds of years in advance" and he believed that Military Government planners in Germany should approach the German planning problem from the same point of view. He stated that any stringent steps in the early post war period, such as burning factories, etc., would have no effect from the long range point of view. "It does not solve the long range problem." He said that he did not have any ideas on the long range planning for Germany and added that it was a "most difficult problem".

b. The attitude of Americans. He stated that he finds that the Americans he has talked with are adopting an attitude of harshness and bitterness toward the Germans which the British do not have. He said that the British are approaching the German problem with the thought of trying to correct it. He said that the reason for the American harshness and bitterness is that the American, 3,000 miles away, can think only in terms of losses in material and personnel and is apt to lose sight of "the local effects in Europe of their policy of harshness and bitterness".

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Exhibit E

Luxembourg Meeting.

E, G.

Attached hereto are notes on the meeting held at the Prime Minister's Office re the Luxembourg situation. The notes were drafted in the silky-glove manner of Babington-Smith. The following are some points which should probably be stressed:

a. The "misunderstandings" referred to in paragraph (1) that Civil Affairs would make advances to the Luxembourg Government independent of procurement arrangements are the reports that the Prime Minister had been telling people, including General Cobbs, that Babington-Smith had made the promise. The Prime Minister upon being confronted with the statement said that he was not certain that Babington-Smith or anybody else in Civil Affairs had made the statement.

b. The Prime Minister very definitely stated that he did not believe that his Government was in need of financing independent of the procurement arrangements. He stated that he had worked out the one-year credit arrangement with the National Bank of Belgium which he thought would cover the Government's need.

c. With reference to paragraph 4 of the attached notes, Mr. Shaus (Secretary General), definitely stated that the Belgians had told him that they did not wish to advance currency to Luxembourgers for the account of the US to be credited to reverse lend-lease. It certainly would not be consistent for Baron Boel to be in Washington trying to arrange for some revision of the lend-lease agreement and at the same time have the Belgians advance money to the Luxembourgers crediting reverse lend-lease.

d. Cobbs is going to Brussels today with the view towards building a fire under the Belgians in the matter. Babington-Smith's sole approach in this subject was to make it clear that this matter was a G-4 and not a G-5 problem. Some difficulty may arise if the Belgians refuse to make the advance to the Luxembourgers and crediting reverse lend-lease.

e. One point of interest is the statement in the attached memorandum (last sentence of paragraph 6) that the Luxembourgers are unwilling to borrow from the Belgians to pay for the Allied procurement. This statement was definitely not made to us at the meeting. When the meeting was over Lambert stayed back and had a few words with the Prime Minister, then came down to report to us that the PM had made the statement to him. I am not at all certain that this is significant but it is interesting.

Exhibit F

Major Konsbruck.

I had a long chat about the German situation with Major Konsbruck whom you recall is the head of the Military Mission to Luxembourg. Major Konsbruck has been hearing and is inclined to take the view that the United States is

beginning to make plans to "pull out of Europe" and leave the running of Germany to the French and Russians and also to the English. He said that he hoped that this was not completely true and asked for my views on the subject. I informed him that I had heard no discussion in this direction but that on the other hand I had heard of the fact that some very serious thought was being given to the German question in Washington.

Major Konsbruck recalled that part of the conversation between you and the Prime Minister when he stated that Luxembourg would probably have no territorial designs on Germany. Konsbruck says that as a result of the latest break-through 45% of Luxembourg has been rendered submarginal and unworkable. They will be unable to use their forests for the next 30 years. He stated that Luxembourg was indeed in a serious situation and that it needs more territory to come as reparations from Germany. He pointed to the fact that 100 years ago Luxembourg was much larger than it is now and that they had a strip of land leading to the Saar. He stated that the people of Luxembourg would most likely press a claim for this land which has a historical basis for belonging to Luxembourg. He would not be surprised if the French would press a claim for the Saar and he was certain that the Dutch would make territorial claims on Germany. He said that he was not aware of any territorial designs held by the Belgians toward Germany.

Exhibit G.

Notes on meeting held at the Prime Minister's Office,
LUXEMBOURG on 17 Jan 45

- Present:
- Mr. Dupong, Prime Minister
 - Mr. Shaus, Counsellor to the Luxembourg Government
 - Maj. Konsbruck, Luxembourg Military Mission
 - Brig. Babington-Smith, G-5, SHAEF
 - Lt. Col. Barrett, G-5, 12 Army Group
 - Lt. Col. Prather, G-5, 12 Army Group
 - Commander Fisher, G-5, SHAEF
 - Lt. Col. Lambert, SHAEF Mission to Luxembourg

1. It was explained that we were from the G-5 branch dealing principally with Civil Affairs but that we understood that certain financial difficulties were being met by the Luxembourg Government arising principally from procurement questions. While we were not entitled to deal with these procurement questions we considered it most desirable to clear away certain misunderstandings which may have arisen since we understood that the Luxembourg Government may have believed that Civil Affairs could produce finance to cover procurement independently of the procurement arrangements.

2. The Prime Minister stated that during the negotiations in London he had repeatedly pointed out to the procurement agencies that the Luxembourg Government might not be able by itself to carry the burden of financial procurement for the Allies and that some partial payment would be necessary. M. Dupong stated that if he had had any doubt about this matter being clearly understood

he would have insisted on its being incorporated in the procurement agreement, but he had not done so although he believed that the matter was mentioned in a letter addressed to Colonel Morgan during the course of the negotiations.

3. The point that G-5 was not a party to such negotiations was emphasized.

4. M. Dupong emphasized that the rate at which procurement liabilities would be incurred in the future was likely to increase. They are already running at a rate higher than the total normal pre-war budgetary expenditure of the Grand-Duchy and would amount to a sum much greater than Luxembourg could afford, particularly since the amount of assistance which Luxembourg was likely to receive would be very much smaller in spite of recent events. The Prime Minister mentioned that Baron Boel had gone to Washington on behalf of the Belgian Government to negotiate a revision of the Lend-Lease agreement, as the amount of payments made on behalf of the Allied forces by Belgium was proving to be more than was expected and more than the country can bear. He doubted therefore whether the Belgians would be pleased to be asked to add the Luxembourg payments to their own. He indicated that he was inclined to think that the most reasonable arrangement would be that the Allies should pay to Luxembourg more or less currently the liabilities incurred in Luxembourg and that Luxembourg should pay for such assistance as it received.

Note:

It is believed however that his statement would not exclude from a Luxembourg point of view an arrangement by which Belgium would undertake to provide Belgian currency for procurement in Luxembourg provided always that such provision ranked only in the reverse Lend-Lease agreement of Belgium against the Allies and was not treated as a repayable debt from Luxembourg to Belgium.

5. It was again pointed out to the Prime Minister that we were not in a position to discuss these matters but that we would bring to the notice of those concerned what he had said.

6. We enquired whether the Prime Minister was satisfied that he had on hand suitable arrangements to cover himself against any budgetary deficit which might arise on purely civilian account excluding procurement and provisions of goods. The Prime Minister said that he was satisfied that he could make an arrangement with Belgium (a) to increase the total of notes which he was entitled to put into circulation. This increase would probably be from 700 to say 900 or 950 millions. (b) He was confident that he would be able to obtain from the National Bank of Belgium such additional credits as may be required to finance the State requirements for the, say, next twelve months. He believed that this would be a reasonable course for any liberated country to take. He added however that in view of the necessity for borrowing in Belgium to cover the budgetary deficit and probably later for the rehabilitation of the country he was unwilling to have to borrow to pay for Allied procurement.

7. We explained that in as far as it was necessary for us to discuss with the Prime Minister from time to time matters concerning Luxembourg finance we were handicapped by not knowing the provisions of the economics and currency agreements between Luxembourg and Belgium and stated that we believed that we should be able to discuss these matters more intelligently if we could be informed of these matters. The Prime Minister said that he would provide copies of these agreements on the understanding that he and the Belgians were anxious to keep them as secret as possible until such a time as the suitable moment for publication arrived. We promised that this would be done.

Treasury Department
Division of Monetary Research

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Date Feb. 1, 1945 19

To: Secretary Morgenthau

Appended are some memoranda prepared by Foreign Funds describing FM's series of articles attacking the A.P.C. for its handling of vested chemical firms. You may want them in your files for future use.

H.D.W.

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

MEMORANDUM TO THE SECRETARY

Attached are the concluding installments of P.M.'s series of articles attacking the A.P.C. for its handling of vested German chemical firms.

In the third installment, Stone points out that the action of the A.P.C., in first helping to kill the Mexican cyanamid deal but subsequently holding back from any program to assist the Latin American countries in developing independent chemical industries, was another move in the direction of preserving the Latin American market for I. G. Farben. In the course of his argument, Stone states that Victor Emanuel whom he characterizes as

"a pre-war associate of the Schroder banking interests, which were among the most important financial collaborators with Nazi economic policy before the war"

was placed by Crowley on the Boards of both General Aniline & Film and General Dyestuffs and now dominates these vested companies. Stone points out that both Crowley (as head of Standard Gas) and Markham (as Director of Standard Gas) are in the pay of an enterprise controlled by Victor Emanuel.

The fourth and concluding installment cites additional facts, many of them apparently from the files of the A.P.C., pointing to the inadequacy of the A.P.C.'s handling of these critical companies. Of particular interest is a reference to the fact that George M. Moffett, President of Corn Products Refining Co., who was appointed a director of General Aniline & Film by the Treasury, declined to serve on the Board after the A.P.C. took over "on the ground that both General Aniline & Film and General Dyestuffs would be dominated by one group, the Victor Emanuel group." This series concludes with a request for a complete shake-up, not only in the management of the vested properties, but also in the Office of the A.P.C. It specifically requests the discharge of Markham.

Attachments.

Report to the President, III:

The Cyanamid Deal Aftermath

It is worth considering that the one occasion on which the Office of the Alien Property Custodian went vigorously into action was the American Cyanamid deal. American Cyanamid is a large American chemical concern which proposed to take over the entire drug, chemical and dyestuffs industry of Mexico, including the old I. G. Farben firms seized by the Mexican Alien Property Custodian.

On Apr. 13, 1943, the present American Alien Property Custodian, James E. Markham, then deputy to Leo T. Crowley, sent a letter on Crowley's behalf to Secretary of State Cordell Hull objecting that the proposed American Cyanamid deal was contrary to the Atlantic Charter, monopolistic, and an interference with the Government's own program for helping Latin American countries to replace Axis drug and chemical firms with firms of their own.

In this case, the office of the Alien Property Custodian was for the first time—and so far as we know, the only time—lined up on the liberal side of the fence. It was strongly supported by Henry A. Wallace and by Attorney General Francis Biddle. The State Dept. and the Office of the Co-ordinator of Inter-American Affairs under Nelson Rockefeller supported the Cyanamid deal. The arguments against it were economically sound. It would have meant foisting an American monopoly instead of a German monopoly on Mexico and we applaud the intervention, overruling the State Dept., and killing the deal.

Administration progressives who joined forces with the Alien Property Custodian in that fight recognized at the time that the defeat of the American Cyanamid proposal would be a victory only if followed up by a vigorous "replacement program" to help Latin American countries reorganize the old Axis firms and bring them under the control of their own nationals. But it was at this significant point that the office of the Alien Property Custodian lost its vigor.

It was recognized at the time of the fight against the Cyanamid proposal that two sets of commercial interests in this country had an interest in blocking that deal. One was Sterling Drug, Inc., prewar cartel ally of I. G. Farben, and its 50-50 partner in the stock of the powerful Winthrop Chemical Company. I. G.'s stockholdings in Winthrop Chemical were taken over by the Alien Property Custodian. Sterling and Winthrop Chemical would have lost their drug market in Mexico had the Cyanamid proposal gone through. Tom Corcoran, a close friend and political adviser of both Leo T. Crowley and Francis Biddle, is now the legal brains of Sterling Drug.

The other commercial interest hostile to the Cyanamid deal was General Aniline & Film, I. G. Farben's \$70,000,000 American subsidiary, with its exclusive sales agent, General Dyestuffs. The dominant figure in the boards of directors named by Leo T. Crowley to run these two enemy alien corporations is the New York financier, Victor Emanuel, a prewar associate of the Schroder banking interests, which were among the most important financial collaborators with Nazi economic policy before the war.

Both Leo T. Crowley and his deputy

and successor, Markham, are indebted to Emanuel for lucrative private jobs they enjoy in addition to their Government salaries. Emanuel is the financial kingpin of Standard Gas & Electric and gave Crowley the \$75,000 job he still holds as head of Standard Gas in addition to the \$10,000 salary he draws as head of the Government's Federal Deposit Insurance Corporation. Markham draws \$4850 a year as a director of Standard Gas in addition to his \$10,000 a year salary as Alien Property Custodian. Both Crowley and Markham were re-elected to these jobs at the annual meeting of Standard Gas & Electric last month, and they were re-elected (along with Emanuel) as part of the management slate.

Had the American Cyanamid deal gone through, General Aniline and its sales agent, General Dyestuffs, would have lost their market in Mexico for chemicals, films and dyestuffs. Mexico, like most Latin American countries, is a very lucrative market; prices have been exorbitant and supervision of quality lax.

In addition, as we pointed out in the first two instalments of this report, the man who has really been running the sales business of these corporations is Ernest K. Halbach, one of I. G. Farben's oldest and most trusted prewar associates in the United States. Halbach's bank accounts have been blocked by the Treasury and his controlling stock in General Dyestuffs seized by the Alien Property Custodian under the Trading With The Enemy Act. But Halbach, at \$82,000 a year in salary and bonuses, has been managing the sales business of these corporations since the Alien Property Custodian seized them more than two and a half years ago and put Victor Emanuel-dominated boards in charge of them.

Much was made in the fight against American Cyanamid of its prewar cartel ties with German interests. But Emanuel himself was able before the war to obtain control of Aviation Corporation and Standard Gas only through the financial support of the Schroder banking interests of London and New York.

These Schroder interests, as PM pointed out last Winter in a series of articles which was followed by Crowley's resignation as Alien Property Custodian, were linked as bankers with German firms involved in two anti-trust cartel actions. In London, they organized a company to help the Nazis buy raw materials with blocked marks. In Spain, as *Time* magazine pointed out on July 10, 1939, they had a powerful interest in the victory of Franco because they feared the proposed nationalization of the Spanish potash industry by the Republic. In New York they were 50-50 partners with German interests in a corporation setup to get around anti-dumping provisions of the American tariff by selling copper to the Reich at premium prices which in turn provided an indirect subsidy for German exports to this country. Emanuel has been closely allied with the Schroder interests since the early 30s.

That old alliance does not necessarily mean that Emanuel would be friendly to German interests after the war in the reorganization of General Aniline and General Dyestuffs and their return to private management. Neither do American Cyan-

amid's prewar cartel alliances mean that it would re-enter similar compacts with German firms after the war. The argument against American Cyanamid was based on prudence. The same argument applies to permitting Emanuel to dominate these two companies under nominal government ownership.

One of the arguments advanced against Cyanamid by Markham in his letter to Secretary of State Hull was that American Cyanamid might be forced to participate in a postwar division of world markets to protect itself. The same argument applies with even greater force to Halbach, whose discharge Emanuel or the Alien Property Custodian could have forced at any time. Halbach is awaiting trial on an indictment charging him with conspiring with I. G. Farben to maintain just such a division of markets before the war. The first two instalments of this report have shown that the policies Halbach successfully applied in General Dyestuffs, before and after seizure by the Alien Property Custodian, whatever his intentions, move in the direction of saving the Latin American market for the I. G. Farben crowd.

There may be no relationship of cause and effect between these facts and the fact that since the defeat of the American Cyanamid deal the Government's Latin American replacement program has been fought to a standstill by the General Aniline-General Dyestuffs managements. But this background cannot prudently be overlooked.

It is indeed "incomprehensible," as a

report in the files of the Alien Property Custodian points out, "that the replacement objectives of the Alien Property Custodian should be entrusted to any individual who has previously enjoyed the complete confidence of the I. G. Farben organization, and who has recently made, and may still be making, every effort to preserve the I. G. Farben interests both in Latin America and in this country. . . . The export situation in Brazil as in Argentina has been compromised by Halbach's activities."

On Mar. 8, 1943, Morrison G. Tucker, then a devoted member of Crowley's staff, now in the U. S. Navy, wrote a letter warning Markham, "If the export program is to be run in fact by H and N (Halbach and Neisser) the Custodian runs a very substantial risk of ultimate embarrassment. You and I know that these men by their training and experience are cartel-minded."

In Brazil and Mexico, General Aniline and General Dyestuffs have succeeded completely in thwarting your program for establishing independent Brazilian and Mexican dyestuffs companies and are dealing with Swiss interests closely linked in the past to I. G. Farben. And the only result of the vigorous fight waged by subordinates within the office of the Alien Property Custodian was the abolition of the replacement division of that office.

—I. F. STONE

TOMORROW: The Need for a Complete Cleanup.

Report to the President, IV:

The Need for a Cleanup

In the name of our fighting men abroad we appeal to you to take steps before it is too late to prevent German interests from intrenching themselves again in the drug, chemical, film and dyestuff industries of the Western Hemisphere.

We ask you to remember the men who died on Bataan for lack of quinine or atabrine. We ask you to recall the difficulties from which we still suffer because of Nazi restrictions on the development of a synthetic-rubber industry in this country. We ask you to think back over the many cases in which secret German dominance in these vital war industries hampered the war effort. And we respectfully ask you to direct independent subordinates to investigate the situation we have called to your attention in these articles.

We believe you will find that we have done little more than scratch the surface of a story which may some day seem one of the great scandals and failures of your Administration unless you take steps now to correct it.

We believe the facts call for the immediate removal of Ernest K. Halbach, who has been enjoying \$82,000 a year in salary and bonuses from one of these key German concerns, General Dyestuffs, though his bank accounts have been blocked and his stock seized under the Trading With the Enemy Act.

We think you will agree, when you have looked into the facts for yourself, that it is disgraceful that this old and trusted prewar associate of I. G. Farben should be running a seized corporation nominally under public ownership and control.

We believe the facts call for the ousting of the present Victor Emanuel-dominated boards of General Dyestuffs and its sister corporation, General Aniline & Film, I. G.'s \$70,000,000 American subsidiary. We believe the public interest dictates the removal of Col. Louis Johnson, the president, and Matthew J. Hickey, the vice president, appointed to run General Dyestuffs by Leo T. Crowley, when he was Alien Property Custodian.

We ask that some one examine the letter by George M. Moffett, president of Corn Product Refining Co., who was appointed a director of General Aniline & Film by the Treasury when it first seized that concern. We call your attention to the fact that Moffett declined to serve on the board after the Alien Property Custodian took over on the ground that both General Aniline & Film and General Dyestuffs would be dominated by one group, the Victor Emanuel group.

We ask that some one look into Emanuel's long-standing prewar connections with J. Henry Schroder & Co., of London, which *Time* magazine on July 10, 1939, called "an economic booster of the Rome-Berlin Axis."

We ask that whomever you name to investigate for you have a look at certain memoranda and letters in the files of the Alien Property Custodian which indicate just how far these publicly appointed managements have gone in thwarting the public interest.

We ask that some one examine a memorandum of last Aug. 11 by Henry H. Hilken, an Alien Property Custodian investigator, protesting the unwillingness of the management to provide the Government with the minutes of General Dyestuffs for use in defending Halbach's suit to recover from the Government his controlling stock in General Dyestuffs.

We ask that some one examine a memorandum to Alien Property Custodian James E. Markham dated last Sept. 22. This memo calls attention to the fact that the General Dyestuffs management had sent a letter to the *New York Journal of Commerce* protesting a story which referred to the corporation as having formerly been German-owned.

"I believe," the memo from a subordinate to Markham says, "that you cannot tolerate men whom you have appointed to manage Government property officially contradicting the findings on the basis of which the Government has taken over the property."

We ask that some one look at a file memorandum of Dec. 6 last by Jeanne K. Dreher, an employe of the Alien Property Custodian, reporting an interview with Col. Johnson in which the latter rejoiced in the abandonment of the replacement program by which you sought to help Latin American countries rid themselves of Axis-controlled drug and chemical firms.

We ask that some one examine the letter sent to Markham last February by John J. Burns, counsel for General Dyestuffs, enclosing "a draft of a letter which I think should satisfy the Justice boys."

We ask that some one read the letter Burns enclosed for Markham to sign and send on to Attorney General Biddle. That letter asked Biddle to settle the pending case against General Dyestuffs for conspiracy with I. G. Farben and

settle it "without trial and in a manner which will not involve the filing of a bill in equity looking to the entry of a consent decree," that is, to settle it without even imposing on the corporation the obligation not to resume its old cartel ties with I. G. Farben after the war.

We ask that you inquire into the pressure subsequently brought to bear by Markham on the Justice Dept. to settle the case in this way.

We have copies of these and many other documents which we would be glad to make available to any White House or Congressional investigator. These documents indicate that these seized enemy corporations have been operating in accordance with policies contrary to your announced purpose and the public interest.

And we believe that responsibility for so allowing them to operate rests squarely on the shoulders of Alien Property Custodian James E. Markham, Leo T. Crowley's former deputy and present successor. And that no cleanup will be complete unless Markham, too, is discharged.

It is because of his weaknesses and Crowley's before him that so few Nazi cartel-controlled patents have yet been made freely available to American industry.

We accuse none of the men we have named of Nazi sympathies. But we do believe that the "business-as-usual" policies they have carried on lead straight back to renewed control by I. G. Farben or its successor after the war. Only men free of all past German ties and free of conventional legal and business attitudes can do the job of preventing the return of these key war industries to German influence.

Only a complete shake-up, accompanied by the free licensing of all Nazi-owned or controlled patents, and vigorous prosecution of your program to replace Axis drug and chemical concerns in Latin America, can free us from the risk of renewed German control in these key industries after the war is over.

This will be one part of the war we shall have lost unless you act now.

—I. F. STONE, FOR THE EDITORS OF PM

MEMORANDUM FOR THE SECRETARY

I am sure you will want to read two PM articles, copies of which are attached, which are the first of a series by I. F. Stone, attacking the A.P.C. for its management of the General Aniline & Film organization.

Stone centers his attack on the A.P.C.'s retention of Halbach in a strategic position in the General Aniline & Film picture. Although Halbach is identified as an I. G. Farben agent who played an important part in developing the General Aniline & Film set-up in this country and who served as the cloak for the I. G. Farben interest in General Dyestuffs at the outbreak of this war, Stone discloses that he is receiving salaries and bonuses of \$82,000 per year from the A.P.C. as an employee of General Dyestuffs. Stone supports his general charge, that under A.P.C. control the interests of the United States are still being subordinated to those of I. G. Farben, by pointing out: (1) that Halbach, despite his position as an employee of the A.P.C., is presently challenging in the courts the vesting by the A.P.C. of his stock in the General Dyestuffs Corporation, thus forestalling a reorganization of the General Aniline & Film set-up; (2) that Halbach is responsible for the retention of other important I. G. Farben representatives, such as Gearhard Neisser, who is in charge of the Export Department of General Dyestuffs, and Alfredo Moll, who was appointed Argentine representative of General Dyestuffs and is now on our Proclaimed List; and (3) that no action has been taken to nullify the prewar cartel arrangements between I. G. Farben and General Aniline & Film.

You will be interested to note Stone's reference to the fact that the Treasury Department has refused to unblock the assets of Halbach despite the intervention on his behalf of Col. Louis Johnson, the A.P.C. appointed President of General Aniline & Film.

Attachment.



Report to the President

We believe this, the moment of a renewed German offensive in Western Europe, a good time in which to call your attention and the public's to the dangerous situation existing within the Office of the Alien Property Custodian.

You are aware, far more thoroughly aware than we are, of the extent to which the Nazi war effort was based upon the use of German firms abroad, especially in the U. S. A. and in Latin American, as instruments of economic warfare, avenues of espionage and hidden pipelines to finance propaganda.

It would be tragic if, in the very midst of a bitter struggle with a tenacious and resourceful enemy abroad, he were under our very noses at home to begin the re-establishment of his economic power in the drug, chemical and dyestuffs industry of the Western Hemisphere. For this could become one of the springboards for a third German attempt at world conquest.

We believe the groundwork is already being laid for the return of German dominance in these industries. We believe that while our men are fighting and dying in the snow and slush of Western Europe, the men who are directing the business policies of key enemy corporations nominally under Government control are successfully sabotaging your directives and purposes.

Not Apprised of the Facts

We have good reason to believe that subordinate officials directly in charge of these matters have not fully and frankly apprised you of the facts. And we are taking this means to bring this situation to your attention in sufficient detail to give substance to our report.

The activity of these men is shielded by the extraordinary secrecy with which the Office of Alien Property Custodian surrounds the operation of enemy concerns taken over by the Government since Pearl Harbor. The drift toward re-establishment of prewar conditions is fostered by the ultra-legalistic nicety with which enemy corporations are administered.

Leo T. Crowley, your first Alien Property Custodian, and James E. Markham, his deputy and successor, seem to have operated on the assumption that their principal function was to act as the considerate trustees of enemy alien owners. One exasperated subordinate protested in a memorandum to Markham, "We might in fact just be doing a nice job of holding this market for the Germans."

We know that this is a matter on which you have expressed yourself in the strongest possible terms in the past, that you have said that these key German firms were never to be returned to German ownership, control, or influence, and that you have offered the aid of this Government to Latin American governments to replace Axis drug, chemical and dyestuffs firms with new independent concerns under the control of nationals of those countries.

Vigilance Not Being Exercised

Looking back at the last war, and the similar policies strongly laid down by Woodrow Wilson, and looking back at the ease with which his purposes were thwarted, we feel that this is an area of Government action in which the greatest possible vigilance is necessary. We do not think such vigilance is being exercised by the Office of the Alien Property Custodian.

We respectfully invite your attention to the case of Ernest K. Halbach, and the part he has played in the operations of General Dyestuffs Corp. General Dyestuffs was the exclusive sales agent of I. G. Farben and of I. G.'s \$70,000,000 American subsidiary, American I. G., discreetly rebaptized General Aniline & Film after the European war began. General Aniline and its sales agent, General Dyestuffs, repre-

sent the most important German property seized by the Government since Pearl Harbor. Here is the very heart of the German empire in our chemical, drug and dyestuffs industries.

A long list of shortages in war materials with which we found ourselves plagued at the time of Pearl Harbor, from aluminum and magnesium to atabrine and synthetic rubber, can be traced back to the activities and the secret agreements of these twin companies and their German parent, I. G. Farben.

Halbach is an American citizen. He was born in Philadelphia of German parentage. He and his father before him were in the German-American chemical industry. Halbach has worked for American affiliates of German chemical concerns—of the same concerns which later formed the I. G. Farben family—ever since 1899 when he became an office boy for Pickardt & Kuttroff. This firm had the distinction of being the first to resume its old German connections after the first World War, in 1919.

Sought to Avoid Seizure

It may be that this was a bona fide transaction, although I. G. Farben arranged similar stock transfers when the war began in unsuccessful effort to avoid seizure by British or American Alien Property Custodians. It may be that this was a straight business deal, although Halbach paid only \$100 a share for stock which had a realizable asset value of \$500 a share. It may be that he really took over full control of the corporation, although the known terms of the sale carried conditions which would prevent resale to interests unfriendly to I. G. Farben.

Halbach became president of General Dyestuffs in 1930, when Herman A. Metz, the leading strategist of the program by which the Germans regained their position in the American chemical industry despite Woodrow Wilson's policies, became chairman of the board. In 1939, about the time the European war began, Halbach acquired majority control of General Dyestuffs from Dietrich A. Schmitz, a director of American I. G., as it was still known, and a brother of Hermann Schmitz of Berlin, Germany, a member of the managing board of I. G. Farben since 1928, and chairman of the board of American I. G. until 1939.

Company Seized by Government

It may be that Halbach is a reliable American citizen. The Treasury did not seem to think so. It blocked his bank accounts after Pearl Harbor. The Alien Property Custodian did not seem to think so. He seized Halbach's stock in General Dyestuffs in June, 1942, under the Trading With the Enemy Act and took the corporation over as enemy controlled.

Whether these agencies were right or wrong in their judgment may soon be decided by the courts if Halbach chooses to press his current suit against the Alien Property Custodian for recovery of his shares and with them the control of General Dyestuffs.

What interests us is that evidence in the files of the Alien Property Custodian shows that in the two and a half years since General Dyestuffs was seized by the Government and a new board of directors named, Halbach has been running the corporation. His title has been that of a consultant, but his power has been that of a general manager, and his salary has been commensurate with his influence.

This man, one of I. G. Farben's closest and most trusted prewar associates in this country, has been down on the books of General Dyestuffs for \$36,000 a year salary. Actually, unknown to the Alien Property Custodian himself until about two weeks ago, Halbach has been drawing \$82,000 a year in salary and bonuses, \$7000 a year

more than the salary of its Government-appointed president, Col. Louis Johnson, former Assistant Secretary of War.

Evidence in the files of the Alien Property Custodian shows that Halbach has achieved so dominant a position in the corporation as to persuade its president, Col. Johnson, to bring pressure to bear on the Treasury to unblock Halbach's bank accounts. The evidence shows that Halbach has been the principal factor in shaping the business policies of General Dyestuffs, and that these policies run directly counter to the Government's in many respects, notably in dealing with Latin America.

Evidence in the files of the Alien Property Custodian indicates that the board of directors named to run General Dyestuffs has been abjectly dependent on Halbach. J. J. Lawler of the Foreign Funds Control Division of the Treasury provided the Alien Property Custodian with a vivid glimpse of this in a memorandum recording a conversation with Harry Hall, Col. Johnson's assistant. Hall had been sent to plead with the Treasury to unblock Halbach's accounts. "Mr. Hall stated that Hr. Halbach runs the business," Lawler reported. He stated explicitly that at sales meetings and board meetings they would have been lost without Mr. Halbach's knowledge—in fact, they have difficulty in following him.

Indicative of Halbach's own attitude is that while enjoying this trust and receiving huge salaries and bonuses from this Government controlled corporation, he filed a suit which automatically blocks reorganization of General Dyestuffs and General Aniline & Film, and which if successful would oust the Government from control.

Perhaps the most striking indication of what has been going on is that, though the Alien Property Custodian has controlled General Dyestuffs and General Aniline & Film for two and a half years, the Government has yet to void the old cartel contracts which bind these companies to I. G. Farben. It is under these contracts that Halbach and several of his old associates, German and German-American, await trial on indictments for criminal conspiracy with I. G. Farben to violate the anti-trust laws.

The Alien Property Custodian has, as the lawyers say, "vested" these contracts; they are fully in his power. The abrogation of these old cartel agreements is essential if I. G. Farben or its German successor is not again to exercise a pernicious influence in the drug, chemical and dyestuffs industries of the Western Hemisphere. The failure to abrogate them may prove serious if these companies are sold to private interests with the old cartel agreements still in force. It may prove serious in postwar German litigation for the recovery of property and patents here and in Latin America.

The Alien Property Custodian has appointed new directors responsible to the Government for the operation of the German-American concerns which are parties to these cartel agreements. He can remove these directors at any time if they fail to do his bidding. All he need do is to direct the managements of General Aniline & Film and General Dyestuffs to go into court in the pending anti-trust actions against these corporations and accept a stringent decree in breaking the contracts and forbidding these corporations when they return to private hands ever to resume the old ties with I. G. Farben. The Alien Property Custodian has not done so.

The only obstacle to such action is an attitude of mind which regards it as the duty of the Alien Custodian and his managements to act as trustees for enemy interests instead of vigorous agents of Governmental policy. It is not strange that such stultifying legal concepts dominate the Office of the Alien Property Custodian. Crowley picked John Foster Dulles of Sullivan & Cromwell as one of his advisers on policy. Sullivan & Cromwell represent firms which were in some of the prewar cartels and is even at this moment acting as counsel for Halbach in his suit against the Alien Property Custodian.

This, like so much of the story we intend to lay before you, would be funny if its possible consequences were not so tragic. It must be the source of much derisive hilarity in Berlin. It calls for the gravest consideration in Washington, especially because of its effect on Latin America, with which we intend to deal tomorrow. —I. F. STONE

TOMORROW: Halbach's Relations With I. G. Farben. Regraded Unclassified

Report to the President, II: The Men Behind Nazi Drug Deals in Latin America

In 1934 I. G. Farben and its U. S. subsidiary, since reorganized and renamed Sterling Drug, Inc., made an agreement to use their advertising in Latin America as a political weapon. Sterling was an American firm but it agreed with its German cartel partner "that the notoriously anti-German newspapers should not receive any advertisements for Cafiaspirina or other products showing the Bayer cross, but only advertisements for Fixal and Milk of Magnesia" and even these only "to the extent that it was necessary to cause these anti-German newspapers to refrain from attacks."

This incident, from a recent Kilgore Committee report, provides a vivid example of why the United States since Pearl Harbor has been urging the countries of Latin America to purge their drug, chemical and dyestuffs industries of German influence. These firms had become agencies of Nazi economic warfare, espionage and propaganda. And it was essential to hemispheric defense to free Latin American countries from dependence on German sources for medicines and materials vitally necessary in wartime.

The situation within the office of the Alien Property Custodian to which we called attention in the first instalment of this report yesterday is doubly dangerous. It casts doubt upon our ability to clean our own house of old German influences and it has permitted the sabotage of the program by which you wished to help Latin American countries to bring Axis drug, chemical and dyestuffs firms under the control of their own nationals.

Aid to Latin America in furtherance of such a replacement program was promised by Sumner Welles at the Rio conference in January, 1942, and again at the Washington conference in July of that year. In June, 1943, after blocking the American Cyanamid deal to take over the drug and chemical business of Mexico, you sent a letter to President Camacho offering him the aid of the American Alien Property Custodian in replacing and reorganizing the old Axis firms. "I wish merely to emphasize my belief," you wrote, "that the Alien Property Custodian, because of the status of his companies as publicly-owned corporations, could effectively promote the welfare of the Mexican industry."

The companies principally referred to in that letter were General Aniline & Film, I. G. Farben's \$70,000,000 American subsidiary, and its exclusive sales agent, General Dyestuffs Corporation. But a dominant figure in these "publicly-owned corporations" under the Alien Property Custodian as we pointed out yesterday, is Ernest K. Halbach, one of I. G. Farben's oldest and most trusted prewar associates in the United States, who has been employed as an \$82,000 a year "consultant" by General Dyestuffs, although his bank accounts have been blocked and his stock seized under the Trading with the Enemy Act.

Halbach's record is hardly such as to make him seem ideally qualified to carry out a vigorous anti-German program in the drug, chemical and dyestuff industries of Latin America. Permit us to summarize that record:

¶ **Before the European war.** Halbach is under indictment for criminal conspiracy with I. G. Farben officials before the war to restrict American sales and manufacturing to the U. S. A., giving Latin American markets to Germany.

¶ **Before Pearl Harbor.** About the time the European war began, Halbach obtained the controlling stock in General Dyestuffs from Dietrich A. Schmitz, brother of Hermann Schmitz, a leading figure in I. G. Farben, but this shift seems to have had no effect on policy.

In the Spring and Summer of 1939, according to a report in the files of the Alien Property Custodian, leading I. G. foreign representatives, among them Halbach, had been recalled to Germany "to lay plans which would forestall or circumvent seizure of the I. G. subsidiaries by potentially hostile foreign governments; also to plan alternative sources of supply should the regular German routes be cut by blockade."

On Sept. 19, 1939, less than three weeks after the war began, I. G. Farben sent the first of a series of cables releasing General Aniline & Film and General Dyestuffs "but only for duration of present war" from the restrictions which kept them out of the Latin American and certain other markets.

During the years 1940 and 1941, General Dyestuffs supplied \$3,000,000 worth of dyestuffs in Latin America to I. G. Farben agents or successor firms. "Each time a consignee was blacklisted," Charles Pack of the Dept. of Justice told the Senate Patents Committee in 1942, "the company would find somebody else to whom to sell. It would naturally take several months before an investigation of the new consignee could be completed; and even if the new consignee was blacklisted, they could ship to another dummy corporation."

Halbach did not limit himself to shipping American products to Latin America. One would have thought that as the owner of the majority interest in General Dyestuffs he would have taken full advantage of I. G. Farben's action in relinquishing the Latin American market for the duration. Early in 1940, he went to Genoa at I. G.'s request and arranged to obtain Farben dyes for the Latin American market via Siberia and Japan.

¶ Since Pearl Harbor and Seizure. In many respects, the seizure of General Dyestuffs by the Alien Property Custodian at the end of June, 1942, seems to have made little difference in its operations.

Item: Gerhard, now "Gerardo" "Neisser," according to Pack's testimony, "had been employed by I. G. Farben from 1926 to 1938 and had spent almost 10 years in various South American agencies of the I. G." Halbach put Niesser in charge of his export department after the European war began and he was still there as of last Thursday. Pack left the witness stand in May, 1942, to enter the Army but Niesser, a German with a Chilean passport, was granted a deferment by his draft board on the request of General Dyestuffs.

Item: Alfredo Moll, one of I. G.'s key men in Latin America, had no trouble getting passports and visas to go from Buenos Aires via New York to Genoa and Basle for conferences with I. G. officials after the war began but before Pearl Harbor. In January, 1942, Halbach appointed him the representative of General Dyestuffs in Argentina at \$500 a month. In April, 1942, the Board of Economic Warfare blacklisted Moll.

In the Summer of 1943, General Dyestuffs tried to get export licenses to send \$40,000 worth of dyestuffs to Moll. "Significantly," says a report in the files of the Alien Property Custodian, "these export licenses were accompanied by a letter of transmittal signed by E. K. Halbach. The largest of these applications was rejected by OEW at the request of the Embassy in Argentina. The remainder of these applications was withdrawn at the request of OEW."

These two items are but minor samples of Halbach's influence. More important evidence is his success in blocking the official government program for replacing Axis firms in Latin America. This is the story I will tell in tomorrow's instalment of this report.

-I. F. STONE

TOMORROW: New Light on the American Cyanamid Deal.

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

February 1, 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 24, 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

FEDERAL RESERVE BANK
OF NEW YORK

January 31, 1945

CONFIDENTIAL

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

I am enclosing our compilation for the week ended January 24, 1945, analyzing 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.

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

Enclosures 2

COPY

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

Week Ended January 24, 1945 Strictly Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)									BANK OF FRANCE (i)			
	D E B I T S				C R E D I T S					Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (a)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Reserves or Salvages 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 (i)	+ 299.0
Second	2,203.0	1,792.2	3.4	407.4	2,199.8	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	- 14.3
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	-	-	-
<u>1944</u>													
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	45.4	2.9	25.9	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
<u>1945</u>													
January													
February													
March													
April													
May													
June													
July													
August													
<u>Week Ended</u>													
January 3, 1945	38.0	3.0	-	35.0	29.6	-	-	-	29.6	- 8.4	10.0	0.5	- 9.5
January 10, 1945	63.3	25.4	31.3	6.6	9.0	-	-	-	9.0	- 54.3	0.6	1.1	+ 0.5
January 17, 1945	42.3	17.5	-	4.8	14.0	-	-	-	14.0	- 8.3	16.0	3.9	- 12.1
January 24, 1945	6.8	2.5	-	3.5	7.9(j)	-	-	-	7.9(h)+	+ 1.9	0.8	0.7	- 0.1

Average Weekly Expenditures Since Outbreak of War

See attached sheet for footnotes.

France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (through June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) 22.0 million

- (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 our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (h) Includes \$ 3.9 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$2.0 million transferred from account in this market of state Bank of U.S.S.R.
- (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 \$3.0 million for payment of armed forces abroad.

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

Strictly Confidential
Week Ended January 24, 1945

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF 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		Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds	Total Debits	Transfers to Official British A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C		Other Credits	Net Incr. (+) or Decr. (-) in \$ Funds	
War Years (a)																			
First	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	6.1	32.4	+ 4.9	
Second	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	18.3	88.5	+ 9.0	
Third	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 10.5	107.2	57.4	49.8	112.2	17.2	95.0	95.0	360.0	- 5.0	
Fourth	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	200.4	741.3	+ 3.4	
Fifth	849.3	1.0	848.3	958.5	38.1	61.4	-	859.0	+ 283.3	298.6	253.0	45.6	287.7	-	287.7	287.7	859.0	- 10.9	
1944																			
September	74.5	0.1	74.4	91.8	-	30.4	-	41.4	+ 17.3	5.8	1.0	4.8	7.3	-	7.3	7.3	41.4	+ 1.5	
October	27.1	-	27.1	82.2	-	7.2	-	75.8	+ 80.1	20.5	1.0	19.5	21.0	-	21.0	21.0	75.8	+ 0.5	
November	38.8	-	38.8	53.7	-	2.9	-	50.8	+ 14.9	3.4	1.0	2.4	5.8	-	5.8	5.8	50.8	+ 2.4	
December	41.5	0.7	40.8	32.7	-	-	-	32.7	+ 0.0	2.6	-	2.6	19.6	-	19.6	19.6	32.7	+ 17.0	
1945																			
January																			
February																			
March																			
April																			
May																			
June																			
July																			
August																			
Week Ended																			
January 3, 1945	14.9	-	14.9	21.6	-	-	-	21.6	+ 6.7	2.5	-	2.5	17.7	-	17.7	17.7	21.6	+ 15.2	
January 10, 1945	2.8	-	2.8	39.6	-	31.3	0	8.3	+ 36.8	2.6	-	2.6	0.6	-	0.6	0.6	8.3	- 2.0	
January 17, 1945	16.7	-	16.7	21.7	10.0	-	-	11.7	+ 5.0	0.3	-	0.3	0.6	-	0.6	0.6	11.7	+ 0.3	
January 24, 1945	2.7(d)	-	2.7	2.9	-	-	-	2.9(d)	+ 0.2	22.1(e)	-	22.1	0.9	-	0.9	0.9	2.9	- 21.2	

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 24, 1945) 2.7 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 \$ 1.2 million deposited by War Supplies, Ltd. and \$ 1.0 million received from New York accounts of Canadian chartered banks.
 (e) Includes \$22.0 million paid to Treasurer of U.S. for purchase of Australian currency.

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: February 1, 1945 (Rec'd February 2nd)
NUMBER: 1136

House

SECRET

The following message is for the Secretary of the Treasury and the Acting Secretary, Secret and Personal.

An account of a debate in the Commons yesterday (1135) is being sent in by me today. This debate was on a relatively unimportant and simple bill the object of which is to increase from 75 million to 200 million pounds the resources available for export guarantees. The second reading of the bill was passed with no division.

It was of interest to me to note that Beaverbrook's paper, the DAILY EXPRESS, carried an editorial yesterday, the same day as the debate, stating that M P's deeply concerned with the future of Britain would discuss Bretton Woods that day and the whole conception of a monetary fund was attacked. (Please see my previous cable No. 1134). It was then discovered by me that it was the intention of opponents of the Bretton Woods program to use the debate on the export guarantees bill for the purpose of developing opposition opinion to the program and that on the morning of the debate even Sir John Anderson had not been informed that the House was to discuss this subject. Because of previous engagements the Chancellor himself was not able to be present in the House.

It is

CORRECTED PAGE 2 OF PARAPHRASE OF TELEGRAM RECEIVED

#1136, February 1, 8 p.m., from London.

It is clearly shown in the last paragraph of the remarks by Boothby (reported in my cable No. 1135) that the Chancellor has intervened in absentia to prevent a discussion of Bretton Woods by having a warning given to Boothby that in discussing the subject matter before the House it would not be considered in order.

On previous occasions it has been explained by me that the opposition to the Bretton Woods program is centered in the reactionary elements and has elsewhere only a small sprinkling of support. The fact that the Bretton Woods agreements are looked upon as the corner stone of the policy of non-discrimination contained in Article VII and based on the Hull policies is responsible for much of the opposition. The tory empire preference group are determined to destroy this. I felt that taking advantage of the absence of Eden and the Prime Minister from the country with failure to give notice to the Chancellor and trying to argue a basic monetary policy under a parliamentary procedure which is questionable indicates a back room procedure and an indirection of method worthy of note. The Amerys, the Hudsons, the Beaverbrooks, the Brackens and the commercial and financial forces by whom they are supported are today and will in the future be opposed to a United Nations economic policy which is basic to world recovery in my personal opinion.

It is especially requested that this message be limited to two copies and only be shown in strictest confidence to other responsible

CORRECTED PAGE 2 OF PARAPHRASE OF TELEGRAM RECEIVED
#1136, February 1, 8 p.m., from London. (CONCLUDED)

responsible officers.

In my cable No. 1137 I have also sent forward a second
editorial comment appearing in this morning's DAILY EXPRESS.

WINANT

DC/L:IDB:MEM

2/3/45

BG-291

DEPARTMENT OF STATE
DIVISION OF

PLAIN

1945 FEB 2 AM 11035on

Dated February 1, 1945

COMMUNICATIONS
AND RECORDS
(LIAISON)

Rec'd 11:46 p.m.

Secretary of State

Washington

1135, First

TO SECRETARIES OF STATE AND TREASURY

There was a six hour debate yesterday (January 31) on the second reading of the export guarantees bill the general terms of which were reported in the Embassy's telegram number 740 of January 20th. As one speaker in the debate pointed out, the House would have passed in a few minutes this simple measure which merely increases the resources and the scope of existing machinery for government guarantees of export credits, except for the fact that members are anxious to get from the government some statement on commercial policy and on larger measures to assist the export trade.

The debate ranged over a wide field, practically all speakers approving the bill but stressing that

it can

-2- #1135, First from London

It can only be regarded as a small part of the action which the government must take. Sir Patrick Hannon (Conservative) pressed the government to stick to the Ottawa preferences but said that Britain must also have "100 percent reciprocal agreement with the United States"; Ellis Smith (Labor) urged concentration of empire trade; Sir George Schuster (Liberal) urged that Britain should aim to be a creditor nation as soon as possible and not become debtor nation minded. This speaker also made the point that being in favor of multilateral trade, he felt that friends of multilateralism would do it a disservice if they endeavored to introduce it immediately after the war before Britain has had time to "mend her broken limbs". He believes that for Britain a large degree of government control of imports and exports will be necessary for a period.

Though all speakers used the bill as an occasion to discuss the wider field of exports in general, only one contributor to the debate (Mr. Robert Boothby - Conservative) touched on the Bretton Woods agreements, despite the fact that the DAILY EXPRESS had predicted that Bretton Woods would be discussed

-3- #1135, First from London

would be discussed by members in the debate.

(See Embassy's telegram number 1134) Mr. Boothby, who has apparently appointed himself as chief anti-Bretton Woods campaigner, did not fail to seize the opportunity to repeat the arguments made familiar by Balogh and Schumacher against multilateralism. In a clever speech in which he challenged the much-quoted estimate of a 50 percent increase in exports needed by Britain, Mr. Boothby quoted figures to support the contention that by bulk purchases, state-controlled foreign trading, import controls, increased home food production, bilateral (repeat bilateral) trade and currency agreements, and concentration on trade with the sterling area, an increase of only pounds sterling 20 million (at pre-war values) would suffice to balance Britain's international payments. He asserted that "if the United States wants to play the game of cut-throat international competition after the war, my answer to them would be 'we are not playing this game. . . .we need not.'" He repeated that Britain must develop her trade with the Empire and Europe, from whom she can get the foods and

-4- #1135, First from London

foods and raw materials she needs, and declared that this policy would leave no room for multilateralism.

It seems that Mr. Boothby had been warned that a speech on monetary policy might be ruled out of order in this debate, for he adroitly refrained from mentioning Bretton Woods until the very end of his speech when he said "if I have made the speech which I intended to make on the Bretton Woods agreement, it is not because I have been out of order, but because all these aspects of international policy are inextricably interwoven and are all part of a single theme." He had related his points to the bill under discussion by urging that the export guarantees machinery should be used as an agent to further trade with the sterling area.

The bill, being an uncontroversial and relatively unimportant measure, passed its second reading without a diversion after Mr. Arcourt Johnstone's reply in which he confined his remarks to points raised on the bill itself. (these details will be reported by despatch). He said he could not cover the whole field of economic policy. However, he referred to Boothby's speech saying he

-5- #1135, First from London

... saying he wished it had been conserved for a debate on Bretton Woods when he would like to discuss it, and he hoped it would be widely read in Hansard.

It is worthy of note that Mr. Boothby's speech received little notice in the press on the day following the debate, only the DAILY EXPRESS giving any considerable space to it in an article emphasising "A unanimity never noticed before that Britain's trading future lies first of all in the Empire, then in what is called the sterling area, and next with Russia."

It is of interest, however, that the (Liberal NEWS CHRONICLE headed its report of the debate "Tories Plead for More Control by the State" while Beaverbrook's DAILY EXPRESS headed its report "Greater Empire Trade Urged by Socialists."

WINANT

JMS

DT-164

PLAIN

London

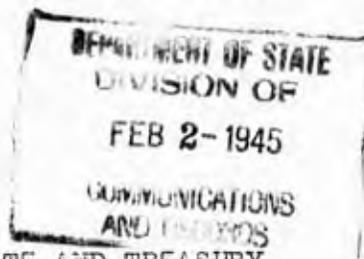
Dated February 1, 1945

Rec'd. 5:20 p.m.

Secretary of State,
Washington.

1137, February 1

FOR THE SECRETARIES OF STATE AND TREASURY



The following editorial comment evoked by yesterday's debate on the Export Guarantees Bill (my 1135) appeared in today's DAILY EXPRESS.

"Rejoice. Look out, Conservatives. They steal the thunder from under your noses.

Here is that stalwart Socialist Mr. Ellis Smith demanding that the Commonwealth shall be knit together on an economic basis more like the States of the Union of USSR Empire free trade!

A splendid conversion the faithful should rejoice-- and then see whether they cannot go one better.

A great day for Britain when the two political parties enter into earnest competition to prove which is the more Empire-minded."

WINANT

DU

FEB 1 1945

To: Mr. Collado

From: Mr. Glasser

Will you please send the following cable to the American Embassy
Chungking, China:

FOR ADLER FROM THE SECRETARY OF THE TREASURY

1. Dr. Kung has informed me that U. S. Army obligations incurred in China during the last three months of 1944 totalled CN\$2.8 billion and has requested initiation of negotiations for settlement of this amount. Please consult immediately with General Wedemeyer on accuracy of these figures and inform me of any comments which he may wish to make on them or other related matters.
2. If available, also cable immediately Army estimates of U. S. dollar value of actual goods and services received during this period, together with your comments thereon; if not available, please advise whether General Wedemeyer and yourself feel that settlement for this period should be held up until these figures are obtained.
3. You are, of course, to keep Ambassador Hurley fully informed of all details of these negotiations.

IN/cfs 1/27/45

33
FEB 1 1945

Dear Mr. Grew:

It is our suggestion that Brigadier-General William O'Dwyer be recommended to the President as the successor to Myron C. Taylor to represent this Government on the Intergovernmental Committee on Refugees.

General O'Dwyer is energetic, forthright and hard working and has a real interest in the refugee problem. Since he is the Executive Director of the War Refugee Board, General O'Dwyer's appointment would have the important advantage of establishing a clear and direct relationship between the activities of this Government in the refugee field and the work of the Intergovernmental Committee.

Very truly yours,

/s/ Henry Morgenthau, Jr.

Secretary of the Treasury

Secretary of War

Honorable Joseph C. Grew,

Acting Secretary of State.

Signed by the Secretary of Treasury 2/1/45

FH WOD

PH:hd 1/30/45

74

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE JAN 31 1945

TO Secretary Morgenthau
FROM General O'Dwyer

In line with our conversation of yesterday concerning a successor for Myron Taylor on the Intergovernmental Committee, I send you herewith a draft of a letter to Grew for your signature and that of Secretary Stimson. It is my understanding that you will speak to Mr. Stimson about the matter.



Attachment.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE February 1, 1945

TO Mrs. Klotz
FROM Miss Model

I send you herewith a photostatic copy of the British report of atrocities at Breendonk, Belgium. Please note that copies of the appendices were not made available to us and therefore are not attached. It is possible that the copies obtained through Mann in London may be complete.

JH.

Attachment.

Confidential save for pages 1 - 12. 39

REPORT ON GERMAN ATROCITIES

BY
HEADQUARTERS,
21 ARMY GROUP.

BRITISH INFORMATION SERVICES
AN AGENCY OF THE BRITISH GOVERNMENT
WASHINGTON,
LIBRARY

B.L.A.,
December, 1944.

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NOTE: The following abbreviations occur in some of the appendices:-

<u>Abbreviation</u>	<u>Meaning</u>
SS	= Schutz Staffel - Bodyguards
SD	= Sicherheitsdienst - The GERMAN Security Service
SP	= Sicherheitspolizei - The GERMAN Security Police
GFP	= Geheime Feldpolizei - The GERMAN Field Police
VNV	= Vlaamisch National Verbond - BELGIAN PRO-GERMAN movement
MNB	= Movement Nationale Belge - A resistance organisation.

REPORT ON GERMAN ATROCITIES

INTRODUCTION

1. The object of this paper is to collect evidence of atrocities committed by the GERMANS. These atrocities may be divided into two main classes:-

- (a) Those committed against the population of occupied countries.
- ~~(b) Those committed against the armed forces of the Allies.~~

This paper deals almost entirely with atrocities committed against the civilian population in BELGIUM and HOLLAND.

2. (a) Atrocities were committed against the civilians by:-
 - (i) The GERMAN Security Police (Sicherheitspolizei) of which the Gestapo (Geheime Staatspolizei) forms part.
 - (ii) Flemish and Walloon SS in BELGIUM and DUCH SS in HOLLAND.
 - (iii) The Secret Field Police (Geheime Feldpolizei), which forms part of the German Army.
 - (iv) The GERMAN Army guards at concentration camps.

(b) The only evidence of atrocities committed against the armed forces of the Allies consists of several cases of prisoners being shot out of hand by the GERMANS and in some cases their bodies mutilated. As far as it is known no living witnesses of the armed forces of the Allies have produced evidence of having been tortured.

3. It must be remembered that this report cannot be regarded as exhaustive. It merely summarizes the evidence which has been collected by a small number of officers over a period of three weeks.

4. The first thing that strikes one when mentioning GERMAN atrocities is the scepticism of the BRITISH troops and the BRITISH civilians. The idea of torture and mutilation is so abhorrent to the BRITISH mind that it is NOT easy to believe that practices which are associated only with the SPANISH Inquisition could be carried out in the twentieth century by EUROPEANS. This paper produces evidence of GERMAN atrocities. Whilst it is not easy to find people who bear signs of mutilation it must be remembered that the worst mutilated people were killed or died or were taken off to GERMANY. Nevertheless, several people have been found who carry signs of mutilation, their mutilated bodies have been examined and their stories obtained. These stories have been cross-checked as far as possible. Despite the fact that many of the people questioned were quite unknown to each other their stories all bear a striking similarity as to the treatment civilian prisoners received in the hands of the GERMANS. Many of these stories would not have been obtained if two trainloads of prisoners had been taken to GERMANY from BRUSSELS and ANTWERP at the beginning of September. Owing to sabotage of the engines, damage to the tracks and the speed of the Allied advance the GERMANS were compelled to leave these prisoners behind. A Flemish member of the SS who is now in the hands of the BELGIAN police has given details of how civilian prisoners were ill-treated, which confirms the stories of the prisoners. Some accounts of atrocities cannot however be substantiated or have been found to be exaggerated. No cognizance has been taken of such stories.

5. This paper is divided into three parts:

PART I - ATROCITIES COMMITTED AGAINST THE CIVILIAN POPULATION IN BELGIUM.
~~PART II - ATROCITIES COMMITTED AGAINST THE GERMAN POPULATION IN HOLLAND.~~
~~PART III - ATROCITIES COMMITTED AGAINST THE ARMED FORCES OF THE ALLIES.~~

6. An album of photographs has been compiled and should be examined in conjunction with this report.

PART I - ATROCITIES COMMITTED AGAINST THE CIVILIAN POPULATION IN BELGIUM
PEOPLE WHO WERE IMPRISONED AND ILL-TREATED

7. Those included:
 - (a) Jews.
 - (b) Political prisoners especially those who had or were suspected to have socialistic or communist tendencies.
 - (c) People who were known or suspected of having pro-Ally sympathies.
 - (d) People who were working against or suspected of working against the GERMANS, e.g. people who assisted Allied airmen to escape or belonged

- to a BELGIAN underground movement.
- (e) People who had been denounced to the GERMANS by their personal enemies usually by anonymous letters. In many cases these people belonged to no political or patriotic party and are unable to say why they were imprisoned.
- (f) Hostages.

Details of some of the persons who were imprisoned are shown at App. "A". Some of these persons were killed or died but detailed statements have been received from several of the persons named in this Appendix and these stories are set out in Appendices "B" to "U".

PLACES OF IMPRISONMENT and/or TORTURE or EXECUTION.

	<u>PLACE</u>	<u>REMARKS</u>
8.	(a) BREENDONK, nr. MALINES	Concentration camp originally for JEWS only. Prisoners were tortured and executed there.
	(b) BRUSSELS	
	(i) Place Rouppe, ex-Camp du Midi	Political prisoners interrogated and tortured by Walloons and Flemish SS.
	(ii) 153 Avenue Louise (later removed to No. 219)	Gestapo HQ. Suspects interrogated and tortured.
	(iii) Place du St. Charles Avenue Dupontstrasse	Certain amount of interrogations of political prisoners carried out.
	(iv) Rue Traversiere	HQ Secret Field Police
	(v) St. Anne Barracks, LAEKEN	
	(vi) TIR NATIONAL	Where prisoners were shot
	(c) Citadelle de NAMUR	For political prisoners
	(d) CHARLEROI	
	(i) Prison	Political prisoners were tortured
	(ii) Caserne TREBIGNNES	
	(e) OOSTRACHER, nr. GHENT	Place where GESTAPO tortured and carried out executions
	(f) Ecole Militaire, LIMBOURG, BOURG LEFOLD.	Political prisoners interrogated and tortured by Walloon and Flemish SS.
	(g) Fortresse de HUY, nr. LIEGE	
	(h) ANTWERP	
	(i) Prison	Political prisoners were held and tortured
	(ii) 22, Avenue Reine Elisabeth	Gestapo HQ
	(i) LIEGE	
	(i) The Citadel	Political prisoners and partisans were tortured and shot
	(ii) Lycee, Boulevard D'Avoy	Gestapo HQ
	(iii) Hotel Britannique	HQ Secret Field Police

The above list is not exhaustive as many other places of imprisonment and torture existed. Of the above places, two will be described in this paper, namely BREENDONK and the TIR NATIONAL.

BREENDONK CONCENTRATION CAMP

9. General
 This was originally a fort built as part of the outer defences of ANTWERP. It is situated on the main BRUSSELS - ANTWERP road about 20 Kms. from BRUSSELS and about 22 Kms. from ANTWERP. The fort is a squat grey building surrounded by a wide moat, over which runs a causeway, the only entrance into the fort. Round the moat is a stout barbed wire fence some 7½ feet high. Most of the buildings were partially covered with earth in order to provide additional protection for the garrison and to camouflage the fort. The GERMANS made the prisoners remove the earthen banks and at the time of the liberation most of the earth had been removed. The fort had been allowed to fall into disuse by the BELGIANS after the 1914-18 War. It was however occupied by the BELGIAN G.H.Q. for a few days when the GERMANS invaded the country in May 1940. At first the fort was used by the GERMANS as a concentration camp for JEWS but after a short while every kind of prisoner was incarcerated there, although by and large they were mainly political prisoners.

Accommodation for Prisoners

10. This consisted of:-

- (a) Eleven rooms, each measuring approximately forty two feet long, twenty one feet wide and thirteen feet high, with a door at one end and at the other end two windows which were painted over with blue paint. The door had a lock and a heavy iron bar which was placed in position on the outside when the prisoners occupied the rooms. The windows were kept open all day. Part of the floors of these rooms were stone and part of them wood. Each of the rooms contain a stove which was lit during the winter at 1700 hours. 48 prisoners were accommodated in each room in triple decker bunks. There were also a few small tables and stools in each room in the small space which was not occupied by the bunks. In addition each room contained one bucket for use as a night latrine. A total of 528 prisoners could be held in these rooms.
- (b) Four huts measuring approximately thirty six feet long by eighteen feet broad and eight feet high were built especially for Jewish prisoners. These are built of wood and match-boarding, being somewhat similar to the rooms described above, except that the windows are smaller. All the huts were covered with ocreanote, which makes them very dark. They contain no stoves or any form of heating. They were furnished with triple decker bunks, a few small tables and stools and one bucket per hut for use as a night latrine. One of these huts was used as a workshop. 48 Jews were imprisoned in each of the other three, the maximum number being 14.
- (c) Thirty two brick cells built by the GERMANS in two of the rooms of the fort. These cells are 1.95 metres (6ft.8ins) by 1.37 metres (4ft.5ins) wide. The top of each cell is enclosed by an iron grill which is about 8ft. from the ground. All the doors are of wood, some of which were reinforced by iron bars whilst others have a large iron grill. The plain wooden doors have small trap-doors so that the wardens could look into the cells and through which the prisoners' food was passed. At the foot each of the doors which have a large iron grill is a small trap-door for passing food to the prisoners. The cells contained a wooden board which served as a bed. This board was kept upright during the day by means of an iron bar which was operated from the outside of the cell. The bed was lowered at bedtime and raised at reveille. Each cell also contained a bucket which served as a latrine. One of these cells has a pair of shackles concreted into the back wall.
- (d) There are six dark cells into which no daylight can penetrate. These cells have white-washed walls and stone floors. They each contain a plank bed which was kept against the wall during the day or removed from the cell. In addition there was a bucket for a latrine.
- (e) All the above rooms and cells were lit by electricity, but that was only used for inspection by the guards.

11. The GERMANS installed an up-to-date kitchen, very good showers and also latrines for the prisoners. There was also an infirmary.

12. The "Gas Chamber"

There are two rooms which are shaped like a horse-shoe one of which is known as the "Gas Chamber". One enters each of the rooms through two steel doors. Neither has windows but each has two ventilation shafts and a coke stove. Popular rumour is that the GERMANS used to gas prisoners in one of these rooms by means of the fumes from the coke stove. No proof of this has however been obtained. The rooms were designed as a gas-proof chambers after the last war. Some prisoners state that the room known as the "Gas Chamber" was used as a mortuary and sometimes contained up to twenty bodies.

The "Torture Chamber"

13. This is a circular shaped room without windows and a stone floor with a shallow gutter across the top through which serves as a drain. In the room is a coke stove, a bed and a table. It is lighted by electricity and in addition there is an electrical point similar to that used for an electric fire. There are three marks in the wall and ceiling where a pulley was installed by the GERMANS. This pulley was dismantled by the GERMANS some weeks before they fled and the holes filled up with cement.

Camp Staff

14. The camp was commanded by a GERMAN SS Major. Under his command were two or three SS Lieutenants, a small number of GERMAN SS guards and six to eight FLEMISH SS. This formed the permanent staff. Their names and other particulars are shown in Appendix "V". There was also a detachment of the WEHRMACHT attached to the camp for guard duties. The number of WEHRMACHT troops was approximately fifty, but they were constantly changed. Most of the personnel lived in the camp, at first in the fort itself and later in wooden huts which were constructed near the entrance. Most of the Officers and NCOs were billeted in houses near the fort. Madame VERDICT who lives in a small house at the entrance to the camp had some of the Officers and NCOs billeted on her. At Appendix "W" is a paraphrase of a statement which Madame VERDICT has made to the BELGIAN authorities. It should be noted that although a total of approx seven women prisoners were held at different times there were no wardresses.
15. In addition a certain number of civilians who lived out of camp were employed: one was a cook, another a gardener and another engaged in looking after the live-stock which belonged to the garrison. In addition a local blacksmith who was in the SS was employed to do general repair work at the camp. This man made the instruments of torture. Two other civilians were also employed at the camp from time to time - an electrician from BREENDONK who looked after the electric supply and a general contractor. The names and particulars of all the civilians referred to above are shown in Appendix "X". Statements made by those of the civilians who are available are shown at Appendices "Y-00".

Organization of Camp.

16. Each room was in charge of a prisoner who was made responsible for the discipline and cleanliness of the room. Prisoners put in charge of rooms were nearly always GERMAN Jews. Apart from this Jewish prisoners were generally kept quite separate from the other prisoners.
17. Some of the SS Guards were employed indoors, whilst some were employed outside. All the guards were armed and they generally carried a whip or crop which they rarely hesitated to use. The WEHRMACHT troops did not come into contact much with the prisoners.
18. All orders were given in GERMAN. Prisoners had to understand or take the consequences. Prisoners were only allowed to speak to the guards if they required anything. If they tried to indulge in normal conversation they were invariably punished.

Entry into the Camp

19. Prisoners were arrested by the Gestapo or Secret Police and taken first to the Police H.Q. Sometimes they were interrogated and beaten up there, but this was not an invariable rule. Sometimes they were charged with an offence against the GERMANS and sometimes they were not. Quite a number of prisoners were sent to the camp from other prisons. On entering the camp prisoners were made to stand strictly at attention inside the entrance of the fort or in the prison yard. They were usually made to stand with their faces against a wall. Sometimes they were kept standing for only a short while, but more often it was

19. several hours. During this time they were not allowed to move or go (cont) to the lavatory. If one wanted to go to the lavatory he relieve himself where he stood and was punished by the guards for uncleanness. The batch of prisoners who entered with ANTOINE AUBREAS of 627 CHAUSSEE DE BONS, JERSEY, on 22 June, 1941, was kept standing at attention for forty-eight hours. They were not allowed to move and were not given any food or water. They collapsed like flies with heat, thirst and fatigue whereupon they were revived by the guards kicking them and made to stand to attention again. After this period of standing at attention prisoners were taken to their rooms or cells.

20. Shortly after this they had to hand in their clothes and ALL their personal belongings and received delapidated prison uniform instead. This prison uniform consisted of old BELGIAN army uniforms, a pullover, or shirt, a cap, a belt and a pair of sabots. The sabots were often too small and it was often forbidden to wear the cap - it had to be carried in the belt. Each uniform had sewn on it the prisoner's number and a distinguishing mark showing the class of prisoner to which he belonged. Some of these uniforms can still be seen in the fort. In addition each prisoner was given a towel - but no soap was issued. Prisoners who were locked up in the rooms were given two or three thin blankets and a palliasso. Prisoners locked up in the cells were not given, as a rule, any form of bed covering.

21. The prisoners then had their heads shaved. Any prisoner who had a moustache or beard also had it shaved off. Prisoners also had a brief medical inspection during which they were made to stand naked in the prison yard no matter what the weather was like.

Allotment of Prisoners to Rooms or Cells.

22. The majority of the prisoners lived in the barrack rooms, but those who were considered to be "more dangerous" were kept in the cells, whilst the "most dangerous" type of prisoners were locked up in the dark cells. Quite often the prisoners in the cells or dark cells wore hand-cuffs or shackles the whole time they were there. The prisoner who was allotted to the cell which has the shackles cemented into the wall was made to eat his meals on all fours owing to the fact that the food was placed on the ledge of the trap-door in the cell door and he was not allowed to lift it into the cell.

23. Prisoners who were locked up in the cells were only allowed out under escort to empty their latrine buckets which took a matter of four to five minutes daily. They were allowed no exercise. Prisoners held in the dark cells had a black hood put over their heads before they left their cells on this daily duty. This prevented other prisoners seeing who they were and formed an additional punishment.

Food

24. From the opening of the camp in 1940 until sometime in 1944, the food was very bad and quite insufficient. It was quite common for a prisoner to lose three to four stones after being in the camp for three months. According to the statements made by MOERS, the cook, at Appendices "BB" and "CC" the daily ration per prisoner was originally:-

	GRAMS	Equivalent in ozs
Bread	175	6.125
Jam	20	.7
Sugar	30	1.05
Butter or Margarine	30	1.05
Cheese per two days 10 grammes or .35 ozs.	5	.175
Meat with bone which is equivalent without bone to	30	1.05
	20	.7

The total ration shown above is 9.8 ozs per man. The prisoners however did receive in addition a litre (1 $\frac{1}{2}$ imperial pints) of watery soup per day and two mug-fuls of ersatz coffee. After some time the bread ration was increased to 250 grammes per day which is equivalent to 8.75 ozs making the total ration exclusive of soup 12.425 ozs per man. The BELGIAN RED CROSS made every effort to supplement the rations, but only a fraction of the goods they supplied reached the prisoners. From 1943 the FOYER LEOPOLD III delivered all kinds of food and, from this time, the prisoners rations improved although the prisoners only received a portion of what was delivered. In 1944 the food improved a great deal as the ration of bread was increased to 500 grammes per day or 17 ozs, and 1 kilogram (or 2.2 lbs) of Potatoes were authorized to be issued. The prisoners however rarely received their full rations. They rarely received any meat except perhaps occasionally in the soup.

25. In the early days prisoners were allowed to receive parcels of food, etc from outside, but this privilege was stopped on the grounds that Communist literature was being smuggled into the West and that the parcels contained rationed foods which must have been bought on the Black Market.
26. There were three meals a day which consisted of the following:-
- Breakfast: which took place between 0600 hrs and 0730 hrs depending on the time of year. A slice of dry bread and a mug of ersatz coffee.
 - Midday Meal: took place any time between 1100 and 1400 hrs and consisted of a bowl of watery soup. The only thing which the prisoners say in its favour is that it was very hot.
 - Supper: which took place at 1900 hrs. Consisted of a piece of bread, sometimes a small piece of butter or margarine or a tea-spoon of jam. Occasionally a potato or a salted sardine was also issued. A mug of ersatz coffee was also issued.

Clothing, Mail etc.

27. Parcels of clothing which were sent to the prisoners by their families and friends were confiscated as a rule. Sometimes, however, they were delivered to the prisoners. Normally prisoners were only issued with clothing when that which they were wearing was completely unfit for further use.
28. As a rule only non-political prisoners were allowed to write or receive letters and this privilege was only granted occasionally. The civilian employees and sometimes some of the guards did smuggle letters in and out of the fort.
29. No smoking was allowed. Prisoners found with tobacco in their possession were punished. Occasionally, however, the head men of the rooms were given one cigarette which they had to smoke immediately.
30. All prisoners were made to pass through the showers once a week. Very rarely was soap provided and the prisoners were rarely given time to dry themselves and accordingly had to put on their clothes whilst still wet.

Medical Inspections

31. There was no resident medical officer on the staff but only a medical orderly. The medical orderlies changed periodically. They varied tremendously - some were good whilst some were very bad, one in particular used to beat the patients. An [redacted] doctor [redacted] was imprisoned in the camp from March 1941 until a short time before the liberation. (See Appendix "A", Serial 28). Shortly after he entered the camp he was put to work in the infirmary where he remained for some eighteen months. This doctor was under the orders of the medical orderly and was not given a free hand to practise medicine. It was the medical orderly or one of the camp staff who really decided the medical condition of a prisoner. All prisoners were medically examined by a visiting GERMAN army doctor about once a month, everyone being inspected at the same time. For this inspection the Commandant ordered the prisoners to be lined up in the courtyard completely naked whatever the time of the year or weather. One of the visiting medical officers, Major POHL, was very sympathetic towards the prisoners and endeavoured to improve the conditions of the camp. Another medical officer, KOCHLING, was completely indifferent to their fate. It appears that the medical inspections for all the prisoners, who sometimes numbered over six hundred, often only took little over an hour. The camp authorities did take pains to prevent serious infectious diseases or epidemics from breaking out - hence the weekly bath. But often scanty attention was paid to cuts, wounds and sores on the prisoners' bodies brought about by ill-treatment and undernourishment. Normally the infirmary contained 40-50 sick prisoners but on one occasion at least it held over 150 patients. Prisoners there received no extra food.

A Typical Day of a Prisoner Detained in one of the Barrack Rooms

32. At reveille, which was normally 0600 hours, the prisoners had to spring out of their beds. Anyone who was found in bed after reveille was lashed by the guards. Prisoners in the barrack rooms had to fens up outside their rooms and stand strictly at attention. The head man of the room then reported his room to the guard. Any prisoner who was slow in getting out of bed was lashed by one of the guards and in addition often struck by the head man of the room. As so many of the prisoners were in a very weak state of health, or were old and infirm (some being as old as seventy years of age) they often did not move with the alacrity which the GERMANS demanded and as a result they were beaten without mercy. After the prisoners had been counted, they washed naked to the waist in the ablution benches in the corridors. They were not provided with soap. They were allowed about two minutes for washing. After this, they had to clean up their rooms and make their beds. All beds had to be made in the GERMAN army fashion with the blankets folded on top of the paillasses. Great importance was attached to the correct making of beds and no breakfast was issued until the guards were satisfied with them. If they were not considered satisfactory, the guards used to show their displeasure by thrashing the prisoners.

33. The prisoners were escorted to the lavatory where they were allowed to remain for two minutes. This was often the only time during the day when they were allowed to use the lavatory. As many of the prisoners had dysentery they wished to remain in the lavatory for more than two minutes but they were not permitted to do so. Anyone who was considered to be loitering was beaten. Incidentally no lavatory paper was provided.
34. The prisoners were then put to work. Some were employed in the carpenter's shop although most of them worked outside the fort. The outside work consisted of building a large bank round the fort to prevent people from seeing inside; or removing the earth which covered a great deal of the fort; or breaking some of the concrete emplacements into pieces. Picks, shovels and wheelbarrows were provided for this work.
35. During this outside work, the prisoners were often, for no apparent reason, made to do exercises. They were formed up in squads and made to run, lie down, and run again. They even had to get down into puddles of water. They were often lashed for getting their uniforms wet or dirty. In addition, the prisoners were made to goose-step. Very often the prisoners carried out these exercises with packs on their backs containing heavy stones, although this was normally reserved as a punishment if the guards thought the prisoners were not working sufficiently fast. The aged or infirm were not excused.
36. If a prisoner wanted to go to the lavatory, he had to ask permission from one of the guards and often stand strictly to attention whilst awaiting the answer. Very often the guards would not answer for a considerable time or refuse permission. If a prisoner who was made to wait fouled his uniform he was punished. All prisoners state this was a regular occurrence.
37. All work and exercises were supervised by the GERMAN and FLEMISH SS Guards who took every opportunity of ill-treating the prisoners. They were helped by some of the head men of the rooms, the names of whom are at Appendix "B". When a prisoner was spoken to by an officer he was made to stand at attention and he was not allowed to answer back in any way. Some of the ordinary SS used to insist that prisoners also stood to attention when they addressed them. Anyone who answered back was flogged or accused of mutiny and committed to the cells. Work and exercises continued no matter how cold it was and very often when it was wet. When the prisoners got wet through they were sometimes allowed to return to their barrack room but they had no other clothes to change into. The Jews were generally singled out for the worst treatment and they were often flogged unmercifully and were made to undergo every humiliation.
38. No prisoner was allowed to report sick without the permission of one of the guards. Even when a prisoner was flogged so that the wounds on his undernourished body were bleeding, permission had to be obtained to go to the infirmary to see the medical orderly. And that permission was not readily given. If permission was obtained to go to report sick the prisoner was kept waiting by the medical orderly for an indefinite time in the courtyard outside the infirmary. Prisoners were sometimes kept waiting thus for hours and they were completely naked - that being the rule when reporting for a medical inspection. As often as not the prisoner was told to return to his work as there was nothing wrong with him.
39. The only break during the hours of work was for the mid-day meal which took place any time between 1100 hrs to 1200 hrs or later. If the guards considered that any prisoner had infringed any of the rules or was not working sufficiently hard the mid-day meal was postponed for two or three hours.
40. The prisoners did not normally work after the last meal of the day but remained locked in their rooms. Each room had one small bucket for a night latrine. This was soon filled and after this there was no alternative but to use the floor of the rooms. When this happened the guards invariably beat the prisoners some of whom say that the guards endeavoured to make some unfortunate persons eat their own excreta.

Prisoners confined to the Cells

41. At reveille their beds were pinned to the wall or removed from the cell. The only time these prisoners were allowed out of their cells was to empty their latrine buckets which took a matter of three or four minutes. Prisoners in the dark cells had hoods placed over their heads when they were escorted out to empty their buckets. This was to prevent their being recognised by other prisoners and to act as an additional torture. These "cell" prisoners generally did no work at all whilst many of them were kept in manacles, handcuffs and/or shackles. Prisoners in the dark cells were not allowed to lean against the whitewashed walls. If they did so the whitewash came off onto their clothes and when the guards saw it they were beaten.

42. Prisoners who normally lived in the rooms were committed to the cells for the most trivial offence. PAUL LEVY (referred to in Appendix "A", Serial 19) has stated that he was severely flogged with a whip by one of the SS Lieutenants and committed to the dark cells for saying "I'll try" when one of the guards told him to move faster when he was working in the camp grounds. He was told he had "martined". He was released on the third day and allowed to return to his room. On his return his fellow-prisoners told him that a parcel had arrived for him. Shortly after his release the SS Lieutenant who had flogged him came to the barrack room and asked him if he had anything to say. LEVY asked whether he could have the parcel which he was told had arrived at the fort for him as it would contain food and he was hungry. The Lieutenant said that there was no parcel and marched him to the office to make sure. The SS in the office said there was no parcel. As a result, the same SS Lieutenant who three days previously had flogged LEVY for saying "I'll try" gave him a large cake. LEVY states that this incomprehensible action made him think that he was in a lunatic asylum.

Interrogations

43. Prisoners were not normally interrogated until they had been in the camp for a month or two, on the principle that their powers of resistance would have decreased during that period. ~~Some~~ Prisoners were ~~never~~ interrogated shortly after their entry. Interrogations were sometimes carried out in the offices to the accompaniment of blows across the face and body. If the prisoner would not talk and the GERMANS particularly wanted to obtain information from him, he was taken to the torture chamber. Here he was generally stripped naked. During these interrogations the prisoner was usually handcuffed and subjected to one of the following tortures:-

- (a) Being hit across the face or body particularly in the region of the sexual organs with a truncheon or cat o' nine tails.
- (b) Being laid across the table and thrashed.
- (c) Being hauled up to the ceiling by means of the pulley referred to in paragraph 13 above and thrashed whilst in mid-air, or released from the ceiling so that he crashed onto the ground, or onto the sharp edges of wooden blocks.
- (d) Being burned on the body with cigar ends.
- (e) Having his fingers crushed in a press.
- (f) Having his body burned with an instrument which was connected to the electric plug in the torture chamber. This instrument which is shown in the sketch consisted of a flat metal circular plate which contained several short needles and which had a handle. It is believed that this instrument was brought to the fort from BRUSSELS or ANTWERP.



44. Women were not excused these tortures. Madame PAQUET in her statement at Appendix "F" gives details of the treatment she received in the torture chamber when she was interrogated whilst she was completely naked. SIDNER, the doctor who worked in the infirmary, in his statement at Appendix "G" says that a BELGIAN woman was also beaten up in this torture chamber whilst she was completely naked.
45. Before people could be subjected to torture application had to be made by the Commandant of the Camp to the SS HQ in BRUSSELS, who it is believed had to apply to BERLIN. It is understood that the camp authorities never waited for the reply to their application, but proceeded to torture the victims immediately.

Instruments left behind by the GERMANS

46. The following articles and instruments of torture were found in the camp after the departure of the GERMANS:-
- a) A heavy leather whip.
 - b) A string thong threaded with leaden beads.
 - c) A pair of handcuffs.
 - d) Two pairs of shackles.
 - e) A form of chain handcuffs which can be tightened as required.
47. The Camp moat is at present being drained in order to ascertain whether or not it contains any other instruments which the GERMANS may have thrown away in their hurried departure. Up to date nothing of importance has been found.
48. A press similar to that used as a finger press in BREENDONK was found in a GERMAN HQ in SOIGNIES. It is understood that the press was designed as a clamp for the rudder of an aircraft when it is grounded. Madame PAQUET identifies it as similar to the instrument in which her fingers were crushed (see Appendix "F").

Places of Execution

49. Prisoners who were sentenced to death were generally shot. It appears to have been the custom of the condemned persons to erect the railway sleepers which served as their execution posts. The prisoners were shot from about 15 yards range. Ten railway sleepers have been erected in the fort in the place where prisoners say the shootings took place, the GERMANS having removed the posts before departure.
50. Other prisoners were executed by hanging. The gallows was taken down by the GERMANS before their departure, but a facsimile has been constructed by the BELGIANS on the site of the original and from descriptions given by former prisoners. This gallows is built out-of-doors in a corner made by two walls. It consists of a platform with a trap-door in it which is operated by an iron handle. There are some steps for mounting the platform. Above the platform and resting on the two walls is a horizontal beam from which the condemned persons were hanged. Some ex-prisoners say that chains were used for the hanging and not ropes. Part of this facsimile was found in the fort - namely the steps and the iron handle. According to the cook MOENS the gallows was erected by the smith CARLEER about April 1944 (see Appendix "BB"). DE SCHUTTER the electrician states that CARLEER made the iron work and the wood work was done by the prisoners themselves (see Appendix "Y"). AMELINCKX, the former pig-man states that the gallows was made by five prisoners (see Appendix "AA").
51. It is not known how many people were executed. MOENS states that the number was at least 350 and that it included a FRENCH woman (the wife of an ENGLISH officer) who was shot some seven or eight weeks before the GERMANS fled (see Appendix "BB"). IE MAITRE states that he has seen more than eighty persons leave for the execution post including HERMAN, the Chief Postman of BRUSSELS, MARTIAL VAN SCHNELLE the Olympic athlete and also a blind man (see Appendix "D"). FRANKIGNOULE says that three persons were hanged on 10 May 1943, including one FRAITTEUR (see Appendix "H"). VICTOR TRIDO says that twenty men were shot on 6 January 1943 and twenty-one on the 13 January 1943 (see Appendix "A" Serial 29).

52. SINGER states that over 300 people were shot and about 15 people hanged between March 1941 and March 1944 (see Appendix "G"). None of the dead, whether they were executed or died from other causes was buried in the fort, except perhaps temporarily. They were taken away to an unknown destination. Some hundreds of bodies are reported to have been buried in a secluded wood and arrangements are at present being made by the BELGIAN police to verify this information. All the dead were put into crudely and cheaply made coffins whether or not they were executed. The coffins were not made in the fort. There are still a few coffins to be seen there.

Number of Prisoners who died in the Camp

53. It is not known how many prisoners died in the Camp as a result of ill-treatment. SINGER, the AUSTRIAN doctor says that over 500 men died during his stay at the Camp from 3 March 1941 to 31 March 1944 (Appendix "G"). This figure includes over 300 people who were shot and approximately 15 people who were hanged. It thus seems that about 200 people died in the Camp in three years as a result of their ill-treatment. In addition, however, it must be realized that many of the sick were removed to other hospitals (e.g. in ANTWERP) and no doubt many died there.

Escapes

54. Very few prisoners managed to escape. In 1941 a Jew managed to escape according to information received from Madame VERDICT (see Appendix "W"). One prisoner who tried to escape was killed by the guards. Details of this are in Appendix "EE".

Charges, Trials and Releases.

55. Many of the prisoners never had any charge preferred against them. If a prisoner was charged he was given no opportunity to defend himself, or given any sort of a trial at the camp. Sometimes after a period of weeks or months a prisoner might be released, even though he had been flogged and subjected to every kind of brutality during his detention. Very often prisoners who were to be released were taken off work and kept in the infirmary in order to give them an opportunity to recover some of their strength and for their wounds to heal. Every prisoner who was released had to sign a statement which reads as follows:-

UNDERTAKING

I, the undersigned, _____, heroby undertake in future to refrain from every political or propagandist activity.

I understand that my release is governed by these conditions and that I am liable to fresh forfeiture of my freedom if I do not carry out this undertaking.

I also declare heroby that I shall make no claim in respect of any measures which have been taken against me by the police.

I am aware that I must say nothing about anything which I have seen during the time of my imprisonment, otherwise I shall be re-arrested and detained in a concentration camp.

I have to report immediately to....."

Statement by a Member of the GERMAN Security Police.

56. At Appendix "ZF" is an extract of a statement made by a member of the Security Police who is in the hands of the BELGIAN police. This statement confirms the stories of former prisoners.

Visit to BREENDONK.

57. It is suggested that readers of this report visit this camp as it is impossible to convey the real atmosphere of this place on paper. There they will see scratched on the walls of the rooms and cells, calendars, names, messages and drawings of the head of Christ. Many of these messages and drawings were scratched out by the GERMANS but many still remain.

TIR NATIONAL

58. This is a large barracks with rifle ranges. It is in BRUSSELS. Nurse CAVELL was executed at the TIR NATIONAL during the 1914-18 war. Her statue which was erected outside the barracks after the last war was destroyed by the GERMANS in 1940. It is estimated that about a thousand people were shot here during the GERMAN occupation of this war, the victims being brought from different prisons throughout BELGIUM. The prisoners were tied to post and shot from a range of about 15 yards. The Director, Major WASTELAIN, found three of these posts "in situ" after the GERMANS had left. He also found in a small shed some fifty posts ready as replacements.
59. There are two cemeteries at the TIR NATIONAL where some 360 people are buried. Major WASTELAIN has found a list of the people buried in one of these cemeteries and has thus been able to identify the graves. The graves in the other cemetery are marked with numbers only. It must be remembered, however, that all the victims were not buried in these two cemeteries, many of the bodies being taken off to unknown destinations.

PARTICULARS OF GERMANS AND COLLABORATORS MENTIONED IN THE REPORT.

60. With regard to BREENDONK, reference has already been made to the names of the permanent staff (paragraph 14 and Appendix "V"), the names of the civilians employed there (paragraph 15 and Appendix "X") and also the head men of the rooms (paragraph 37 and Appendix "DD"). The names of all other GERMANS and Collaborators mentioned in this report or in any of the appendices are shown at Appendix "GC".

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

American Relief for Norway is remitting an additional \$10,000 to Olsen this week for special program referred to in Department's 2310 of November 16, 1944 (WRB 248).

THIS IS WRB STOCKHOLM CABLE NO. 302.

3:30 p.m.
February 1, 1945

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

February 1, 1945

8 p.m.

AMLEGATION

BERN

536

The following for McClelland is WRB 389.

Department and Board informed that Max Cohen, U.S. citizen by birth, born August 15, 1915, in St. Louis, Missouri, is somewhere in German-controlled territory. His last known address is c/o Nathan van Goervorden, Parkveg 78 Gronigen, Holland.

Please take all appropriate action to safeguard his life from enemy persecution and to insure his being placed in camp for civilian internees.

GREEN
(Acting)
(GLW)

WRB:MMV:KG
1/30/45

WE

PD

SWP

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

February 1, 1945

Midnight

U.S. URGENT

AMLEGATION,

BERN.

540
AMERICAN INTERESTS - GERMANY - EXCHANGE.

Children of Rachel Pauldauer may remain in Switzerland if that is desirable. (Your 661, January 30, 6 p.m.). Case is being brought to attention of War Refugee Board and Department is willing to concur in whatever arrangements it may make for further care of the children.

CREW
(Acting)
(ABC)

740.00115 EW/1-3045

SWP:AEClattenburg:fig

2/1/45

WRB

Bern

Dated February 1, 1945

Rec'd 2:20 a.m. 2nd.,

Secretary of State,

Washington.

733, First.

FOR WRB FROM MCCLELLAND

With reference to general question of surviving Jews in Balkan area following information was received two days ago by wire from ICRC delegates in Bucharest;

"Actual number of Jews at present in Rumania is about 285 thousand of whom 3500 in southern Bukovina, 39,500 in southern Transylvania, balance in former kingdom Rumania, that is Walschia and Moldavia with about 110 thousand in Bucharest itself.

1939 census placed number Jews in northern Transylvania at about 150 thousand. Recent investigation situation this area by ICRC mission reveals about 6000 Jews almost exclusively escapees from forced Hungarian labor camps. Further reports coming in indicate this figure may rise to 8000."

JMS

HUDDLE

SECRET

NOT TO BE RETRANSMITTED

COPY NO. 4OPTEL NO. 37

Information received up to 10 A.M. 1st February 1945.

NAVAL1. East Indies

29th. Aircraft from Fleet Carriers attacked oil refineries Palembang with good results. 15 aircraft missing, crews of 8 saved.

MILITARY2. Western Front.

Southern Sector. Steady progress made south of Colmar pocket, while on Northern side outflanking threat increased by advance south to main road Colmar-Neu Brisach which main enemy supply route across Rhine. North of Strasbourg French troops re-entered Gamsheim.

Central Sector. Between St. Vith and Monschau good progress made. On right 3rd U.S. Army approaching river Our while on left 1st Army attacking East of Malmedy made 2 to 5 miles and East of Monschau 2 to 3 miles.

Northern Sector. On British Second Army front enemy activity West of River Roer but mopping up continues. Further North enemy cleared from Island on river Maas North of Capelle (N.E. Tilburg).

3. Eastern Front.

East Prussian Sector. Russians report capture 50 places Königsberg area including 1 nine miles West of city. Germans say communications re-established with city from South. In centre East Prussia important communication centres Heilsberg and Friedland captured by Russians.

Central Sector. N.E. of Schneidemuehl Flatow and Jastrow occupied while West of Poznan Nodal points Landsberg Meseritz Schwiebus and Zullichau covering approaches Frankfurt taken. Several places West and S.W. Katowice also occupied.

Southern Sector. North and N.W. Lucenec Russian troops made further progress capturing many places.

4. Burma.

Coastal Sector. Attempted landing our troops Saga Kyun Island previously reported clear by reconnaissance party prevented by enemy shellfire from Ramree Island. Allied troops well established Cheduba Island and enemy withdrawing southward.

Central Sector. Our troops now 16 miles East Pauk on road Pauk-Pakokku. Road Monywa-Myinmu now clear. Counter attacks against our southern bridgehead east of Irrawaddy driven off night 29th/30th January.

AIR

5. Western Front - 31st. Weather prevented operations.

6. Mediterranean Front. Night 29th/30th aircraft figures 90 (missing 1) effectively attacked communications and transport targets Po Valley and Spezia Harbour. 30th. Medium bombers 134 bombed railway centres and bridges Brenner route and factory N.E. Ferrara with excellent results. Fighter bombers and fighters 836 (missing 7) successfully attacked railway communications N. Italy destroying or damaging 38 locomotives 239 railway wagons 214 M/T and number bridges.

7. Burma 29th. Escorted Liberators 23, destroyed 4 and damaged 2 railway bridges in S. Burma and Siam (69 tons). Aircraft 386 (missing 1) attacked communications, airfields and enemy positions Central Burma, Arakan and North Shan States.

HOME SECURITY (Up to 7 a.m. 1st Feb.)

8. Rockets. Night 31st/1st. 6 incidents reported.

February 2, 1945
9:45 a.m.

GROUP

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

H.M.JR: Very much in the room, Wallace asked whether we couldn't draw up for him a kind of committee that would devote itself to finding sixty million jobs amongst the departments similar to this very secret committee which the President approved on foreign and domestic commerce. And I thought if White and O'Connell could collaborate on that, you see, thinking in terms of Labor, Public Works--

MR. O'CONNELL: A Government committee?

H.M.JR: Inter-departmental Cabinet committee that would devote itself to that, see, similar to this other committee which has not yet got out.

MR. BLOUGH: You mean at the Cabinet level?

H.M.JR: Yes. I don't know who all, but there will be Public Works, Commerce, Labor, Treasury--

MR. O'CONNELL: Public Works is really not at the Cabinet level. General Fleming--does he come at Cabinet level?

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H.M.JR: Well, anyway, I was just more or less asking this morning whether we couldn't set up a committee in the Cabinet which would work on jobs, you see, create jobs, similar to this very secret committee set up on commerce, you know.

MR. D. W. BELL: Secret committee and job committee?

H.M.JR: Fifty million Frenchmen can't be wrong. That is about all I have.

MR. O'CONNELL: It certainly touches every Cabinet officer to some greater or lesser extent.

H.M.JR: You and White work on it.

Mr. Gaston?

MR. GASTON: I communicated with the Committee on that matter of Mills Kitchin, and he said he had already talked to Jim McGranery. He thought he would get support there, so I talked to a man by the name of Moore up at the Committee, and I will follow it up and see what can be done. He evidently wants that New York job.

H.M.JR: Well, I am sure O'Connell would be for him for New York rather than Internal Revenue.

MR. O'CONNELL: I don't think he would want a job in Internal Revenue.

MR. GASTON: He would rather have the Tax Court job.

MR. O'CONNELL: But he doesn't want to wait a year and a half. If he would be willing to wait, I think we could get him one, and he would be as good as most of the men we have. Even the Bureau spoke quite well of him. Ben Leming has worked with him a number of years and said he was a competent tax man.

H.M.JR: Herbert, you kind of work on it.

Anything else?

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MR. GASTON: I can't think of anything else.

H.M.JR: I see you are mentioned in the paper this morning.

MR. GASTON: I didn't get a cent, not even a meal.

H.M.JR: Did you get a letter?

MR. GASTON: Yes, I got a letter.

H.M.JR: I was worrying about my name appearing, and out pops Herbert Gaston.

MR. GASTON: Out pops Mr. Pehle also, but they spelled his name wrong in the New York Times.

H.M.JR: I see.

MR. O'CONNELL: They certainly changed a lot from the Secretary of the--

MR. PEHLE: The Treasury's record on this thing is very good.

H.M.JR: I called up Mr. Swope's secretary; he has had no communication with either of those.

MR. O'CONNELL: We got a letter that compares favorably with Mr. Swope.

MR. PEHLE: Swope looks awfully bad.

H.M.JR: Yes, as to how he gave the stock around. Don't worry, he will wiggle out of it.

MR. PEHLE: The Committee, I understand, is treating him very courteously. At the executive session Connally said, "Find him a chair and be sure he is comfortable."

MR. GASTON: It is the last page, I think, if you are looking for this story.

H.M.JR: He is public relations adviser of the War Department.

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MR. PEHLE: And Mr. Baruch, I believe.

MR. GASTON: I want to say that I would not want to underwrite without reservation everything that that gentleman might do.

H.M.JR: Do you know him intimately?

MR. GASTON: I have had some acquaintance with him.

H.M.JR: Herbert Gaston worked on the World with him, and when he was there he had this arrangement whereby when his wife or somebody would call him up the switchboard would switch them to wherever he was, and they would even have some noises imitating presses or something like that.

MR. GASTON: Oh, that is just ordinary, good business practice. He had the telephone switchboard girls bribed so that wherever he was, whether the race track, a night club, or any place else, he was around the building somewhere and they would get him in just a moment.

H.M.JR: That is good if you can get away with it.

MR. PEHLE: It is a good thing we don't try that around here.

MRS. KLOTZ: Take my advice and don't try it.

MR. PEHLE: Not with these operators.

H.M.JR: What else, Herbert?

MR. GASTON: I have nothing else.

MR. O'CONNELL: I have a little note for you and Crowley on that point.

H.M.JR: (Reading letter to Leo T. Crowley, dated February 2, 1945) "This will confirm the agreement we reached at our meeting yesterday afternoon, namely, that your proposal to request Congress to expand the lending power of the Export-Import Bank by \$1.5 billion is entirely agreeable to the Treasury.

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"It will not be necessary that you reply to this note unless your understanding of the situation differs from mine."

MR. D. W. BELL: Not be possible to what?

H.M.JR: "It will not be necessary that you reply to this note unless your understanding of the situation differs from mine." That is what is known as triple negative; it comes out yes. (Laughter)

MR. WHITE: There is nothing implied in that so far as time is concerned. I think the matter of timing is left to the Legislative Committee. I wonder if that needs to be mentioned.

MR. O'CONNELL: The Secretary's chairs!

H.M.JR: Not mine.

MR. O'CONNELL: It is just the arm; I'm a little too much for it, I guess.

MRS. KLOTZ: Don't worry about it, Joe, we are going to get new chairs, anyway, padded ones.

(Secretary signs letter to Mr. Crowley.)

H.M.JR: Joe doesn't need a padded chair; he is pretty well fixed.

MR. O'CONNELL: Nothing was said yesterday about the timing of that, and I thought it was better not to raise it. You started to mention timing, but it wasn't taken up.

MR. WHITE: I wondered whether Crowley might get the idea that it was being assumed that this could be presented right away. If you don't think he got that idea, it is all right; but if you think he might get that idea, something might be said in the letter making it clear that that has--

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MR. O'CONNELL: I don't think anybody could have gotten that out of the meeting, and in the memo I wrote after the meeting, I said that nothing had been mentioned as to the timing.

MR. WHITE: Is that in the letter?

MR. O'CONNELL: I have written a longer memo for our own purposes.

MR. WHITE: Crowley doesn't read the memo.

MR. O'CONNELL: No. I thought we might say to Crowley that this million and a half is all right.

MR. WHITE: I thought something like that might be included.

H.M.JR: Why don't you call him up?

(Mr. Viner enters the conference)

MR. VINER: I always look for new faces.

H.M.JR: And you are always disappointed. They got new titles.

MR. WHITE: The old faces have a hard enough time hanging on.

MR. D. W. BELL: January 20 is past.

H.M.JR: Old faces and new titles.

Did you expect to see Jesse Jones in here?

MR. VINER: I wondered. I thought perhaps--

H.M.JR: He is going to work for Giannini.

How far did we get? Will you boys fix this thing up? What else, Joe? Do you want me to hold this letter now?

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MR. O'CONNELL: I think it ought to go.

MR. WHITE: I think there might be a sentence saying, "We will be glad to discuss the matter of timing with you," or something to that effect.

H.M.JR: Why don't you call him up on the wire, Joe, and say, "We are sending this over. And is it correct that before the thing goes up, as to the timing, you will consult with us?" Will you do that? How is that?

MR. O'CONNELL: Fine.

H.M.JR: What else?

MRS. KLOTZ: Let the letter go, anyway?

H.M.JR: Yes.

MR. O'CONNELL: There was a sort of a collateral matter in connection with the currency situation we've discussed. There was a description in the paper yesterday about an eleven-year-old boy in Augusta, Georgia who ran away from home, taking with him a few fifty, one hundred, and thousand dollar bills he found around the house. His father is a member of the Police Commission of Augusta, and it occurred to me that it might cause some comment in Augusta as to what the Police Commissioner was doing with so many bills. It turned out to be eleven thousand five hundred dollars that the boy ran away with.

MR. D. W. BELL: An adopted boy.

MR. O'CONNELL: I mentioned it to my wife last night. She comes from Augusta, and she wondered why I thought there was something interesting in the situation.

I said, "Don't you think the people in Augusta will be surprised and wonder why he had that much money?"

She said, "Of course not, everybody knows the Police Department in Augusta is the crookedest in the country. So in spite of what you think, no one down there will think anything of it."

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H.M.JR: The only surprise is that it was so little.
(Laughter)

While you are in town you might get this clipping out, what they are doing in England on currency. I don't know whether you noticed it. They moved on that front, and I wish you would have a look at that. They are coming in, the big bills.

MR. VINER: I can do that, yes.

H.M.JR: We are not doing anything here.

MR. VINER: My wife offered me an explanation of the hoarding.

H.M.JR: Can't any of you people speak for yourselves?

MR. VINER: It sounded pretty good to me. She is doing Red Cross work, and she says the Red Cross gets from the banks the cash balances of those people who ask for extra allowances for distress needs, and she says they let the people know it. That is one reason they keep cash out of the banks; they don't have to report a little deposit at the bank. One of the routine things they do is phone the bank and say they are the Red Cross, and the bank comments, "They say, "How much money is there in this account?"

MR. D. W. BELL: Some of it might be that.

MR. VINER: Of course, I know it isn't the whole story. The same thing is true on pensions. They ask sons and daughters how much money they have from State old age pensions, and these people are more willing to lie if they haven't got it in a bank deposit than if they have. So there are many reasons. I wouldn't--

H.M.JR: Have another look while you are down here. The main thing right now is, I think it would be very good if you would have a talk with Bell and Gamble separately, and Haas, because they have a little different viewpoint on that.

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MR. VINER: Aren't they speaking to each other?

H.M.JR: Get their viewpoint on this question of interest rates and the basket for the loan. That is really the hottest thing around which would particularly interest you. I don't mean there is any--they talk, but I thought there was no use getting them in the same room when they each know what the other thinks, but I would like you to talk to them individually. I don't think it is an accident that Gamble and Haas are sitting so close together. I think they are in agreement on this.

MR. HAAS: We were sitting here before this thing came up.

MR. GAMBLE: We are the two remaining New Dealers in the room, Doctor Viner.

MR. D. W. BELL: Oh yes. (Laughter)

H.M.JR: Well, anyway, Dan--

MR. D. W. BELL: What did you say your name was, Theodore Roosevelt Gamble?

H.M.JR: That is really the most important thing.

MR. VINER: All right.

H.M.JR: No sooner did we get in Lauch Currie--we had him three days. He liked us for three days, and now he is on his way to Switzerland, so you are the only outside economist advising us on this, except the Wall Street Journal.

MR. D. W. BELL: Jake's remark on the relief end--we have had some repercussions on that on the savings bond end. In some communities the colored people cash their savings bonds, and when they are questioned they make the statement that when this war is over they don't want any savings bonds because then they will not be able to get on relief. Birmingham and Cleveland have been two areas where that has been quite hot.

H.M.JR: Do you want anything else?

MR. VINER: No.

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H.M.JR: Mr. Gamble?

MR. GAMBLE: I have just a couple of matters that might be of interest. This motion picture that you played the principal role in has been completed. It is very good. They saw it yesterday in New York, and the suggestion has been made that you might want to invite the cast of characters to screen it with you some night next week, Johnston and Murray.

H.M.JR: Will you tell Fitz?

MR. GAMBLE: It is only ten or eleven minutes; the subject is excellent.

That is one thing. The radio people--this may come to you from David Levy, but I will tell you about it. Frank Loesser, this fellow who wrote "Pass the Ammunition," has written a new song for the Infantry. It runs about five or six minutes, and it is quite a song, very dramatic. They want us to help them launch it. They said you and Stilwell might present it as part of a radio transcription.

MR. D. W. BELL: Sing it?

MR. O'CONNELL: Is the Secretary going to sing?

MRS. KLOTZ: He sings well.

MR. GAMBLE: It is a story of an outstanding boy--a soldier--who was killed, an Infantryman by the name of Young, and the thought was that Stilwell might read this citation to you, the citation that was awarded this boy after he had been killed and the song was written about it.

H.M.JR: How about having it on Red Army Day, the 22nd?

MR. GAMBLE: It would not be good for that. It will come to you, but I wanted to give you that background. I think it is an excellent idea.

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H.M.JR: You have your elbow on one song I launched right there.

MR. GAMBLE: This one? Yes. This is a very good song. It is going to be used as an official Infantry song. We have the record and song downstairs.

MRS. KLOTZ: That's not fair, Mr. Morgenthau. We don't hear everything that is going on.

H.M.JR: I am glad we don't. In a minute I am going to call them to order. The compulsory savings boys aren't interested in what you are saying. (Laughter)

MRS. KLOTZ: That's a honey.

MR. GAMBLE: That's all I have.

H.M.JR: That's all? Nobody said what else do you have.

MR. GAMBLE: That's all.

H.M.JR: I heard everything you said, notwithstanding that the children were distracting me. I would be very glad to hear it. We are having something Sunday night, let them play it then.

MR. GAMBLE: Yes.

H.M.JR: I am trying to get Mr. Emmanuel for Sunday night. He has very highly recommended this English film, which is a story of a man, a Jewish gentleman, who went into Europe to rescue the children, and I am particularly inviting all the War Refugee Board people and told them anybody could come.

MR. GAMBLE: One other matter, too, that you have been interested in. We got clearance on all of those signatures of the Admirals and Generals.

H.M.JR: Including Nimitz?

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MR. GAMBLE: Including Nimitz. We got it last night.

H.M.JR: Fine.

George?

MR. HAAS: I have nothing this morning.

H.M.JR: Incidentally, I took your suggestion the same afternoon and passed it along to the Acting Head of the Russian Embassy. Now it's over there, and we will see what happens.

MR. PEHLE: Do you remember William Gibbs McAdoo, Jr., who tried to see you a while ago? He was referred to me. He had a fellow, Steelman Bain, with him, and they talked to me a little while about Surplus Property, and they had an organization up in Philadelphia dealing with it, and I told them we wouldn't deal with them until we had looked into them. They said, "Fine, we will welcome an investigation."

H.M.JR: Speak a little louder.

MR. PEHLE: The investigation indicates that Bain was arrested in 1939 for using the mails to defraud in connection with an oil lease, which he sold several times, but which he didn't own. He didn't contest the charges at all and was sentenced to two years in prison on a probationary period. His probation had just run out before he came down to see you with McAdoo. I thought you would like to know. He wrote me a very long letter indicating that his family had been in the Social Register in Philadelphia for so many years, and all these important connections, and so forth. Steelman Bain.

H.M.JR: Do you think we ought to tell this to McAdoo?

MR. PEHLE: I don't know who he is in partnership with.

H.M.JR: You will be interested in knowing Mr. Crowley was here for quite a while yesterday, and among other things he thought the disposal of all Surplus Property in the RFC really sort of belonged over here with Procurement. That's what I got out of what he said. I made no comment.

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MR. PEHLE: I don't want any more than we have.

MR. O'CONNELL: I don't quite see how that was thrown in, because we were talking about lending functions, and out of a clear sky he made a reference to Surplus Property.

MR. WHITE: No, it was a logical approach. He thought the RFC was made up of a congeries of unrelated matters, and it should have been split up and the parts placed in their appropriate departments. And to illustrate that he said, "For example, take their purchase of disposal of surplus property." I think the Secretary asked him to give an illustration, and he said that should belong to Treasury.

MR. LUXFORD: Is Mr. Crowley seeking the position of RFC Head?

MR. WHITE: It wouldn't have been apparent from what he said.

MR. D. W. BELL: Mr. Eccles is going to be.

H.M.JR: Mr. Eccles?

MR. D.W. BELL: No, I said it is mentioned in the papers that Mr. Eccles might be the Chairman of the RFC.

MR. VINER: What about F. Steelman Bain? He would be a good man.

MR. WHITE: He would be the logical one.

MR. PEHLE: We are getting a little further in that Chicago fraud.

H.M.JR: No, that's not Hurley. He didn't do anything.

MR. VINER: Well, I lived in Connecticut for a year.

H.M.JR: Well, he never was in prison.

MR. VINER: That is just the way they put it.

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MR. PEHLE: We had a meeting with the Board the other day and Hurley showed up by far the weakest. He didn't impress anybody very much, I didn't think.

In connection with the Chicago fraud where one of our people went wrong, we are getting a little deeper into that. What happened was eleven trucks were sold to a man who represented himself as being the Agent for a township near Chicago, and they were sold at a very low sale price. This happened last July. When the Accounting Office came around and checked the sale they asked the township how they were able to get the trucks so cheaply, and the township said they never bought any trucks from the Treasury Procurement Division. What happened was this man didn't represent the township at all. The Treasury Procurement official sold this man the trucks at a cheap rate and took four hundred dollars himself. Upon investigation it was shown also that he has some property that was surplus in his garage at home, which he has an explanation for that doesn't hold water.

MR. GASTON: The Procurement man has?

MR. PEHLE: Yes, and also several of the cars turned up, registered in the name of Procurement employees, one an ex-employee and one a person who was an employee up until a couple of days ago. The people have been suspended, and the General Accounting Office, and Irey's office are continuing an investigation, and it will be turned over to the District Attorney. We announced it before it broke in the press.

MR. GASTON: There is a Procurement job for you over there.

MR. VINER: I saw the stories in the press. I think it broke all right.

MR. PEHLE: That's why we announced it. The General Accounting Office wasn't happy when the story broke, but we thought we were in a better position to admit it ourselves.

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

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MR. D.W. BELL: Did the General Accounting Office find it first?

MR. PEHLE: They found it.

MR. O'CONNELL: How did they get in?

MR. PEHLE: They were checking the sales volume. I assume as a matter of right, they can check all the books.

MR. D.W. BELL: They have field agents that go into all of these places periodically, the Internal Revenue Office, Customs Office, Procurement Office, and all other offices in the field.

H.M.JR: Who should get a letter?

MR. WHITE: The Comptroller. I think it is a good piece of work. I think they deserve a great deal of praise and thanks.

MR. PEHLE: I will prepare it.

MR. LUXFORD: Warren has been very cooperative.

H.M.JR: What else?

MR. PEHLE: That is all I have, Mr. Secretary.

MR. BLOUGH: Have you seen this letter from Sir John Anderson about the Double Taxation Treaty--

H.M.JR: I sent it to you.

MR. BLOUGH: ..to which we are preparing an answer? We are very much gratified they are going along on it. There is more in the letter than meets the eye. He is trying to build up a case for the future record that the point on which there is disagreement--withholding rate of dividends going out of this country--that our position was based on a parody of sacrifice, whereas our position really is that there were a lot of points which were compromised one way or another, and the balance fell that way. In preparing

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a reply we are not going to be argumentative with what he said, but put in a paragraph which indicates our own position on the Treaty. It has a very nice balance of the different positions that have been taken, but I think it is a matter of a source of satisfaction that they are going along with it.

H.M.JR: Yes.

MR. BLOUGH: We will have it for you early today.

H.M.JR: Thank you. Is there anything else?

MR. BLOUGH: That is all.

MR. DuBOIS: I don't know whether you noticed it or not, but Grew came out yesterday afternoon with a statement on war crimes. I spoke to McCloy yesterday about the cable, and he said we ought to wait until we see Grew's statement. It is the best thing that has been issued yet on these specific crimes by the Germans against their own nationals and other Axis nationals. It might have been a little more specific, but it seems to have satisfied most people. I can read you the very last sentence, if you would like to hear it. (Quotes article in the New York Times, dated February 2, 1945) "I wish, however, to state categorically that these proposals are as forthright and far-reaching as the objectives announced by the President, which they are intended to implement. They provide for the punishment of German leaders and their associates for their responsibility for the whole broad criminal enterprise devised and executed with ruthless disregard of the very foundation of law and morality, including offenses, wherever committed, against the rules of war and against minority elements, Jewish and other groups, and individuals."

H.M.JR: What happened to this telegram you wanted to send to Stettinius?

MR. DuBOIS: McCloy seems to feel we shouldn't send it. Even before I saw this statement and before he saw it, he said that tremendous opposition had been made to Grew even issuing any statement. He tried to tie it in with the idea

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of possible German capitulation, and that too many statements issued on the punishment of the Germans might interfere with that. I let him know what I thought of that argument, but I think that in light of the fact that Grew has come out with a specific statement, and while the fact that John sent to Stettinius before he went out of the country a letter which, as I understand it, John, Stettinius acknowledged--

MR. PEHLE: He said he would get a three-power statement if he could possibly get it.

MR. DuBOIS: I think probably we can rest on that.

H.M.JR: You say Grew issued the statement under great opposition--that there was opposition to Grew's issuing this statement?

MR. DuBOIS: There was.

MR. PEHLE: At the same time he was under great pressure from the outside.

MR. DuBOIS: From Pell, and publicity, and the like, to issue something. There were a lot of people in the Government, Jack McCloy said, who opposed it.

H.M.JR: He didn't say who?

MR. DuBOIS: No. I gathered that Stimson is one of those that is disturbed, and he said he couldn't send a cable out anyway without consulting Stimson, and he didn't think he would have a chance of clearing it with Stimson.

H.M.JR: Pell was on the air last night.

MR. DuBOIS: I heard him.

H.M.JR: He was pretty good.

MR. LUXFORD: Last night at eleven o'clock, I think it was.

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MR. PEHLE: It was in a news broadcast, and the commentator stated that he thought the whole psychological war pattern was going to change at this point and begin to speak in more concrete terms to the Germans about surrender, and how they thought it wouldn't be as bad as they thought, and perhaps hold out to them something less than they had been expecting. I don't know whether there is any foundation to that.

MR. WHITE: It has already been started.

MR. LUXFORD: It has been building up.

MR. WHITE: Pamphlets have been dropped over German territory by American forces, stressing just that point.

H.M.JR: There is a story in today's Times by Charles Egan, The New York Times. He said, "Allies will strip German economy. Although the pastoral economy outlined for Germany by Secretary of the Treasury Henry Morgenthau has few supporters among the Allied planners, their current proposals are far more severe than had been predicted by moderates in recent months. Specialists of the United Nations explain--" I thought I would send something over to State asking where does this story originate, the Egan story? I thought I would ask them. Somebody over there is feeding this. I wonder who it is.

MR. DuBOIS: They covered reparations there, too.

H.M.JR: But it comes from somewhere.

Anything else?

MR. DuBOIS: No, that is all.

MR. LUXFORD: I haven't anything.

MR. WHITE: You may be interested to know that I think we have lined up something for Mr. Creighton of Boston. He is coming down today to talk with Colonel Bernstein. There may be a possibility for him being taken on as an advisor on banking institutions. I don't know whether it would satisfy him, but he is coming down to find out.

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H.M.JR: In Europe?

MR. WHITE: In Germany.

MR. D.W. BELL: How old is he?

MR. WHITE: I don't know.

MR. VINER: Mr. Creighton I would say is about sixty years old. I know him.

H.M.JR: What do you think of him, Jake?

MR. VINER: He is a very pleasant person. I don't know. I have met him in groups of bankers, and so forth. He is a very pleasant person and seems to be a very nice person. You must know him, Dan.

MR. D.W. BELL: I don't. I have met him a few times. My remarks would be the same as yours. He is very interested in the job. He spends more time on the Federal Reserve job than any Chairman we have in the system.

MR. WHITE: I will let you know further.

As you have probably learned, the ABA has come out with a long report which has been issued for Monday morning release, but they have taken very careful steps to see that they got all the publicity they could by previous announcements, previous releases, and so forth. They didn't send us a copy. We got this from a report. We are going to prepare an answer. Just what will be the most effective way of submitting that? We will have to talk about it. The report in general consists chiefly of a restatement of John Williams' point, but to the layman it would be a pretty effective document, and it has a lot of very imposing names on it.

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H.M.JR: But it doesn't add up to what they said they would do.

MR. WHITE: No. They didn't change one iota from the position which they took with us a year ago. The only difference is, by listening to some of their arguments, they couched some of their own statements a little more carefully, so as not to make themselves as vulnerable as they were.

H.M.JR: I am disappointed.

MR. WHITE: We'd like--Mr. Luxford and Mr. Bernstein and I would like to see you for about five minutes this morning about something.

H.M.JR: Give me five minutes to catch my breath after this meeting, and you can do it right then.

MR. WHITE: All right. You asked me to speak to you about the letter we had drafted to the Secretary of State referring to the State Department's request as to where we got information about their desire to purchase currency.

H.M.JR: I would keep it on ice until they ask for it. Let them follow it up. I mean, you did what I wanted you to do, but I would just keep it.

MR. WHITE: The rest can all wait.

H.M.JR: They will most likely never ask for it again which would be perfect, wouldn't it?

MR. WHITE: All right. The rest can wait.

MR. D. W. BELL: We sold one billion, seventy-four million dollars in savings bonds in the month of January. About two hundred thirty-five million of that was credited to the drive, but the redemptions are off. We redeemed three hundred forty-one million, which is twenty-four million less than the December redemptions, which is very good. In January, too, the sixty-day period was up for November sales. So it's a very good trend.

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H.M.JR: Could you point it out to the press in any way?

MR. D. W. BELL: I take it that will be in the publicity you usually put out at the end of the month.

MR. GAMBLE: I think it would be well to accompany it by a statement, and you can tell them the redemption figures for October, November, December, January, are improving, and that would make a good story.

H.M.JR: You fix up something for me today for Monday morning release, Mr. Gamble.

MR. GAMBLE: We shall do so.

H.M.JR: Or do you want me to use it on Red Army Day?

MR. GAMBLE: No.

H.M.JR: You get Gamble interested. All right.

MR. D. W. BELL: Mr. Bartel wanted to know if he could use this Navy thing for pay envelope stuffers. I don't like it personally.

H.M.JR: No. You want to tell Bartel that on this stuffer for pay envelopes--so far as I know he never goes to the War Bond People. He has nobody up there, and they have a whole art section over there.

MR. D.W.Bell: I think they do, don't they?

MR. GAMBLE: No, they don't.

H.M.JR: He operates completely on his own. He never goes over there.

MR. D.W.BELL: I thought they did.

H.M.JR: I am almost certain he doesn't. Does he ever come to you?

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MR. GAMBLE: Occasionally, but not as a matter of practice.

MR. D. W. BELL: I don't like this.

H.M.JR: No.

MR. D. W. BELL: That is all I have.

H.M.JR: You know what it is. It is a stuffer. Why don't you have your people work up something.

MR. GAMBLE: I'll be very glad to. We'll follow the same general trend.

H.M.JR: Is that all?

MR. D. W. BELL: Yes.

MR. CHARLES BELL: We have to name a chairman of the Red Cross for the Treasury Department. We discussed having Mr. Nunan. We would like to propose him. We think he is forceful, and he gets along well with government people generally, in the Treasury. I think he can do a good job, and almost everyone else is pretty well tied up.

H.M.JR: And he has nothing to do?

MR. O'CONNELL: He has nothing to do, huh? I thought--

MR. CHARLES BELL: I think he could spare the time.

H.M.JR: The man who can spare the time best around here is Mr. Julian.

MR. CHARLES BELL: I'm afraid he wouldn't do anything with it.

MRS. KLOTZ: He wouldn't accomplish anything.

MR. D. W. BELL: He has been chairman of the Treasury Unit in the Community War Fund, and some of his subordinates do most of the work.

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MR. PEHLE: How about Delano?

MR. D. W. BELL: He was the last Chairman of the Board.

H.M.JR: I think with March 15 coming on and the Bureau in the shape it is in, I think it is a mistake to assign Nunan.

MR. O'CONNELL: I would be very much against it. There must be people who could spare the time better than Nunan.

H.M.JR: Nunan--no.

MR. D. W. BELL: Let's have some suggestions.

MR. LUXFORD: Delano.

MR. O'CONNELL: Why couldn't you use the same fellow you had last year?

MR. D. W. BELL: He just got through with Community War Fund.

MR. WHITE: Is that position such that there might be any possibility of influencing the policies of the Red Cross?

H.M.JR: We don't even get extra gasoline coupons. (Laughter) No. Whom are we going to suggest?

MR. WHITE: If it had any influence I have several in mind, but if it hasn't, Charlie Schoeneman makes a very good Chairman.

H.M.JR: He is busy. We have a working group here now. I just don't have anyone here now who has time for that kind of thing.

MR. BLOUGH: One of the best speakers I have ever heard on this sort of stuff is Frank Birgfeld.

MR. CHARLES BELL: They want a top-flight Treasury

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official. What would you think of Mrs. Ross?

H.M.JR: Isn't John still getting his retirement pay?

MR. CHARLES BELL: No, sir. We paid him off the other day. There was a matter of one day's pay, and he came back for it. The twentieth of January was a holiday.

H.M.JR: Well, you think up something.

MR. WHITE: I forgot to mention if Mr. Creighton does think this job is satisfactory, and if the Army does, then he is put on Treasury payroll--our payroll. He may work for a dollar a year.

H.M.JR: On what fund?

MR. WHITE: Foreign Funds or Stabilization. He would have the same position as the other. Whether it would be at top pay or a dollar a year depends on him, but I take it that is satisfactory.

H.M.JR: Anything else?

MR. CHARLES BELL: Yes. You spoke of setting up a committee on meritorious promotions, and I think you wanted to talk with them.

H.M.JR: Yes.

MR. CHARLES BELL: I would like to have Ted Wilson, Mrs. Doyle, Mr. Shoemaker, and Mr. McDonald on that committee, and they would clear the promotions up to me, and I would review them and bring them to you for approval. That is a good committee. That is Budget, our office, and the Personnel Director.

MR. WHITE: Did McConnell ever speak to you about an idea he had about presenting pretty substantial prizes for meritorious service for Government personnel, Civil Service Personnel?

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H.M.JR: We asked for cash money from Congress for that purpose. Oh, yes, it was in my statement. We are asking for cash money.

MR. WHITE: McConnell had a pretty good idea. He spoke about it a year ago. I don't know whether Charlie knows about it.

H.M.JR: Give it to Charlie (to Mr. O'Connell.)

MR. WHITE: I mean Bob McConnell.

MR. WHITE: Oh. Get it in writing.

MR. CHARLES BELL: Two lawyers came in from Justice the other day. They had a criminal action they were asked to proceed with against Stoneman of the Bretton Woods Hotel. He put in seventeen bathrooms he wasn't supposed to put in, and I gave them a long story, the whole story, but not in writing, and they said they were going to drop the whole case. The War Production Board is urging it.

H.M.JR: Urging it?

MR. CHARLES BELL: They indicated it might be bad at this time when we are working on Bretton Woods program to come out with that kind of publicity. I talked to Luxford about that, and it is true.

MR. WHITE: I think it would be bad--seventeen bathrooms--is that all the War Production Board has to worry about? Besides we needed them.

MR. CHARLES BELL: They are really pushing the Department of Justice on it.

H.M.JR: Did he really put in seventeen that he shouldn't have put in?

MR. CHARLES BELL: They did that before State Department and ourselves even touched the place.

MR. WHITE: I am not joking. I don't see why they are

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pushing it this far. Imagine working until one o'clock in the morning with a group of twenty men in a conference room without adequate bathing facilities!

MR. D. W. BELL: There was a pool outside.

H.M.JR: They would sink if they went into that pool at one o'clock in the morning. (Laughter)

MR. WHITE: The Secretary wouldn't let them use the pool after one o'clock.

H.M.JR: Eleven o'clock.

MR. CHARLES BELL: I don't think they are going to do anything with it, and if they do, they are going to come back.

H.M.JR: I repeat, but don't repeat me, it seems they should have some other things to worry about.

What else?

MR. CHARLES BELL: That's all, sir.

H.M.JR: O.K.

February 2, 1945

Dear Leo:

This will confirm the agreement we reached at our meeting yesterday afternoon, namely, that your proposal to request Congress to expand the lending power of the Export-Import Bank by \$1.5 billion is entirely agreeable to the Treasury.

It will not be necessary that you reply to this note unless your understanding of the situation differs from mine.

Sincerely yours,

(Signed) Henry

Honorable Leo T. Crowley,
Administrator,
Foreign Economic Administration,
14th Street and Constitution Avenue,
Washington 25, D. C.

JJO'C:mv

February 2, 1945

MEMORANDUM FOR THE SECRETARY'S FILES:

A conference was held in Secretary Morgenthau's office today at 11:15 a.m. to discuss the Russian Refinery Program. The conference was attended by the following:

Secretary Morgenthau	General Rudenko
Mrs. Klotz	Captain Prishchepenko
Mr. Oscar Cox	Mr. Kamensky
Mr. Pehle	

Secretary Morgenthau explained to General Rudenko that he had been trying to get a higher priority for the extensions to the Russian refineries, but that he had been unsuccessful to date, and that he had asked Mr. Cox to come to this meeting to explain why the Foreign Economic Administration did not feel that a request for a higher priority was warranted.

Cox said FEA's feeling was that according a higher priority to this project would interfere with the high octane gasoline program. Cox said that apparently the Russians, themselves, did not rate this refinery program very highly since the erection of the refineries already existing was not being pressed very hard in Russia. On the other hand, Cox said, there was a movement underfoot to take the new equipment away from the Russians altogether which FEA was willing to fight.

General Rudenko (speaking through an interpreter) said that obviously the tempo of the erection of the refineries would be slower in winter, but that he had been advised from Moscow that the pace of erection would be stimulated in March, April and May, and that the Russians were very desirous of getting extensions to these refineries delivered as promptly as possible.

Mr. Cox then reiterated that in addition to the weather difficulties apparently the Russians were not pushing the erection of the existing refineries. Cox also mentioned that a report just in indicated that Russia had already received 475,000 tons of petroleum products from Rumania as reparations, and presumably would receive more in the future which should ease the need for refineries somewhat.

General Rudenko then commented that Cox's facts as to the urgency with which this matter was regarded in Russia must not be up to date since Russia was pushing the erection of the existing refineries very hard and had already requested a staff of engineers from this country to put these plants into actual operation.

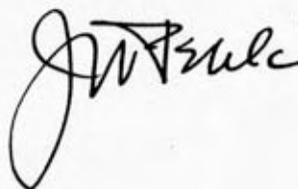
General Rudenko then suggested that the Russians get in touch with Ambassador Harriman and General Spalding, who is in charge of Lend-Lease in Moscow, and show them the Russian plans for the acceleration of the Russian refineries. He asked whether, if Harriman and Spalding then confirmed the urgency with which the matter is regarded by Moscow, Cox would support a higher priority. Mr. Cox said he would be glad to reconsider the question of a priority for this equipment if it can be shown that the matter is regarded as a higher level priority project in Moscow. In the meantime, Cox said, FEA would resist any attempts to take this equipment away from the Russians or assign it a lower priority.

Secretary Morgenthau told General Rudenko that his coming in had stopped a movement which was underfoot to put American needs ahead of the Russian requirements. Cox agreed with this statement and said he would cable Harriman promptly to reexamine the matter in Moscow.

General Rudenko, in leaving, said he expects to be in Moscow around March 1, and will look into the matter

- 3 -

himself. He said he intended to pay a visit to Berlin and while there would like to compare conditions in Berlin with the condition in which the Germans had left Stalingrad.

A handwritten signature in black ink, appearing to read "J. W. Sulc". The signature is written in a cursive style with a large, looping initial "J".

February 2, 1945
12:02 p.m.

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HMJr: If you can listen -- I wanted to talk to you last night but I didn't want to disturb you. See? It seems to me that this mess that we're into with the French now after reading some of your memorandum last night, is because the State Department is handling these financial transactions with the French and with the British.

Harry White: Yes.

HMJr: I'm sure if it's examined, that you'll find that the British thing is being handled by the British Treasury.

W: O -- I'm sure that's true. They start it.

HMJr: Now, there's no more reason why State should be handling this question of payment and bookkeeping and all that phase of it, any more than they did in China -- handle it for the Army -- the Army's operations in China. And if -- I'm just making the suggestion -- it's asking for a burden and trouble, but I think if we would be willing, at the request of the Army -- it would have to come from the Army -- to handle these financial transactions -- where it's finance that Treasury vs. the French Treasury vs. the British Treasury -- I'm sure that in a week or so, we could clean it up. And Hilldring's worried about furnishing these supplies and not getting paid for it. If we could get it -- you know, clean the whole thing up. And then the question about how much Lend-Lease and all that, that's something quite different.

W: I think we can -- can work on it. I'll get to work on it this afternoon.

HMJr: But it would have to come from McCloy and McCloy could inquire of Patterson how we handled the Chinese thing for them.

W: Yes. Well, I think what we'll do is: we'll prepare something for you which will indicate where is the differences and why and so on, so that the

HMJr: Well, don't you think

W: break will be a clear-cut one.

HMJr: Well, don't you think I've got an idea?

W: Oh, yes, I think that -- that -- that can be handled that way, expeditiously.

HMJr: And I think the trouble with Monnet is he's covering too wide a front.

W: (Laughs) That's true.

HMJr: Well, I mean, he's trying to cover all of these things, and the result is that they've all bogged down.

W: We're now getting to the end of the discussion on -- on this French

HMJr: Yeah. Well, I wanted to get that thought over to you.

W: All right, sir.

February 2, 1945
2:14 p.m.

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HMJr: Hello.

Operator: Mr. Wallace. Go ahead.

HMJr: Hello.

Henry A.
Wallace: Hello, Henry.

HMJr: Good afternoon.

W: After reading over the New York Times and the
Herald Tribune this morning

HMJr: Yes.

W: I've reached the conclusion that this affair
yesterday is just the first round. The second
round is likely to be just about as vicious as the
first.

HMJr: Oh, really?

W: And I'm sending down for your consideration

HMJr: Yes.

W: a letter that you might or might not wish
to send to the Boss....

HMJr: Uh huh.

W: describing what happened yesterday and your
analysis of it.

HMJr: I see.

W: A suggested letter -- I think you would want to
put in your -- if you cared to do anything of the
kind, you would, of course, put it in your own
language.

HMJr: Surely.

W: And it might be that the chief thing to do would
be to merely send him a clipping from the New York
Times because he knows what that would mean and
would be able to assess it and -- on its face
value -- and a clipping from the Herald Tribune,
and I'd say probably also a clipping from PM.

HMJr: Yes.

W: And possibly also Taft's speech out of the Congressional Record of yesterday.

HMJr: Yes. Are you

W: I think he ought to know what's up on this thing. The essential thing in the letter that I've outlined there to you -- really the essential thing is merely this: that what it gets down to is really a fight against him.

HMJr: Yes.

W: And the other thing it gets down to is this: among the -- most of the -- a considerable number -- not all of the Democratic Senators who voted against -- are men with whom Jimmy Byrnes has considerable influence.

HMJr: Yes.

W: But whether or not he would want to -- the Boss would want to move in on that, I don't know, but I -- I'm convinced that this is a -- this is going to be a real battle; the thing is not over.

HMJr: Well, have you a means of sending the letter down?

W: Yes, I'm having it sent down. It will be there, oh, I'd say along about -- along about four o'clock this afternoon.

HMJr: Uh huh. Well, I'll be waiting for it. In the meantime I'll find out when the next pouch goes.

W: All right.

HMJr: Is this letter one you thought could go by cable?

W: No, I think it's sufficient to send it by pouch.

HMJr: Well, I'll find out when the next one goes.

W: Because there's time on this, but I think it's good to get the information to him before he gets back here.

HMJr: Oh, yes.

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W: He ought to -- he ought to keep up on this because there will be some (remainder of sentence inaudible).

HMJr: Well, I gather after reading this, you're not so sanguine about your getting the necessary votes for Commerce.

W: What it told me -- reading the Herald Tribune and the Times and knowing what they both mean -- what it told me is that the boys are going to fight like hell against me. They just simply -- they look on yesterday as just the first round and they're going to do everything they can.

HMJr: I see.

W: I may say, however, that I checked with Vice-President Truman on the matter.

HMJr: Yeah.

W: And he doesn't share that view, but he thinks that the thing is over.

HMJr: Uh huh.

W: But I -- that doesn't convince me for a moment. I don't think he realizes himself just what -- just what these boys are up to.

HMJr: Yeah.

W: And the power which they can have.

HMJr: Yeah.

W: Unless it is counteracted.

HMJr: Right. Well, I'll look forward to getting it, Henry.

W: Yeah.

HMJr: And I promise -- I'll be delighted to send it by the first pouch.

W: Yeah. All right. I think you'll probably want to rephrase it some.

HMJr: Right.

W: And probably make it much briefer.

HMJr: Yeah.

W: But I -- the way it is, it's all spelled out at some length.

HMJr: Right.

W: Fine.

HMJr: Thank you.

W: Good bye. Say, hello, Henry.

HMJr: Yes.

W: If you send it, why, I think the important thing to do is to make it stand out that this is -- that you read this as a -- not primarily against me, but it's against me because I'm standing for him on these -- on a program which he set forth in his October 28th speech....

HMJr: Right.

W: in Chicago. You might even send by pouch a copy of the hearing which is out. That's the copy of the -- that testimony that I presented, you remember, that the boys worked up.

HMJr: Oh, yes.

W: That's been printed.

HMJr: Yeah.

W: It was printed yesterday and it might be just as well to send that along as well.

HMJr: Right.

W: However, that's -- maybe that's just a little too much because he wouldn't have time to read anything in the Conference.

HMJr: You can't tell. He may have time.

W: But you might -- you might put it this way: that right after he gets through with his Conference over there, that on the way back he might want to get current as to what's going on, and so you're giving him a big dose of homework in case he wants to get into it.

HMJr: Right. Thank you.

W: All right.

HMJr: Thank you.

February 2, 1945

The Senate show-down on Bailey's motion to take up the nomination of Wallace ahead of the George Bill, showed 15 Democrats voting with 27 Republicans in the 42-42 tie. Taft immediately shifted his vote to obtain reconsideration, but Truman recognized Barkley who went ahead with consideration of the George Bill and then to postponing consideration of the Wallace nomination until March first.

Barkley presented the note of Rosenman quoting you after the defeat of the Bailey motion, but before the vote on his own motion to pass the George Bill.

Sam called me shortly after noon telling me he was trying to reach Barkley so I presume Barkley did not have the note in time to present it either to the Democratic Caucus at ten or before the close shave that Henry had. Henry seemed to be alive by one vote due to a miscalculation of Taft who with Byrd, was running the show behind the Bailey motion to bring up Henry ahead of the Bill and then smash him. Taft was optimistic and had counted 32 Republican votes against Henry where he only got 27 on the Bailey motion. Taft and the news men gave Henry only Aiken, Langer, Morse, and LaFollette outside of his Democratic list. But Henry surprised them with the addition of Austin, Brewster, Burton, Saltonstall, Shipstead, and Wilson. Also the Taft-Byrd crowd had counted upon the Democrats Walsh, Eastland, and Thomas of Oklahoma, but they stuck by Henry on the Bailey motion test. Whether they would have stuck by Henry on the final vote had it come, is anyone's guess.

It is rather obvious that labor pressure from Massachusetts, Ohio, and Minnesota, may have done the job on Walsh, Saltonstall, Burton, and Shipstead. The Eastland vote was guaranteed by O'Daniel but flopped to Henry probably because Eastland sees with Henry on

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southern rail rate reforms and they have talked that over. Undoubtedly the Byrd-Taft crowd were more surprised at the outcome than anyone.

Of course this crowd never gives up. They will be working against you and Henry's confirmation during the next three weeks. They will attempt to strengthen the George Bill by Amendments extending it to all your war powers. Taft made such a statement in a long speech attacking you and Henry which is in the Record. (Note: This may be attached if this is a letter instead of a cable.) It is possible that the bi-partisan bloc against you in both Houses will ~~be~~^{go} very strong. Rankin has privately stated as much and that Byrd plans to throw everything into it with Taft and Martin helping.

Sam Rayburn will do a good job for us, but you might as well figure on trouble. The real attack is not on Henry, of course, but on you.

Frankly I am doubtful whether Henry will be confirmed with you out of the country and Byrnes not here. They will ~~get~~^{Tack} everything they can ^{to} on the George Bill and hope to stir up enough heat to swing the entire Senate Republican strength on a party line issue against Henry should you veto the George Bill, which they believe you will when they get through with it. And naturally if you do veto it, Henry is gone.

From where I sit here, I think the important thing is to rush the George Bill in its present form through the House, fighting any additional Amendments from the House side, by having Sam Rayburn encouraged to use all his strength. ~~But certainly~~ Sam can ~~reach~~^{reach} a good many Republicans indirectly off-setting the Rankin southern bloc which he may lose.

The response from the country behind your nomination of Henry was the most vigorous, according to the Senators and the news men,

that has ever developed in recent years. The volume reached incredible proportions. It is a tribute to both you and Henry. At the beginning the big interests fighting you and for Jones, came in well organized and fairly strong. But when you and Henry's people began to pour in, the tide turned to almost ten to one for the nomination and against the George Bill. The net is that you have got the country as against Jones on the Wallace nomination by a ~~big~~ ^{tremendous} majority. But you have not got either the Senate or the House with any sureness either on the present mild George Bill or on Wallace. Henry has gained strength according to both sides, probably because the people remember Chicago and feel that the bosses ~~and~~ big business are still after him. A lot of the extreme liberals hoped that Henry would be beaten and made a double martyr. Evidently the Bailey-George-Taft-Byrd set up was willing to take a chance, figuring the people would forget. And their hatred of you, of course, spurred them on.

I was a little surprised that Connally did not stay with Henry but suppose it was because he had gone to the front for his fellow Texan, Jones. But he had said a few days before, "I think I have done enough for Jones and from here on I am going to stay with the President." But in a pinch his vote was opposite. Texas is boiling up over this and he may have trouble, not because he is against Henry, but because he did not support you. Rayburn said a few days ago that he was for the President and did not like the George Bill being thrown into his backyard, but of course, has since agreed to put the George Bill through as a matter of party unity. Sam recognizes that '46 is not so far away and believes Henry's effectiveness for the party in '46 would be hurt if he fails to be confirmed. And Sam, of course, is looking to his own job. Indirectly

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he said that a fighting Henry in the '46 campaign might make the difference in 50 districts.

Well, it has been a tough week. Hope you are feeling well, etc. with other gossip.

P.S. If Henry is beaten now, he really will be a whale of a martyr as Hannegan unfortunately was quoted the day before the vote by all papers as saying, "Wallace hasn't a 'ghost of a chance' to be confirmed unless and until the George Bill is passed and signed by the President." Hannegan denied over the phone that he had said it, but did not deny it to the press. If Byrnes were here he could handle everything because at least ten of the fifteen Democrats against us are his personal friends.

4
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February 2, 1945

The attached are four press accounts which
which speak for themselves.

Suggest Taft
Speech in Record
be attached also.

Senate Adopts George Bill; Wallace Vote Off Till March

By JOHN H. CRIDER

Special to THE NEW YORK TIMES

WASHINGTON, Feb. 1—The Senate, by a vote of 74 to 12, passed the George Bill today to separate the lending agencies from the Commerce Department and then, after receiving word that President Roosevelt would sign that measure, agreed to postpone

action until March 1 on the confirmation of Henry A. Wallace for Secretary of Commerce.

But the most significant vote, which came early in the three-hour proceedings, was on a motion by Chairman Josiah W. Bailey of the Senate Commerce Committee to go into executive business session, the parliamentary requirement for consideration of the Wallace nomination itself. The motion was lost, 43 to 41.

Had the anti-Wallace forces won this motion, which they had expected to do, it was a foregone conclusion that the Wallace nomination would have been rejected. This narrow "victory" for the Administration, made possible only by a defection within Republican ranks plus tremendous pressure applied to the Democratic members individually and at a party conference lasting two hours just before the opening of the Senate, paved the way for passage of the George Bill.

Passage of the George Bill was further eased by the word from the President and support of the measure by Senator Alben W. Barkley, majority leader, who returned from Naval Hospital, where he had undergone eye treatment, to lead the battle on the Senate floor. The Senator was wearing a black patch over his left eye.

THE PRESIDENT'S MESSAGE

President Roosevelt's message to Senator Barkley, sent from out of the city through Samuel I. Rosenman, the President's counsel, said:

"In 1942 when I transferred cer-

Continued on Page 13, Column 1

GEORGE BILL WINS, WALLACE VOTE OFF

Continued From Page 1

tain functions of the Federal Loan Agency to the Department of Commerce by executive order, I provided that they should be returned to that agency six months after the conclusion of the war or sooner, if the President of Congress should decide upon an earlier date. Therefore, should the Congress return these functions to the Federal Loan Agency at this time by the George resolution, I would approve the measure."

The President's agreement thus to accede to the depriving of Mr. Wallace of the lending agencies, should he be confirmed as Secretary of Commerce, was regarded as a modification of his original intention on putting the former Vice President in command of both the agencies and the Commerce Department.

Senator Barkley, in supporting the George Bill, said it was his opinion that when the President transferred the loan agencies to the Commerce Department, with Jesse Jones in charge of both, it was "like taking money out of one pocket and putting in another pocket of the same pair of trousers."

Senator Lister Hill, majority whip, seemed to sum up the sentiment of the Wallace supporters when he said that he would vote for the George bill "because in politics necessity sometimes becomes a virtue, and I want to see Mr. Wallace confirmed as Secretary of Commerce."

Senator Robert A. Taft, Ohio, Republican, told the Senate that Administration support of the George bill showed that "Wallace and the Administration are afraid to submit his name to the Senate at loan administrator." The passage of the George bill proved, he said, that "the Senate hasn't faith in Henry Wallace."

When the Senate had completed action on the George bill, Senator Barkley moved to delay further consideration of the nomination of Mr. Wallace until March 1, backing up his motion with a reading of the President's message and a vigorous appeal to the patriotism of his colleagues.

World Parley Called Factor

"As we all know," he declared, "the President is on the verge of a very important conference that may hold the fate of our nation and the world in its hands, and I am sure that no Senator is desirous to do anything that would be misinterpreted by other nations who will be engaged in that conference or be misinterpreted by other nations of the world as to the attitude of our own Congress in regard to the President's full authority and backing by us in deal-

ing with these other nations in this important conference."

In addition to conveying word that the President would approve the George bill, Mr. Barkley said that he had "every reason to believe that the House of Representatives will act upon the George bill promptly and favorably."

Senator Barkley indicated that the message from the President reached him just before he announced it. He did not have it when the proceedings opened and the Bailey motion came up.

Senator Taft drew hisses, boos and cheers from the gallery when, in agreeing to the delay, he said: "The Senate will have full time to consider the remarkable repudiation of the great majority of the Senate of Mr. Wallace's qualifications to hold an important office in the Government."

The George bill, as passed by the Senate, included an amendment by Senator Harry F. Byrd of Virginia to require an annual audit by the general accounting office of the Reconstruction Finance Corporation and the other loan agencies now under the Commerce Department.

The amendment, the result of extensive study of Government corporations by Senator Byrd's Committee on Reduction of Non-Essential Federal Expenditures, would provide for the first audit in the year current with passage of the bill.

Wallace Withholds Comment

Mr. Wallace, asked for comment on the Senate action, said:

"It seems inappropriate for me to make any comment until March 1."

The prospect of Senate consideration of the Wallace matter brought a record crowd to the gallery, with long lines of would-be spectators extending down hallways outside the gallery doors. The gallery was filled throughout the proceedings, with many standing behind the seats against the walls.

Word came from the Democratic caucus that Mr. Barkley and other Wallace supporters had been unable to sway Senator Bailey from his intention of moving for consideration of the executive calendar. It seemed, as the Senate convened, that the anti-Wallace group still had the votes they had been boasting to bring up the nomination before the George Bill, and reject it.

Senator Returns to Hospital

Both factions did all they could to fill the seats on both sides of the Chamber. Even Senator James G. Scrugham, Nevada Democrat, who has been ill in Naval Hospital for many weeks, was wheeled to the Senate doors and assisted to his seat so that he could vote for the Bailey motion. He returned to the hospital after voting.

The proceedings began about 12:30 when Senator Bailey made his motion. Senator Barkley then served notice, by way of parliamentary inquiry, that the George bill would be the next order of business following action on the Bailey motion.

THE DAY IN WASHINGTON

Special to THE NEW YORK TIMES.

WASHINGTON, Feb. 1.—The Senate passed the George bill separating the Federal lending agencies from the Department of Commerce, voted to delay consideration of the Wallace nomination until March 1, passed a bill to prohibit interference with broadcasting of cultural and education programs, approved the \$1,500,539,500 Naval Appropriations bill and adjourned at 3:30 P. M. until noon Monday; its War Investigating Committee continued its hearing on auctioning of surplus war goods.

The House passed the May-Bailey modified national service bill and adjourned at 6:58 P. M. until noon today.

It became immediately apparent as the roll was called on the Bailey motion that there were unexpected defections within the Republican ranks. The name of Senator George D. Aiken, Vermont Republican, the first called, brought a surprising "nay." The second Republican called and present, Senator Warren B. Austin, also of Vermont, gave another "nay."

Senator Taft had voted for the motion, but following the vote carefully, and seeing that the result was to be a tie, which would have meant that Vice President Harry S. Truman would have resolved it in favor of the opponents of the motion, Mr. Taft changed his vote to "nay" at the end of the roll-call and asked Senator Barkley to yield so he could move for reconsideration.

Parliamentary Move Involved

It appeared to some watchers in the gallery that Senator Barkley did yield, but when Senator Taft then moved for reconsideration—by means of which he could have voted again and perhaps have changed other votes—Senator Barkley paid no attention to him. Senator Taft appealed to the chair and the Vice President ruled that he would recognize Mr. Taft only if Mr. Barkley yielded. But Mr. Barkley did not yield.

The decisive vote on the Bailey motion divided the Senate this way: the forty-three opposing votes included thirty-two Democrats, one Progressive and ten Republicans, while the forty-one favorable votes included fifteen Democrats and twenty-six Republicans. It had been expected that at least thirty Republicans would support this motion. The vote was 42 to 42 until Senator Taft changed his own vote.

The majority leader, apparently confused following the Taft episode, moved to go back to legislative business, but reminded that the Senate had never gotten to executive business, he then moved for consideration of the George bill, on which motion the vote was favorable by 83 to 2. The negative voters were Senators Tom Stew-

art, Tennessee Democrat, and John Thomas, Idaho Republican.

Senator Walter F. George, Georgia Democrat, chairman of the Finance Committee and sponsor of the legislation before the Senate, described his measure as he had done at public hearings before the Commerce Committee, stating that his bill was not motivated by the Wallace nomination.

Committee's Work Stressed

He said that the Byrd committee, of which he is a member, had been working on legislation along these and other lines to improve control over the loan corporations for some time before Mr. Wallace's nomination.

Senator Joseph C. O'Mahoney of Wyoming asked Senator George if there should not be some provision for combining all of the Government corporations in the independent Federal Loan Agency so that the Congress could more carefully control their operations.

Senator George replied that the only reason he had not included the others was that to have brought in corporations not now under the Commerce Department would have raised a jurisdictional question. The Commerce Committee had his bill under consideration and could not properly consider matters not related to the department, he added.

"I don't believe any Cabinet officer should be clothed with these vast powers which so vitally affect the whole economy and can so greatly affect our whole social and political life," Senator George asserted.

Mr. Barkley, speaking for the bill, called upon Congress to decide in the near future what kind of operations it wanted the RFC and its affiliated lending agencies to undertake in the post-war economy. He said that collateral or reasonable assurance of repayment was required from borrowers under the present law.

Barkley Raises Question

Senator Barkley said that he thought the time had come when the Congress should consider whether it wanted to revamp the powers and purposes of the RFC so that it could deal primarily with social instead of financial questions.

As to one man holding both positions as head of the lending agencies and of the Commerce Department, the Majority Leader said that he had always thought, even when Mr. Wallace was head of the old Board of Economic Warfare at the time of his first public controversy with Jesse Jones, that the job of Vice President was big enough for any man, and he believed the same about the Commercial Cabinet post.

"It is a full-time job," he said. "That was my opinion two years ago and it is my opinion now."

Thus, he said, as had Senator George, that his attitude on the George bill was not related to the nomination of Mr. Wallace.

Senator Barkley, apparently in

the best of health and spirits, told an inquiring Republican member that the doctors had told him he had to wear the patch over his eye to protect it from the wind, "and so I thought I'd better wear it in the Senate."

Senator Taft said that while he was "always in favor of scattering power whenever I can" he did not think the George bill would accomplish any purpose because, while the "obvious" reason for the bill was to "limit Henry Wallace," it was "a vain effort" because under his war powers the President could transfer to him almost anything pleased.

War Powers Act Brought Up

"The only possible reason for passage of this bill," said Senator Taft, "is that the Senate hasn't faith in Henry Wallace; it doesn't believe in his philosophy, it doesn't trust him."

Senator Taft said he had seen no evidence that the Senate was disposed to take away any powers from the President and added that "what we are attempting is wholly vain unless we repeal the War Powers Act."

Senator Hill said there was no question involved of Mr. Wallace being incompetent, but rather the fact "that he is too competent and effective" for those whose views differed from those Mr. Wallace held.

Senator Taft retorted that he thought the bill "shows the entire lack of confidence in the ability and philosophy of Henry Wallace."

Senator Aiken, who proposed an amendment for "a simple audit of the RFC at the end of each year by the Controller General," yielded to Senator Byrd, who offered his amendment to provide for a rigorous audit by the Controller General each year, and to give the Controller General specific authority to go into all the records of the RFC and the other corporations not now audited by the GAO, of which there are thirty-six, and to provide for annual reports to the Congress on the results of these audits. Twenty other Federal corporations already are subject to GAO auditing.

The amendment would specifically direct the Controller General to include "a report of any impairment of capital noted in the audit and recommendations for the return of such Government capital or the payment of such dividends as, in his judgment, should be accomplished," and to call attention to any financial undertaking "made without authority of law."

The Byrd amendment was added to the George bill by what appeared to be a unanimous voice vote. An amendment also was accepted from Senator Richard R. Russell, Georgia Democrat, to assure the GAO of reimbursement for the cost of making the audits.

Senator Byrd's amendment was jointly sponsored by Senator Hugh Butler of Nebraska, who became interested in the Federal corporation problem and worked with Senator Byrd on it.

17 HERRICK
TRIBUNE

Senate Bars Loan Powers For Wallace

Delays Vote on Him to
March 1, Then Passes
George Bill, 74 to 12

Roosevelt Sends
Word He'll Sign It

43-41 Vote to Postpone
Confirmation Follows
Message by President

By Samuel W. Bell

WASHINGTON, Feb. 1.—The Senate, by the decisive vote of 74 to 12, passed and sent to the House today the George bill designed to separate the Federal lending authority centered in the Reconstruction Finance Corporation from the Department of Commerce. Then, without a dissenting vote, it postponed until March 1 consideration of the nomination of Henry A. Wallace to be Secretary of Commerce to succeed the ousted Jesse H. Jones.

Before the vote on the motion to delay action on the nomination, Senator Alben W. Barkley, of Kentucky, the Democratic floor leader, in a move interpreted as a Presidential effort to salvage at least temporarily the controverted Wallace nomination, read into the record a letter from Samuel I. Rosenman, special counsel to President Roosevelt, quoting a message from Mr. Roosevelt promising to sign the George bill if passed by Congress.

First Vote Close

On the basis of today's votes, which included, first, a narrow squeak for the Roosevelt administration in which the Senate, by a roll call of 43 to 41, turned down a motion by Senator Josiah W. Bailey, Democrat, of South Carolina, chairman of the Senate Commerce Committee, to bring up the committee-rejected Wallace nomination immediately, it was assumed, in Administration quarters at least, that Mr. Wallace would eventually be confirmed to head a Commerce Department shorn of the lending agencies.

The Senate vote against the Bailey move to take up the Wallace nomination immediately follows, as compiled by The Associated Press:

FOR THE MOTION—41

Democrats—15		
Bailey	Gerry	McKellar
Bankhead	Hoey	O'Daniel
Byrd	Johnson, Colo.	Scrugham
Connally	McCarran	Stewart
George	McClellan	Tydings
Republicans—24		
Bridges	Ferguson	Smith
Brooks	Gurney	Thomas, Idaho
Buck	Hawkes	Tobey
Bushfield	Hickenlooper	Vandenberg
Butler	Johnson, Calif.	Wherry
Capelhart	Millikin	White
Capper	Moore	Wiley
Cordon	Neverscomb	Willis
Donnell	Robertson	

AGAINST THE MOTION—43

Democrats—33		
Barkley	Hill	Myers
Bilbo	Johnson, S. C.	O'Mahoney
Briggs	Kilgore	Overton
Chaves	Lucas	Pepper
Downey	Magnuson	Russell
Eastland	Maybank	Taylor
Ellender	McFarland	Thomas, Okla.
Fulbright	McMahon	Thomas, Utah
Green	Mitchell	Tunnell
Guffey	Murdoch	Walsh
Hayden	Murray	
Republicans—10		
Aiken	Langer	Taft
Austin	Morse	Wilson
Brewster	Saltonstall	
Burton	Shipstead	

Progressive—1

LaFollette

The Senate action, marking the first phase of the Democratic party battle precipitated by Mr. Wallace's appointment as a political reward for his services in the 1944 Presidential campaign, al-

(Continued on page 3, column 1)

THE NATION

30-Day War on Wallace Starts Today

Backers Urge Him to Take Case To the People, Stumping Big Cities

By JAMES A. WECHSLER
PM's National Editor

WASHINGTON, Feb. 2.—"A lot can happen in 30 days."

It was Sen. Josiah Bailey (D., N. C.) speaking.

Bailey, who rarely talks above a mutter, was telling correspondents he was "delighted" over the Senate's passage of the George bill; and he was being coy about the future. Would he continue the fight to block Wallace's confirmation as Secretary of Commerce? He wouldn't say, yes, he wouldn't say no.

But there was little doubt in this town today that the war against Henry A. Wallace has just begun. The crusade is expected to reach new propaganda peaks during the 30-day "armistice" decreed by the Senate before the nomination is taken up.

This is no "phony war."

And in the face of widespread indications that the anti-Wallace campaign will be waged without intermission, Wallace was being urged by close associates today to carry his fight to the country in an unofficial barnstorming tour through key cities and communities.

Wallace Silent

Whether Wallace would follow that counsel remained uncertain. After the initial Senate tests had been concluded yesterday, the former Vice President declined to issue an extensive statement, asserting that it would be "inappropriate" for him to comment until the Mar. 1 slowdown. This response was interpreted in some quarters as evidence he would retire from public participation in the conflict until the deadline for Senate action arrives.

There was strong sentiment in the Wallace camp, however, for rejection of "the strategy of silence." It was pointed out that Sen. Robert A. Taft (R., O.) had issued a new anti-Wallace battle-cry immediately after the momentous Senate session. Bailey's non-committal delegation hinted that the conservative Southern Democrats had not abandoned their struggle. The press hysteria over "that man Wallace" is expected to grow in intensity. There will be new outcries, new distortions, new undercover pressure-campaigns.

Moreover, the tone of the message communicated by President Roosevelt to the Senate through Judge Samuel I. Rosenman was regarded as additional indication that President Roosevelt will not risk a sharp collision with the treaty-making body over the future of Henry Wallace. Most observers agreed it was wise and necessary for FDR to announce he will sign the George bill. The fact that this announcement was not accompanied by any word of praise or sympathy for Wallace, however, appeared equally significant.

Lukewarm Support

There will be long and stormy argument here for many months as to how boldly FDR should or could intervene in the Wallace case. Whatever the local historians decide, the evidence now plainly suggests that Wallace is almost as completely on his own as he was at the Democratic Convention in Chicago. He has Sen. Claude Pepper and a

handful of others battling valiantly for him in the Senate; he has friends, well-wishers, camp-followers of every variety trying to help. He has received impressive "grass roots" support on the telegraph wires. But he has received negligible aid from the White House and it is questionable whether this assistance will increase during the coming month.

The performance of Majority Leader Alben W. Barkley (D., Ky.) further emphasized the rough road facing Wallace. At a closed Democratic caucus yesterday Barkley was understood to have vigorously pressed for the compromise finally reached on the Senate floor. He is said to have warmly defended Wallace. On the floor, however, he spent most of his time eulogizing Jesse Jones and explaining why no man should have two big-time jobs. If the anti-Wallace coalition appears formidable when



Josiah Bailey

the issues returns on Mar. 1, few observers are certain how stubbornly or staunchly Barkley will fight for the nominee.

These are the political facts of life that Wallace is being urged to face as he ponders his course for the next four weeks.

It is conceded that a fighting "campaign tour" may enhance the anger of some of his enemies and intensify the bitterness of the conflict. But there is little likelihood, it is felt, that Wallace can swing

any of his die-hard opponents by taking the vows of silence.

On the other hand, two compelling arguments in favor of an aggressive drive are being presented to him:

Such a campaign would bolster the morale of his supporters who have been rallying pressure behind him during the past fortnight and who may be acutely "let down" if he steps into the background. There is already a danger, it is held, that the pro-Wallace forces may relax their efforts on the ground that he is "in," and that the shooting is all over. This danger will be multiplied if he acts like a man who is letting destiny handle his affairs.

Direct appeals to the people in populous centers like Detroit and Chicago—would underline the significance of the nomination contest, draw the issues even more clearly and increase the embarrassment of those Senators who already fear they are "making a martyr" of Wallace. After such a campaign, it is contended, even a Wallace defeat on the Senate floor would leave him armed with powerful political ammunition for the future. A victory would be far more meaningful.

Those Wallace backers advocating the "stand-up-and-fight" professed point out that he has already lost a substantial section of the

Commerce post through enactment of the George bill that silent acceptance of his future fate would minimize the gains to be derived from confirmation. At present, it is felt, he holds a strategic advantage because he has laid out a concrete, understandable program for post-war security. He has agreed to stand or fall with that program. He has given the Republican Party a bad case of jitters.

To let a month elapse without pressing the case might blur the dramatic status he has achieved.

In accepting the inevitability of the George bill yesterday the Wallace camp played it safe for the first time. The decision was based on the best available estimate of strength for an immediate showdown. But Wallace's continuing strength has been his willingness to play a daring, imaginative political role, rejecting the traditional rules, defying conservative counsel, raising his voice when silence seemed the "discreet" way of doing business, placing his faith in the plain people who hear him.

Sudden withdrawal from the battleground might seriously alter the portrait which Wallace has presented to the Nation.

That, at least, is what Wallace is being told by many of his associates today. Wallace will make the final decision; and the next 30 days may show the political world—

House Expected to Approve George Bill

By ELIZABETH DONAHUE
PM's Bureau

WASHINGTON, Feb. 2.—The House of Representatives is expected to act favorably within a few days on legislation separating the Commerce Dept. from the Federal Loan Agency following a limited Senate victory for Henry A. Wallace in which his foes lost the first round in their battle to exile the former Vice President from Washington.

Tempering the triumph of the pro-Wallace forces, the Senate, after refusing to vote at once to exclude Wallace from the Presidential cabinet, voted 74-to-12 to cut his job in two through passage of the George bill. But this had been conceded in advance by the Wallace camp. Both sides had agreed that the crucial showdown would come on a resolution to act on the Wallace nomination before the George bill came up. On that issue the anti-Wallace forces were beaten. The pro-Wallace strategists prevailed. (Roll Call on Page 4.)

Despite the initial victory won by Wallace, his opponents on Capitol Hill declared their intention to fight on. But they had already lost a major vote which is said to have gauged their maximum strength in the Senate.

The first estimate of the anti-Wallace strength came on the motion to vote directly on his nomination. The move came from his enemies and it was defeated by a close vote of 43 to 41. Nine Republicans and Progressive Sen. Robert LaFollette of Wisconsin joined in overthrowing the move designed as a prelude to beating Wallace on every count.

Although the Democratic leaders

of both House and Senate have agreed to boost Wallace into a seat at the President's cabinet table, his enemies have promised to pour their full resources into the anti-Wallace campaign due to conclude in four weeks.

Senate acceptance of Mar. 1 as the date of final disposal of the Wallace issue brought with it renewed challenges by his most powerful conservative enemies. Their strategy is not yet clear.

But their intentions are unmistakable. Sen. Robert A. Taft (R., O.), spearheading the GOP opposition, summed up the views of the bi-partisan alliance yesterday.

"By Mar. 1," Taft declared, "the Senate will have had time to consider this remarkable repudiation of Mr. Wallace by the majority of the Senate to hold any office in the Government."

Despite the fact that Taft and the bi-partisan alliance against Wallace had suffered a major setback in failing yesterday to defeat him for the cabinet post, Taft sounded the battle cry to rally the anti-Wallace forces for a new campaign. His challenge was greeted by hisses and boos from the packed spectators' galleries.

Pro-Wallace forces in the Senate had everything their own way following defeat of a motion by Chairman Josiah Bailey (D., N. C.) to vote directly on the issue of the Wallace nomination.

The roll-call on the George bill followed after a brief formal debate. It was opposed by 12 of Wallace's staunchest supporters who refused to in-lapse the compromise stripping the former Vice President of jurisdiction over the Federal Loan Agency.

The small group of dissidents included the Democratic whip, Sen. Lister Hill (D., Ala.) who in taking exception to the stand of Sen. Alben Barkley (D., Ky.) in support of the George legislation, declared the "real issue is not that Mr. Wallace is incompetent. It consists in the fact that he is too competent. He is opposed because he is effective and those who oppose him fear his views."

Barkley, prior to the Senate session, is said to have made an impassioned speech for Wallace in a private Democratic caucus. But on reaching the floor Barkley took the public position that he had always favored separating the Federal Loan Agency from the Commerce Dept.

He praised Jesse Jones' administration of both agencies but failed to mention his personal views on Wallace's fitness for either post.

Barkley challenged Congress to closely examine the matter of

whether the loan agency funds should be concerned "with social instead of economic questions." "I think," Barkley concluded, "that the George bill should pass."

Sen. Claude Pepper (D., Fla.), the most outspoken Wallace supporter in the Senate, dissented briefly from Barkley's remarks. Reasserting his conviction that Wallace is qualified to fill both the Commerce and Federal loan posts, Pepper, having conceded that passage of the George bill was inevitable, refrained from further comment.

Republican spokesmen, headed by Taft then took over the debate. Taft, calling for Congressional revocation of the President's war powers, told the Senate that the George bill "accomplished no real purpose." Insisting that the measure was drawn by anti-Wallace Democrats in order to cut down Wallace's prestige, Taft observed that it failed to meet his chief objection—that FDR has been given excessive authority by the war-time Congress.

Taft nevertheless supports the George bill which was adopted shortly after his statement to the Senate.

Before asking the Senate to agree to postponement of the Wallace nomination until Mar. 1, Barkley drew from his pocket a letter signed by Judge Samuel Rosenman of New York containing FDR's personal assurances that he would sign the George bill and return the Federal Loan Agencies to an independent status in accord with the will of Congress. The Senate then unanimously agreed to the postponement on a voice vote.



Robert A. Taft

Senate Votes To Remove RFC Power

President Vows To Back Shearing Of Loan Authority From Commerce

By Robert C. Albright

By a one-vote flip of a Senate roll call the nomination of Henry A. Wallace to be Secretary of Commerce yesterday was snatched out of harm's way and tucked safely aside until Congress can cut down the size of his office.

For the first time in memory the Senate postponed action on a Cabinet nomination until its specifications can be altered by rush legislation.

When a party caucus and three Senate roll calls were over, these things had happened to Henry Wallace:

1. The Senate-passed George bill was on its way to the House, carving vast RFC loan powers out of the department he will head when confirmed.
2. The President, in an unusual communication, had promised to approve this separation of powers.
3. Further action on his nomination was held up until March 1, when he was virtually assured of confirmation in a limited secretarial role.

The one-vote break that made all of this possible came as Democratic and Republican conservatives, bent on flat rejection of Wallace for any office, tried to call up his nomination for an immediate test.

If they had won, Wallace almost certainly would have been rejected in the dual capacity of RFC chief and Commerce Secretary.

Failed in The Vote

They failed by a 42 to 42 tie. The official count was 43 to 41. One of the Senators out to lick Wallace—Senator Robert A. Taft (R., Ohio)—changed his vote from "Aye" to "No" to move reconsideration. Swift Administration footwork blocked him.

But anti-Wallace forces had reached their peak strength on that first vote, and from there on in Senate "compromise" forces, headed by Senate Majority Leader Alben W. Barkley (D., Ky.), were in command.

This is what happened then: Senator Barkley moved consideration of the George RFC "divorce" bill, first cooked up in the anti-Wallace camp, but grabbed by the Administration as the one way of saving Wallace. Barkley's motion won, 83 to 2.

Byrd Amendment Carried

To the George bill, Senator Harry F. Byrd (D., Va.), offered an amendment clamping a General Accounting Office audit on RFC so tightly that no future Federal loan agency chief can do business without strict accounting. This won hands down, by a voice vote.

There was one bitter interlude. Senator Taft assailed the George bill, declared there was no reason

See WALLACE, Page 2, Column 5.

WALLACE

From Page 1

for it except "a desire to limit Henry Wallace." Over a vigorous protest by Senate Majority Whip Lester Hill (D., Ala.), Taft insisted the bill would be passed "simply because this Senate has no confidence in Henry Wallace, and does not believe in his philosophy."

George Bill Passed, 74-12

Then, without more ado, the Senate passed the George bill by the overwhelming vote of 74 to 12.

Next, Senator Barkley moved the Senate into executive session. All right was out of the Senate now, and his motion was approved viva voce.

Barkley read a little message from the "White House." It was the "compromise" Barkley had suggested to the President last Sunday. It reached Barkley just as the Senate was passing the George bill.

Signed by Judge Samuel I. Rosenman, special counsel to the President, it read:

"Dear Senator:

"The following is a paraphrase of a message I have received from the President for transmittal to you:

"In 1942 when I transferred certain functions of the Federal Loan agency to the Department of Commerce by executive order, I provided that they should be returned to that agency six months after the conclusion of the war or sooner, if the President or Congress should decide on an earlier date. Therefore, should the Congress return these functions to the Federal Loan agency at this time by the George resolution, I would approve the measure."

Barkley told the Senate frankly that there were "some Senators" who would not vote for Wallace if he had RFC jurisdiction, but would vote for him if loan functions were taken away.

In fairness to these Senators, Wallace "and to the country," he said they ought to have a chance to cast their votes on the Secretary's office, stripped of its loan functions.

Carried Unanimously

He said they would have a chance to do this if action was withheld until March 1. He had assurances from House leaders that the bill would pass the House, and the President had said flatly that he would sign it. He moved postponement of the nomination, and it carried without a single "no."

Before the vote Taft was on his feet with another shot at Wallace. He said he would be just as much opposed to the nomination after the George bill became law as before, but would support the postponement.

He said he supported the delay because it would "give the Senate time to consider this remarkable repudiation of Mr. Wallace to hold any important office in Government." Someone in the galleries hissed, and Vice President Harry S. Truman rapped the customary warning to spectators.

That was all. The days of debate party leaders had feared over the controversial nomination, the head-on clash of Administration and anti-Wallace camps, had been resolved by the compromise in the space of three hours.

Confirmation Seen Certain

All Wallace had to do now was wait for the George bill to become law, wait for March 1 to roll around and he would almost certainly be confirmed in the shaved-down role. "Compromise" Senators feared only one thing—that Wallace might make some more speeches—launch himself into a fresh controversy before the deadline expired. They told him so, and Wallace got it.

Senate Bars Loan Powers For Wallace

Delays Vote on Him to March 1, Then Passes George Bill, 74 to 12

Roosevelt Sends Word He'll Sign It

43-41 Vote to Postpone Confirmation Follows Message by President

By Samuel W. Bell

WASHINGTON, Feb. 1.—The Senate, by the decisive vote of 74 to 12, passed and sent to the House today the George bill designed to separate the Federal lending authority centered in the Reconstruction Finance Corporation from the Department of Commerce. Then, without a dissenting vote, it postponed until March 1 consideration of the nomination of Henry A. Wallace to be Secretary of Commerce to succeed the ousted Jesse H. Jones.

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First Vote Close

On the basis of today's votes, which included, first, a narrow squeak for the Roosevelt administration in which the Senate, by a roll call of 43 to 41, turned down a motion by Senator Josiah W. Bailey, Democrat, of South Carolina, chairman of the Senate Commerce Committee, to bring up the committee-rejected Wallace nomination immediately, it was assumed,

in Administration quarters at least, that Mr. Wallace would eventually be confirmed to head a Commerce Department shorn of the lending agencies.

The Senate vote against the Bailey move to take up the Wallace nomination immediately follows, as compiled by The Associated Press:

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Bankhead	Hoey	O'Daniel
Byrd	Johnson, Col.	Scruggs
Connally	McCarran	Stewart
George	McClellan	Tydings
Republicans—25		
Bridges	Ferguson	Smith
Brooks	Gurney	Thomas, Idaho
Buck	Hawkes	Tobey
Bushfield	Hickenlooper	Vandenberg
Butler	Johnson, Calif.	Wherry
Capohart	Millikin	White
Capper	Moore	Wiley
Cordon	Revercomb	Willis
Donnell	Robertson	

AGAINST THE MOTION—43

Democrats—33		
Barkley	Hill	Myers
Bilbo	Johnston, S. C.	O'Mahoney
Briggs	Kilgore	Overton
Chaves	Lucas	Pepper
Downey	Magnuson	Russell
Eastland	Maybank	Taylor
Ellender	McFarland	Thomas, Okla.
Fulbright	McMahon	Thomas, Utah
Green	Mitchell	Tunnell
Guffey	Murdoch	Walsh
Hayden	Murray	
Republicans—10		
Aiken	Langer	Taft
Austin	Morse	Wilson
Brewster	Saltonstall	
Burton	Shipstead	
Progressive—1		
	La Follette	

The Senate action, marking the first phase of the Democratic party battle precipitated by Mr. Wallace's appointment as a political reward for his services in the 1944 Presidential campaign, allows the House exactly one month to pass the George bill and the President to give it his approval.

Democratic opponents of the Wallace appointment under any circumstances were openly disappointed. Senator Kenneth McKellar, Democrat, of Tennessee, pointed out that a lot could happen between now and March 1. He appeared confident his group could hold the forty-odd votes mustered today, but supporters of Mr. Wallace did not share this view.

For his part Mr. Wallace, who has made a strenuous campaign for the undivided post, today said only: "It seems inappropriate for me to make any comment until March 1."

Action Is Rapid Fire

In the first of the series of rapid-fire events, the Senate turned down the motion of Senator Bailey to go into executive session for consideration of the nomination, which had been placed on the Senate's executive calendar with an adverse report, approved 14 to 5, by the Commerce Committee a week ago. The immediate consideration of the nom-

ination, without any conditioning action on the separation bill by Senator Walter F. George, Democrat, of Georgia, chairman of the Senate Finance Committee, was seen by Wallace adherents as threatening outright rejection of the appointment now.

The Senate then debated and passed the George bill, reported favorably by 15 to 4 by the Commerce Committee, after approving a major amendment intended to recapture some measure of Congressional control over the Federal lending authority. Offered by Senator Harry F. Byrd, Democrat, of Virginia, the amendment would place the R. F. C. and thirty-six other government corporations under the General Accounting Office for audit purposes.

Vote on George Bill

Following is the vote by which the Senate passed the George bill:

FOR THE BILL—74

Democrats—37		
Bailey	Green	Murray
Bankhead	Hayden	Myers
Barkley	Hoey	O'Daniel
Bilbo	Johnson, Colo.	O'Mahoney
Briggs	Johnston, S. C.	Overton
Byrd	Kilgore	Radcliffe
Connally	Lucas	Russell
Downey	Maybank	Stewart
Eastland	McCarraan	Thomas, Okla.
Ellender	McClellan	Thomas, Utah
Fulbright	McFarland	Tydings
George	McKellar	Walsh
Gerry		

Republicans—36

Aiken	Donnell	Saltonstall
Austin	Ferguson	Shipstead
Brewster	Gurney	Smith
Bridges	Hawkes	Taft
Brooks	Hickenlooper	Thomas, Idaho
Buck	Johnson, Calif.	Tobey
Burton	Millikin	Vandenberg
Bushfield	Moore	Wherry
Butler	Morse	White
Capohart	Reed	Wiley
Capper	Revercomb	Willis
Cordon	Robertson	Wilson

Progressive—1

	La Follette	
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AGAINST THE BILL—12

Democrats—11		
Chaves	McMahon	Pepper
Guffey	Mead	Taylor
Hill	Mitchell	Tunnell
Magnuson	Murdoch	
Republican—1		
	Langer	

The disclosure that the supporters of Mr. Wallace had finally been able to persuade the President to take a direct hand in the situation came during the executive session, which Senator Barkley obtained for the avowed purpose of postponing considerations of the Wallace nomination until March 1, or, as Senator Barkley put it, "for a sufficient length of time to enable the House to act on the George bill and to enable the President to act upon it."

"As we all know," Senator Barkley continued, "the President is on the verge of a very important conference that may hold the fate of our nation and the world in its hands, and I am sure no Senator is desirous to do anything that would be interpreted by other nations who will be engaged in the conference, or be regarded as

by other nations of the world, as to the attitude of our own Congress in regard to the President's full authority and his backing by

us in dealing with these other nations in this important conference."

Then Senator Barkley said he had "just received through the White House a message which seems to me to indicate that the President has acted wisely and in a fashion that shows his desire to co-operate with Congress in the situation that confronts us."

Will Sign George Bill

At this point he read a letter from Mr. Rosenman, dated today, which said:

"Dear Senator:

"The following is a paraphrase of a message which I have received from the President for transmittal to you:

"In 1942, when I transferred certain functions of the Federal loan agency to the Department of Commerce by executive order, I provided that they should be returned to that agency six months after the conclusion of the war or sooner, if the President or Congress should decide upon an earlier date. Therefore, should the Congress return these functions to the Federal loan agency at this time by the George resolution, I would approve the measure."

"With kindest regards,

"Very sincerely yours,

"JUDGE SAMUEL I. ROSENMAN."

Although Senator Barkley took pains not to say his word was from President Roosevelt, he did say he had every reason to believe that the House would pass the George bill, and that the Rosenman letter constituted "a definite answer to the inquiry so that the Congress will have no doubt and the country will have no doubt about what the President will do in the event of the final passage of the George bill."

Taft's Position

On the Bailey motion to proceed in executive session on the nomination in advance of consideration of the George bill, Senator

Robert A. Taft, Republican, of Ohio, changed his vote from the foreign loan agencies Mr. Wallace might be interested in.

to force reconsideration of the vote when he saw it was to be a 42-to-42 tie, but he offered no objection to the March 1 postponement after the bill was passed.

"I merely wish to give notice," said Senator Taft, "that I am just as much opposed to the confirmation of Mr. Wallace after the lending powers are taken away from him as before they are taken away. I think it makes no difference whatever. I am quite willing that the battle on Mr. Wallace should be postponed until March 1, when the Senate will have full time to consider the remarkable repudiation by the great majority of the Senate of Mr. Wallace's qualification to hold any important office in the government."

Taft Blocked

When Senator Taft changed his vote, he was sidetracked by an unusual ruling from the chair from his effort to force reconsideration of the 41-to-43 vote by which the Bailey motion was rejected. Vice-President Harry S. Truman, presiding, ruled that Senator Barkley had the floor and Senator Taft could not present his motion—a finding that brought calls of "point of order" from several quarters. No attempt was made, however, to appeal the ruling to a vote of the Senate.

Opponents of Mr. Wallace were frankly resentful of the fact that ten Republicans voted against the Bailey motion, and of the manner in which several "regular" Democrats lined up. With the closeness of the vote, the Wallace supporters were openly critical also of the fact that Senator James M. Mead, Democrat, of New York, did not get in in time to vote on this motion, although he did vote against passage of the George bill.

Senator George, author of the separation bill, also prevailed upon Senator Byrd not to offer a second and more far-reaching amendment to the measure. Senator Byrd had hoped to stipulate that the President could not transfer into the

The text of the Byrd amendment to the George bill follows:

"The financial transactions of wholly owned government corporations shall be audited by the General Accounting Office in accordance with the principles and procedures applicable to commercial corporate transactions and under such rules and regulations as may be prescribed by the Comptroller General of the United States. The audit shall be conducted at the place or places where the accounts of the respective corporations are normally kept. The representatives of the General Accounting Office shall have access to all books, accounts, financial records, reports, files and all other papers, things or property belonging to or in use by the respective corporations and necessary to facilitate the audit, and they shall be afforded full facilities for verifying transactions with the balances or securities held by depositaries, fiscal agents and custodians. The audit shall commence with the current fiscal year.

"A report of each such audit for each fiscal year ending on June 30 shall be made by the Comptroller General to the Congress not later than January 15 following the close of the fiscal year for which such audit is made. The report shall include a statement (showing intercorporate relations) of assets and liabilities, capital and surplus or deficit; a statement of surplus or deficit analysis; a statement of income and expense; and such comments and information as may be deemed necessary to keep Congress informed of the operations and financial condition of the several corporations, together with such recommendations with respect thereto as the Comptroller General may deem advisable, including a report of any impairment of capital noted in the audit and recommendations for the return of such government capital or the payment of such dividends as, in his judgment, should be accomplished. The report shall also show specifically every program, expenditure, or other financial transaction or undertaking which, in the opinion of the Comptroller General, has been carried on or made without authority of law. A copy of each report shall be furnished to the President and to the corporation concerned at the time submitted to the Congress."

THE NATION

30-Day War on Wallace Starts Today

Backers Urge Him to Take Case To the People, Stumping Big Cities

By JAMES A. WECHSLER
PM's National Editor

WASHINGTON, Feb. 2.—"A lot can happen in 30 days." It was Sen. Josiah Bailey (D., N. C.) speaking. Bailey, who rarely talks above a mutter, was telling correspondents he was "delighted" over the Senate's passage of the George bill; and he was being coy about the future. Would he continue the fight to block Wallace's confirmation as Secretary of Commerce? He wouldn't say, yes, he wouldn't say no.

But there was little doubt in this town today that the war against Henry A. Wallace has just begun. The crusade is expected to reach new propaganda peaks during the 30-day "armistice" decreed by the Senate before the nomination is taken up.

This is no "phony war." And in the face of widespread indications that the anti-Wallace campaign will be waged without intermission, Wallace was being urged by close associates today to carry his fight to the country in an unofficial barnstorming tour through key cities and communities.

Wallace Silent

Whether Wallace would follow that counsel remained uncertain. After the initial Senate tests had been concluded yesterday, the former Vice President declined to issue an extensive statement, asserting that it would be "inappropriate" for him to comment until the Mar. 1 showdown. This response was interpreted in some quarters as evidence he would retire from public participation in the conflict until the deadline for Senate action arrives.

There was strong sentiment in the Wallace camp, however, for rejection of "the strategy of silence." It was pointed out that Sen. Robert A. Taft (R., O.) had issued a new anti-Wallace battle-cry immediately after the momentous Senate session. Bailey's non-committal delegation hinted that the conservative Southern Democrats had not abandoned their struggle. The press hysteria over "that man Wallace" is expected to grow in intensity. There will be new outcries, new distortions, new undercover pressure-campaigns.

Moreover, the tone of the message communicated by President Roosevelt to the Senate through Judge Samuel I. Rosenman was regarded as additional indication that President Roosevelt will not risk a sharp collision with the treaty-making body over the future of Henry Wallace. Most observers agreed it was wise and necessary for FDR to announce he will sign the George bill. The fact that this announcement was not accompanied by any word of praise or sympathy for Wallace, however, appeared equally significant.

Lukewarm Support

There will be long and stormy argument here for many months as to how boldly FDR should or could intervene in the Wallace case. Whatever the local historians decide, the evidence now plainly suggests that Wallace is almost as completely on his own as he was at the Democratic Convention in Chicago. He has Sen. Claude Pepper and a

handful of others battling valiantly for him in the Senate; he has friends, well-wishers, camp-followers of every variety trying to help. He has received impressive "grass roots" support on the telegraph wires. But he has received negligible aid from the White House and it is questionable whether this assistance will increase during the coming month.

The performance of Majority Leader Alben W. Barkley (D., Ky.) further emphasized the rough road facing Wallace. At a closed Democratic caucus yesterday Barkley was understood to have vigorously pressed for the compromise finally reached on the Senate floor. He is said to have warmly defended Wallace. On the floor, however, he spent most of his time eulogizing Jesse Jones and explaining why no man should have two big-time jobs. If the anti-Wallace coalition appears formidable when



Josiah Bailey

the issues returns on Mar. 1, few observers are certain how stubbornly or staunchly Barkley will fight for the nominee.

These are the political facts of life that Wallace is being urged to face as he ponders his course for the next four weeks.

It is conceded that a fighting "campaign tour" may enhance the anger of some of his enemies and intensify the bitterness of the conflict. But there is little likelihood, it is felt, that Wallace can swing

any of his die-hard opponents by taking the vows of silence.

On the other hand, two compelling arguments in favor of an aggressive drive are being presented to him:

Such a campaign would bolster the morale of his supporters who have been rallying pressure behind him during the past fortnight and who may be acutely "let down" if he steps into the background. There is already a danger, it is held, that the pro-Wallace forces may relax their efforts on the ground that he is "in," and that the shooting is all over. This danger will be multiplied if he acts like a man who is letting destiny handle his affairs.

Direct appeals to the people—in populous centers like Detroit and Chicago—would underline the significance of the nomination contest, draw the issues even more clearly and increase the embarrassment of those Senators who already fear they are "making a martyr" of Wallace. After such a campaign, it is contended, even a Wallace defeat on the Senate floor would leave him armed with powerful political ammunition for the future. A victory would be far more meaningful.

Those Wallace backers advocating the "stand-up-and-fight" procedure point out that he has already lost a substantial section of the

Commerce post through enactment of the George bill; that silent acceptance of his future fate would minimize the gains to be derived from confirmation. At present, it is felt, he holds a strategic advantage because he has laid out a concrete, understandable program for post-war security. He has agreed to stand or fall with that program. He has given the Republican Party a bad case of jitters.

To let a month elapse without pressing the case might blur the dramatic status he has achieved.

In accepting the inevitability of the George bill yesterday the Wallace camp played it safe for the first time. The decision was based on the best available estimate of strength for an immediate showdown. But Wallace's continuing strength has been his willingness to play a daring, imaginative political role, rejecting the traditional rules, defying conservative counsel, raising his voice when silence seemed the "discreet" way of doing business, placing his faith in the plain people who hear him.

Sudden withdrawal from the battleground might seriously alter the portrait which Wallace has presented to the Nation.

That, at least, is what Wallace is being told by many of his associates today. Wallace will make the final decision; and the next 30 days may shake the political world.

House Expected to Approve George Bill

By ELIZABETH DONAHUE
PM's Bureau

WASHINGTON, Feb. 2.—The House of Representatives is expected to act favorably within a few days on legislation separating the Commerce Dept. from the Federal Loan Agency following a limited Senate victory for Henry A. Wallace in which his foes lost the first round in their battle to exile the former Vice President from Washington.

Tempering the triumph of the pro-Wallace forces, the Senate, after refusing to vote at once to exclude Wallace from the Presidential cabinet, voted 74-to-12 to cut his job in two through passage of the George bill. But this had been conceded in advance by the Wallace camp. Both sides had agreed that the crucial showdown would come on a resolution to act on the Wallace nomination before the George bill came up. On that issue the anti-Wallace forces were beaten. (Roll Call on Page 4.)

Despite the initial victory won by Wallace, his opponents on Capitol Hill declared their intention to fight on. But they had already lost a major vote which is said to have gauged their maximum strength in the Senate.

The first estimate of the anti-Wallace strength came on the motion to vote directly on his nomination. The move came from his enemies and it was defeated by a close vote of 43 to 41. Nine Republicans and Progressive Sen. Robert LaFollette of Wisconsin joined in overthrowing the move designed as a prelude to beating Wallace on every count.

Although the Democratic leaders

of both House and Senate have agreed to boost Wallace into a seat at the President's cabinet table, his enemies have promised to pour their full resources into the anti-Wallace campaign due to conclude in four weeks.

Senate acceptance of Mar. 1 as the date of final disposal of the Wallace issue brought with it renewed challenges by his most powerful conservative enemies. Their strategy is not yet clear.

But their intentions are unmistakable. Sen. Robert A. Taft (R., O.), spearheading the GOP opposition, summed up the views of the bi-partisan alliance yesterday.

"By Mar. 1," Taft declared, "the Senate will have had time to consider this remarkable repudiation of Mr. Wallace by the majority of the Senate to hold any office in the Government."

Despite the fact that Taft and the bi-partisan alliance against Wallace had suffered a major setback in failing yesterday to defeat him for the cabinet post, Taft sounded the battle cry to rally the anti-Wallace forces for a new campaign. His challenge was greeted by hisses and boos from the packed spectators' galleries.

Pro-Wallace forces in the Senate had everything their own way following defeat of a motion by Chairman Josiah Bailey (D., N. C.) to vote directly on the issue of the Wallace nomination.

The roll-call on the George bill followed after a brief formal debate. It was opposed by 12 of Wallace's staunchest supporters who refused to endorse the compromise stripping the former Vice President of jurisdiction over the Federal Loan Agency.

The small group of dissidents included the Democratic whip, Sen. Lister Hill (D., Ala.) who is taking exception to the stand of Sen. Alben Barkley (D., Ky.) in support of the George legislation, declared the "real issue is not that Mr. Wallace is incompetent. It consists in the fact that he is too competent. He is opposed because he is effective and those who oppose him fear his views."

Barkley, prior to the Senate session, is said to have made an impassioned speech for Wallace in a private Democratic caucus. But on reaching the floor Barkley took the public position that he had always favored separating the Federal Loan Agency from the Commerce Dept.

He praised Jesse Jones' administration of both agencies but failed to mention his personal views on Wallace's fitness for either post.

Barkley challenged Congress to closely examine the matter of



Robert A. Taft

whether the loan agency funds should be concerned "with social instead of economic questions." "I think," Barkley concluded, "that the George bill should pass."

Sen. Claude Pepper (D., Fla.), the most outspoken Wallace supporter in the Senate, dissented briefly from Barkley's remarks. Reasserting his conviction that Wallace is qualified to fill both the Commerce and Federal loan posts, Pepper, having conceded that passage of the George bill was inevitable, refrained from further comment.

Republican spokesmen, headed by Taft then took over the debate. Taft, calling for Congressional revocation of the President's war powers, told the Senate that the George bill "accomplished no real purpose." Insisting that the measure was drawn by anti-Wallace Democrats in order to cut down Wallace's prestige, Taft observed that it failed to meet his chief objection—that FDR has been given excessive authority by the war-time Congress.

Taft nevertheless supported the George bill which was adopted shortly after his statement to the Senate.

Before asking the Senate to agree to postponement of the Wallace nomination until Mar. 1, Barkley drew from his pocket a letter signed by Judge Samuel Rosenman of New York containing FDR's personal assurances that he would sign the George bill and return the Federal Loan Agencies to an independent status in accord with the will of Congress. The Senate then unanimously agreed to the postponement on a voice vote.

How Senate Voted in Wallace Test

Here is the Senate roll call vote on the unsuccessful motion to take up the nomination of Henry A. Wallace as Commerce Secretary before the George bill:

FOR IMMEDIATE CONSIDERATION

(They Don't Want Wallace)

Democrats

Josiah W. Bailey (N. C.)	Pat McCarran (Nev.)
John H. Bankhead (Ala.)	John L. McClellan (Ark.)
Harry F. Byrd (Va.)	Kenneth McKellar (Tenn.)
Tom Connally (Tex.)	W. Lee O'Daniel (Tex.)
Walter F. George (Ga.)	James G. Scrugham (Nev.)
Peter G. Gerry (R. I.)	Tom Stewart (Tenn.)
Clyde R. Hoey (N. C.)	Millard E. Tydings (Md.)
Edwin C. Johnson (Col.)	

Republicans

Styles Bridges (N. H.)	Hiram W. Johnson (Cal.)
C. Wayland Brooks (Ill.)	Eugene D. Millikin (Col.)
C. Douglass Buck (Del.)	Edward H. Moore (Okla.)
Harlan J. Bushfield (S. D.)	Chapman Revercomb (W. Va.)
Hugh Butler (Neb.)	E. V. Robertson (Wyo.)
Homer E. Capehart (Ind.)	H. Alexander Smith (N. J.)
Arthur Capper (Kan.)	John Thomas (Ida.)
Guy Gordon (Ore.)	Charles W. Tobey (N. H.)
Forrest C. Donnell (Mo.)	Arthur H. Vandenberg (Mich.)
Homer Ferguson (Mich.)	Kenneth S. Wherry (Neb.)
Chan Gurney (S. D.)	Wallace H. White Jr. (Me.)
Albert W. Hawkes (N. J.)	Alexander Wiley (Wis.)
Bourke B. Hickenlooper (Ia.)	Raymond E. Willis (Ind.)

AGAINST IMMEDIATE CONSIDERATION

(They Want Wallace)

Democrats

Alben W. Barkley (Ky.)	Burnet S. Maybank (S. C.)
Theodore G. Bilbo (Miss.)	Ernest W. McFarland (Ariz.)
Frank P. Briggs (Mo.)	Brien McMahon (Conn.)
Dennis Chavez (N. M.)	Hugh B. Mitchell (Wash.)
Sheridan Downey (Cal.)	Abe Murdock (Utah)
J. O. Eastland (Miss.)	James E. Murray (Mont.)
Allen J. Ellender (La.)	Francis J. Myers (Pa.)
J. William Fulbright (Ark.)	Joseph C. O'Mahoney (Wyo.)
Theodore F. Green (R. I.)	John H. Overton (La.)
Joseph F. Guffey (Pa.)	Claude Pepper (Fla.)
Carl Hayden (Ariz.)	Richard B. Russell (Ga.)
Lister Hill (Ala.)	Glen H. Taylor (Ida.)
Olin D. Johnston (S. C.)	Elmer Thomas (Okla.)
Harley M. Kilgore (W. Va.)	Elbert D. Thomas (Utah)
Scott W. Lucas (Ill.)	James M. Tunnell (Del.)
Warren G. Magnuson (Wash.)	David I. Walsh (Mass.)

Republicans

George D. Aiken (Vt.)	Wayne L. Morse (Ore.)
Warren R. Austin (Vt.)	Leverett Saltonstall (Mass.)
Owen Brewster (Me.)	Henrik Shipstead (Minn.)
Harold H. Burton (Ohio)	Robert A. Taft (Ohio)*
William N. Langer (N. D.)	George A. Wilson (Ia.)

Progressive

Robert M. LaFollette, Jr. (Wis.)

* Taft wanted immediate consideration of the Wallace nomination, but switched his vote in a move to tie the score and obtain reconsideration of the entire vote.

February 2, 1945
4:40 p.m.

WALLACE LETTER

Present: Mr. Gaston
Mr. O'Connell
Mr. White
Mr. Luxford
Mr. DuBois
Mrs. Klotz

H.M.JR: I have given White in confidence a copy of a conversation between Henry Wallace and myself, which is available to the four of you. Will you please confine it to that? He is asking me to do something for him. I have until Sunday morning, as the next pouch to the President doesn't go until Sunday. The letter just came in this second. Let me read it out loud. I haven't read it yet; I thought you people might cooperate. This is something he wants me to write to the President. The telephone conversation with him is more detailed. The gist of it is he felt this morning--he thought the nomination was in the bag once the George Bill was passed, but he read the Times and the Tribune, and he thinks this thing is much more serious.

It is directed at the President, and he has just got--

MR. GASTON: I have been afraid of that. That's the idea I was expressing.

H.M.JR: This is supposed to be, what I am going to read now, from Morgenthau to Roosevelt by Wallace. He said I didn't have to send this form but this was a suggested form. (Reading letter from Mr. Wallace dated February 2, 1945.) "The Senate show-down on Bailey's motion to take up the nomination of Wallace ahead of the George Bill, showed 15 Democrats voting with 27 Republicans in the 42-42 tie. Taft immediately shifted his vote to obtain reconsideration, but Truman recognized Barkley, who

went ahead with consideration of the George Bill and then to postponing consideration of the Wallace nomination until March first.

"Barkley presented the note of Rosenman quoting you after the defeat of the Bailey motion, but before the vote on his own motion to pass the George Bill.

"Sam called me shortly after noon, telling me he was trying to reach Barkley, so I presume Barkley did not have the note in time to present it either to the Democratic Caucus at ten or before the close shave that Henry had. Henry seemed to be alive by one vote due to a miscalculation of Taft, who with Byrd, was running the show behind the Bailey motion to bring up Henry ahead of the Bill and then smash him."

MR. GASTON: It seems as if Taft got mixed up or didn't know the count on the vote, because his reconsideration was not good because he had it clinched the wrong way.

H.M.JR: I don't understand, Wallace thought he was right. He said, "You have got to change your vote in order to recommit."

MR. GASTON: You vote on the wing side and you have several votes to spare on the wing side, so then you get up and change your vote to the other side so that you will be permitted to ask for reconsideration. Then you ask for reconsideration and get it; then you get the thing laid on the table and you ask for reconsideration and get that motion laid on the table, and thereafter it can't be reconsidered.

MR. LUXFORD: You have to be on the wing side. That's the way Taft was trying to do it. He was afraid they would get a forty-two forty-two defeat, and they would come up for reconsideration, at which time they might be able to clinch it and give Wallace the nomination, but going on to the favorable side, he thought he could get the reconsideration right then and there and clinch it, but he failed.

MR. GASTON: Yes, but he thought he could get the reconsideration--

MR. LUXFORD: Defeated?

MR. GASTON: Yes.

MR. LUXFORD: Then the forty-two forty-two would have been broken.

H.M.JR: "Taft was optimistic and had counted 32 Republican votes against Henry where he only got 27 on the Bailey motion. Taft and the newsmen gave Henry only Aiken, Langer, Morse, and LaFollette outside of his Democratic list. But Henry surprised them with the addition of Austin, Brewster, Burton, Saltonstall, Shipstead, and Wilson. Also the Taft-Byrd crowd had counted upon the Democrats Walsh, Eastland and Thomas of Oklahoma, but they stuck by Henry on the Bailey motion test. Whether they would have stuck by Henry on the final vote had it come, is anyone's guess.

"It is rather obvious that labor pressure from Massachusetts, Ohio and Minnesota, may have done the job on Walsh, Saltonstall, Burton, and Shipstead. The Eastland vote was guaranteed by O'Daniel but flopped to Henry probably because Eastland sees with Henry on southern rail rate reforms and they have talked that over. Undoubtedly the Byrd-Taft crowd were more surprised at the outcome than anyone.

"Of course this crowd never gives up. They will be working against you and Henry's confirmation during the next three weeks. They will attempt to strengthen the George Bill by amendments extending it to all your war powers. Taft made such a statement in a long speech attacking you and Henry which is in the Record. (Note: This may be attached if this is a letter instead of a cable.) It is possible that the bi-partisan block against you in both Houses will go very strong. Rankin has privately stated as much and that Byrd plans to throw everything into it with Taft and Martin helping.

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"Sam Rayburn will do a good job for us, but you might as well figure on trouble. The real attack is not on Henry, of course, but on you.

"Frankly, I am doubtful whether Henry will be confirmed with you out of the country and Byrnes not here. They will tack everything they can on to the George Bill and hope to stir up enough heat to swing the entire Senate Republican strength on a party line issue against Henry should you veto the George Bill, which they believe you will when they get through with it. And naturally if you do veto it, Henry is gone.

From where I sit here, I think the important thing is to rush the George Bill in its present form through the House, fighting any additional amendments from the House side, by having Sam Rayburn encouraged to use all his strength. Sam can reach a good many Republicans indirectly off-setting the Rankin southern bloc which he may lose.

"The response from the country behind your nomination of Henry was the most vigorous, according to the Senators and the news men, that has ever developed in recent years. The volume reached incredible proportions. It is a tribute to both you and Henry."

You know, I don't know the adjectives to use, but to expect that I am going to sign a letter like this--what are the adjectives? He must think I am very gullible.

MR. GASTON: He is giving you the whole case.

(Mr. O'Connell enters the conference.)

H.M.JR: Sit down. I didn't realize this was legislation until I got half through. This is the letter Henry Wallace wrote that he wants me to send to the President over my signature. (Completes reading letter from Mr. Wallace.)

That's something to dump in my lap. I don't know what to do. I never had one like that.

MR. GASTON: He wants you to send that letter to the President?

MR. O'CONNELL: About nine-tenths of it is hearsay.

H.M.JR: You look at it--I am sorry--and my conversation with Wallace on the telephone will be available to the four of you.

MR. GASTON: As far as this letter is concerned, that would be absurd. The question is whether we can draft a relatively short letter you will want to send.

H.M.JR: Evidently the clippings in the Times and Tribune are what got under his skin. In the first place, the President would never agree to read a letter like that. In the second place, it is not my style, and in the third place--

MR. O'CONNELL: What does he want you to do? I don't get what this letter is.

MR. GASTON: This is a suggested letter by the Secretary to send a letter to the President.

MR. WHITE: If you care to do anything of the kind, you could, of course, put it in your own language.

MR. GASTON: The hope is that the President will do something. The question is, what will the President do in the next thirty days?

H.M.JR: Nothing.

MR. DuBOIS: You want to get Byrnes on the job.

H.M.JR: I want to tell you that I am not walking into a trap. Henry Wallace said two or three times that he feels this is a carryover in the fight for Byrnes for Vice President, which Byrnes got gypped out of, and most of these Democrats who are fighting Wallace know Byrnes intimately, and Byrnes is as much back of this as anything. Now, these are the things Wallace suggested that I send to the President. I want to do everything I can for Mr. Wallace, but as Judge Rosenman said to me after having lunch with him, "Am I Wallace's campaign manager for President for '48?"

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MR. GASTON: Yes.

MR. LUXFORD: I think you could say everything you want to say there in about five lines. As far as what your size up of Wallace's chances are, who is fighting them?

H.M.JR: I think the thing to do is to send him the Congressional Record and Times and Tribune clippings, and say, "This will give you the background of the fight. I don't think the fight is over." I can't say that it is directed as much at the President as Wallace, can I, Herbert? I can say it is directed at the New Deal.

MR. GASTON: I think you can.

MR. O'CONNELL: You can't say it is directed as much at the President as Wallace, because I don't think that is true.

H.M.JR: I don't either. I tell you what I would like you to do tomorrow morning, if you would. Take this stuff and draft a letter for me.

MR. GASTON: Yes.

H.M.JR: And before you see me, you might see these, and then see me about it. I leave it to you.

MR. GASTON: Yes. All right.

H.M.JR: I think I have to do something.

MR. GASTON: You can write a page or a page and a half letter.

MR. LUXFORD: You can say this is a slap at the President--what is intended as a slap at the President.

MR. WHITE: He doesn't have to say that. The President will know it himself.

H.M.JR: You know, that is kind of, well, I don't know. I don't want to say pertinent, but I have never written--you send the President a letter like that, and you don't know what he will say. If he is interested, he can get the stuff himself.

MR. WHITE: He says you will probably want to replace it and make it much briefer.

MR. O'CONNELL: I still don't understand part of this letter read to me.

H.M.JR: It was written since this morning.

MR. O'CONNELL: Doesn't he want the President to veto the George Bill, or doesn't he think he will?

H.M.JR: I think he means he won't be confirmed at all.

MR. GASTON: The point is, if the President doesn't do something, he is afraid he won't be confirmed at all, as far as the George Bill is concerned.

MR. O'CONNELL: That is why I have difficulty reading this letter.

MR. DuBOIS: What troubles you is that he seems to say that the President might want to veto the George Bill. He means if the George Bill were amended to include a lot of other stuff--

MR. O'CONNELL: He means that he thinks there is one chance in ten that the George Bill will be passed.

MR. GASTON: He is asking the Secretary to ask the President to do something to keep him from being rejected as Secretary of Commerce. That's all it is.

MR. O'CONNELL: If that's it, he doesn't need to write all this.

MR. LUXFORD: I think he wants Rayburn to speed the George Bill through the House.

MR. WHITE: To speed it? Well, his nomination isn't coming up before February or March 1st, anyway.

MR. LUXFORD: He wants to bang it through the House in a hurry without amendments.

MR. O'CONNELL: Rayburn has already indicated he will put it through the House quickly.

H.M.JR: Congressman Spence said he isn't going to have hearings. He is just going to call the thing and--

MR. WHITE: What amendments are they worried about?

MR. LUXFORD: Prohibit transfer of FEA.

MR. O'CONNELL: That's such a remote possibility. The place that was done was in the Senate. The Bill has passed the Senate, and Byrd didn't even make a fight.

MR. DuBOIS: He can get an amendment in the House.

MR. O'CONNELL: If he couldn't do it in the Senate-- the thing Byrd is talking about, the possibility of doing it in the House, is remote.

H.M.JR: I don't know, something happened. Somebody got hold of Wallace after he was through talking with me. He called me at one-thirty and said the letter wasn't ready and he would have it ready by four o'clock. Somebody got hold of him and threw a scare in him, that's all, but it is perfectly proper for me to write the President a letter saying this is what has been happening.

MR. GASTON: Yes.

H.M.JR: But I am not going to mention Sam, just what happened yesterday. Here, you can read it, and if you find the Times and Tribune overlap, Herbert, I would only send him one, the Congressional Record.

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MR. GASTON: Yes.

H.M.JR: You read it, if you don't mind.

MR. GASTON: I think the net of this letter is that Wallace thinks he won't be confirmed.

H.M.JR: Wallace will be worried off and on about whether the President will give the RFC back to Jones.

MR. O'CONNELL: That's impossible.

MR. LUXFORD: I think that is the last thing under the sun.

H.M.JR: I have been telling him that, but he is still worried.

MR. DuBOIS: He has a couple of advisors, Mr. Secretary. Mr. Marsh is one of them, and he is a screwball.

H.M.JR: Oh, from Texas.

MR. DuBOIS: He is a screwball.

MR. GASTON: You don't mean Ben Marsh?

MR. WHITE: Not that fellow.

MR. DuBOIS: He is a publisher down in--

MR. GASTON: This fellow is down in Texas. You don't mean Ben Marsh of the People's Forum?

MR. WHITE: I just met him last week. He is a screwball.

MR. DuBOIS: He put some of these ideas in Wallace's head.

MR. GASTON: I've known him since North Dakota days.

MR. LUXFORD: He said, "Don't check his tax returns; he is completely untrustworthy."

H.M.JR: Wallace had me up to lunch to meet Marsh, and they had something up then, Wallace to get Jones. It was the most fantastic scheme. You can't trust him. Somebody has done this, you see. Who is the other man?

MR. DuBOIS: Young, they say, is all right.

MR. GASTON: Yes.

H.M.JR: If you don't mind, Herbert, this needs your master hand.

MR. GASTON: I will try to understand what he wants, but at the moment I think he wants simply to tell the President he is in danger of not being confirmed.

MR. WHITE: I think he wants the President's help and thinks it is necessary to get him by.

MR. GASTON: Yes, as Secretary of Commerce. Joe asked me if I mentioned to you the matter about Loth? He is an old associate of mine and a crackerjack, a rewrite man working with the Coordinator of Inter-American Affairs, in charge of publications. Some months ago he and the owner of the St. Petersburg News started an organization here, Press Research. He is about to get out of there and go back to the Coordinator of Inter-American Affairs, but he has some time on his hands. He was in yesterday talking about Bretton Woods. He did a story on it and wants some more material. The boys and I thought he would do an excellent rewrite job on the book, and I talked with him about it. He is willing to try it. He has written a number of books. One of the last things he had published was The Story of Woodrow Wilson. He wrote Brownings, A Victorian Idyll, Lorenzo the Magnificent, and a biography of Philip of Spain.

H.M.JR: Could you ask Miss Diamond to get those books together?

MR. WHITE: Morgenthau the Mighty!

H.M.JR: You are lucky I didn't have this in my hand.

MR. WHITE: It may be lucky for you, because I can catch and throw.

H.M.JR: Not while your head was down. Your head was down, and you wouldn't have seen it.

MR. GASTON: You would like to see some of the books?

H.M.JR: I think that is a fair request.

MR. DuBOIS: He is prepared to come in Monday morning to start working on this steadily.

H.M.JR: You fellows make me tired; here it is three minutes of five. I am going to have a man do Morgenthau the Mighty, and White--

MR. WHITE: They won't copyright it. Lorenzo the Magnificent, did you say?

H.M.JR: And I am not even allowed to see what he can do.

MRS. KLOTZ: Who is this?

MR. GASTON: David Loth.

H.M.JR: Of the Evening World.

MR. GASTON: No. You have consulted me once before on that matter, and I have never worked for the Evening World.

H.M.JR: The Worker.

MR. GASTON: The Worker is all right.

MR. WHITE: It is called The Daily Worker.

MR. GASTON: He worked back to back with me on The World.

H.M.JR: That in itself is a recommendation, but don't you think I could look at his books?

MR. GASTON: And at him.

H.M.JR: Would he slip away if I took a couple of minutes tomorrow morning and asked Miss Diamond to get these books and put them on my desk tomorrow morning? She can get them from the Library of Congress.

MR. GASTON: Yes, yes, yes. Probably Wilson would be the best one; it is one of those historical things.

MRS. KLOTZ: You want to see the books tomorrow morning? They will have to send someone up tonight. It takes a couple of hours to get them.

H.M.JR: Do you think he is good, Herbert, a very good bet?

MR. GASTON: Yes, a very good bet. He wouldn't furnish a name for the book if it were to be written over his own signature, but as a ghost writer I think he would be very good.

MR. DuBOIS: He seemed to be very good. I talked to him for some time yesterday.

H.M.JR: How did you happen to find him, Herb?

MR. GASTON: I mentioned him to the boys, and he happened to be coming in yesterday; I had an appointment with him. He wanted to get some stuff on Bretton Woods, and I mentioned him to the boys and introduced him to Joe.

H.M.JR: You are doing the same as I when you say "de boys." You mean both of them?

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MR. GASTON: In this case it was DuBois, and not "de boys."

MR. LUXFORD: I met him, too, Mr. Secretary.

H.M.JR: I think Harry has an idea, Morgenthau the Magnificent.

MRS. KLOTZ: Morgenthau the Mighty.

MR. WHITE: That wouldn't be a good title.

H.M.JR: You fellows haven't suggested that I act in a movie on Bretton Woods, have you?

MR. WHITE: That comes next.

H.M.JR: Will the setting be the Moon Room?

MRS. KLOTZ: No, not with you in it, Mr. Morgenthau.

H.M.JR: That is the only time I saw her, and I will never forget the night he came up and begged me to come down.

MRS. KLOTZ: What happened?

MR. LUXFORD: He was going to bed.

H.M.JR: That is right.

MR. GASTON: I can bring down one of Dave's books because I have one at home.

H.M.JR: If you ask Miss Diamond, she will get one right away. She is very good.

I will tell you what I will do, Herbert. I will read those things tomorrow morning, and we will arrange to have him come in. I will have a talk with him. Right?

MR. GASTON: Yes.

H.M.JR: Thank you all.

February 2, 1945

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The Wallace Letter

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"The Senate show-down on Bailey's motion to take up the nomination of Wallace ahead of the George Bill, showed 15 Democrats voting with 27 Republicans in the 42-42 tie. Taft immediately shifted his vote to obtain reconsideration, but Truman recognized Barkley who went ahead with consideration of the George Bill and then to postponing consideration of the Wallace nomination until March first.

Barkley presented the note of Rosenman quoting you after the defeat of the Bailey motion, but before the vote on his own motion to pass the George Bill.

Sam called me shortly after noon telling me he was trying to reach Barkley so I presume Barkley did not have the note in time to present it either to the Democratic Caucus at ten or before the close shave that Henry had. Henry seemed to be alive by one vote due to a miscalculation of Taft who with Byrd, was running the show behind the Bailey motion to bring up Henry ahead of the Bill and then smash him. --- (left off)
" Taft was optimistic and had counted 32 Republican votes against Henry where he only got 27 on the Bailey motion. Taft and the news men gave Henry only Aiken, Langer, Morse and LaFollette outside of his Democratic list. But Henry surprised them with the addition of Austin, Brewster, Burton, Saltonstall, Shipstead, and Wilson. Also the Taft-Byrd crowd had counted upon the Democrats Walsh, Eastland and Thomas of Oklahoma, but they stuck by Henry on the Bailey motion test. Whether they would have stuck by Henry on the final vote had it come, is anyone's guess.

It is rather obvious that labor pressure from Massachusetts, Ohio and Minnesota, may have done the job on Walsh, Saltonstall, Burton, and Shipstead. The Eastland vote was guaranteed by O'Daniel but flopped to Henry probably because Eastland sees
with Henry on

souther rail rate reforms and they have talked that over. Undoubtedly the Byrd-Taft crowd were more surprised at the outcome than anyone.

Of course this crowd never gives up. They will be working against you and Henry's confirmation during the next three weeks. They will attempt to strengthen the George Bill by amendments extending it to all your war powers. Taft made such a statement in a long speech attacking you and Henry which is in the Record. (Note: This may be attached if this is a letter instead of a cable.) It is possible that the bi-partisan bloc against you in ~~xxx~~ both Houses will go very strong. Rankin has privately stated as much and that Byrd plans to throw everything into it with Taft and Martin helping.

Sam Rayburn will do a good job for us, but you might as well figure on trouble. The real attack is not on Henry, of course, but on you.

Frankly I am doubtful whether Henry will be confirmed with you out of the country and Byrnes not here. They will tack everything they can on to the George Bill and hope to stir up enough heat to swing the entire Senate Republican strength on a party line issue against Henry should you veto the George Bill, which they believe you will when they get through with it. And naturally if you do veto, Henry is gone.

From where I sit here, I think the important thing is to rush the George Bill in its present form through the House, fighting any additional Amendments from the House side, by having Sam Rayburn encouraged to use all his strength. Sam can reach a good many Republicans indirectly off-setting the Rankin southern bloc which he may lose.

The response from the country behind your nomination of Henry was the most vigorous, according to the Senators and the news men,

that has ever developed in recent years. The volume reached incredible proportions. It is a tribute to both you and Henry. At the beginning the big interests fighting you and for Jones, came in well organized and fairly strong. But when you and Henry's people began to pour in, the tide turned to almost ten to one for the nomination and against the George Bill. The net is that you have got the country as against Jones on the Wallace nomination by a tremendous majority. But you have not got either the Senate or the House with any sureness either on the present mild George Bill or on Wallace. Henry has gained strength according to both ~~both~~ sides, probably because the people remember Chicago and feel that the bosses and big business are still after him. A lot of the extreme liberals hoped that Henry would be beaten and made a double martyr. Evidently the Bailye-George-Taft-Byrd set up was willing to take a chance, figuring the people would forget. And their hatred of you, of course, spurred them on.

I was a little surprised that Connally did not stay with Henry but suppose it was because he had gone to the front for his fellow Texan, Jones. But he had said a few days before, "I think I have done enough for Jones and from here on I am going to stay with the President." But in a pinch his vote was opposite. Texas is boiling up over this and he may have trouble, not because he is against Henry, but because he did not support you. Mayburn said a few days ago that he was for the President and did not like the George Bill being thrown into his backyard, but of course, has since agreed to put the George Bill through as a matter of party unity. Sam recognizes that '46 is not so far away and believes Henry's effectiveness for the party in '46 would be hurt if he fails to be confirmed. And Sam, of course, is looking to his own job. Indirectly

he said that a fighting Henry in the '46 campaign might make the difference in 50 districts.

Well, it has been a tough week. Hope you are feeling well, etc. with other gossip.

P.S. If Henry is beaten now, he really will be a whale of a martyr as Hannegan unfortunately was quoted the day before the vote by all papers saying, "Wallace hasn't a 'ghost of a chance' to be confirmed unless and until the George Bill is passed and signed by the President." Hannegan denied over the phone that he had said it, but did not deny it to the press. If Byrnes were here he could handle everything because at least ten of the fifteen Democrats against us are his personal friends.

WASHINGTON'S
BIRTHDAY



RED ARMY DAY
ANNIVERSARY

February 2, 1945

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

Dear Mr. Secretary:

We are very much pleased with your willingness to speak at our dinner at the Waldorf-Astoria on February 22nd. I am sure you will find the occasion both interesting and profitable.

Will you please regard this letter both as the formal invitation and a grateful acknowledgment of its acceptance.

Sincerely yours,

Edwin S. Smith
Executive Director

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DINNER, THURSDAY FEBRUARY 22, 1945 • HOTEL WALDORF-ASTORIA
Auspices of NATIONAL COUNCIL OF AMERICAN-SOVIET FRIENDSHIP, INC.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

February 2, 1945

TO Secretary Morgenthau
FROM Mr. Luxford

For Your Information

Mr. Monasterio who is handling arrangements for the Secretary's speech on Bretton Woods in St. Louis advised Mr. Bernstein this morning that he is planning to have the Mayor of St. Louis, the Governor of Missouri, Vice President Truman and the two Missouri Senators at the dinner. He will also have a number of the War Finance men from Missouri present.

It is presently contemplated that Chester Davis will introduce the Secretary.

AAR

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 2nd,
1945

TO: Secretary Morgenthau
FROM: Ted R. Gamble 

I find in checking into the matter that the Duquesne Light Company's program of purchasing electrical appliances from individuals through the use of War Stamps, and rebuilding and reselling such appliances, originated months gone by, in our Retail Section. There have been some abuses of this practice and while it would be easy to have a company of the size and responsibility of the Duquesne Light Company keep the activity on a high plane, I believe it would be a mistake for us, in the light of our experiences, to encourage widespread adoption of the plan.

We have just recently had some difficulties with a little more liberal interpretation of the plan on the part of some well-intentioned club women in West Hartford, Connecticut.

It's my own opinion we should not, from Washington, encourage the sale of either stamps or bonds in connection with a merchandise transaction of any character. For every good program of this kind that has sprung naturally from this field, there have been a half-dozen bad ones and it has been our policy not to give out any approval of any plans, and we are always in a position to move to stamp out any activity that is taking a free ride at our expense.

MEMORANDUM FOR THE SECRETARY.

February 2, 1945.

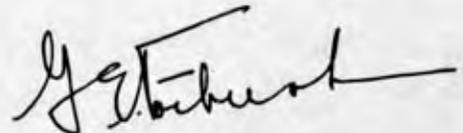
Mail Report

The let-up in fan mail that was noticeable last week has continued during the most recent one. What has come in has continued to be critical, and often downright quarrelsome in tone. Caustic comment upon Mr. Wallace outnumbered support of him by 7 to 1. Many of the critical letters attacked him personally, and almost all indicated lack of confidence in the Administration as a whole, with special reference to bond purchases. The Roosevelt sons still fared badly, with the dog incident and the holding of the train frequently mentioned. Although newspapers have carried much unfavorable publicity on the handling of surplus property, only 3 or 4 protests against present methods of disposing of it were received here. Other fault-finding communications dealt with the OPA cancellation of ration stamps, the appeasement influence in the State Department, and the continuation of Madame Perkins as Secretary of Labor.

With the exception of continued demands for refunds, which are slightly up over the total received last week, tax mail, in general, took a downward turn. No completed returns and very few comments or inquiries were received this week.

Flashbacks to the Sixth Drive are the most pleasant part of the current mail. There have been more expressions of good feeling at the conclusion of this Drive than after any previous one. Complaints from families of service men about failure to receive bonds were markedly reduced, and only 7 bonds were submitted here for redemption.

The sole contribution to the war effort was a one-dollar bill.



General Comments

Will. L. Irving, Hotel Hayward, Los Angeles, California. I am very much surprised to see by the press where you will come out in an endorsement and backing for Wallace as Secretary of Commerce, etc. There has been a very general feeling that you were of a more substantial class than to think of endorsing a harum-scarum such as Wallace has long since proved himself to be. If it should be that Wallace takes over the positions proposed by Roosevelt and gets control of the vast billions that he would have, I, with millions of others, will be compelled to withdraw financial support from the Government, cease buying bonds and probably dispose of the ones we already have. Regretting very deeply the attitude you have taken.

Max Feldman, New York City. (Telegram) Did you ever hear of a Yankee business man who could be reconciled to the killing of little pigs and the plowing under of cultivated fields in order to raise prices?

Ernest Ogon, Hotel Langwell, New York City. (Telegram) Your statement concerning the qualifications of Henry Wallace as Secretary of Commerce is absolutely correct. Just sent telegrams to Senator Wagner and J. P. Warburg. Feel you three can dig up evidence in a hurry for Wagner to present to Senate which will assure Wallace confirmation with full powers.

E. D. Moses, Bluffton, South Carolina. Silly men in this Administration have said silly things and you are pushing the head of the list when you call Henry Wallace "a Yankee business man!" It's not only silly, it is just plain dumb, and it hasn't a single shred of evidence to stand on. I happen to have been born and bred in Henry's neck of the woods. I know those who knew him in college. They say that in all the

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years Henry hasn't changed a whit for the better. He couldn't be elected or appointed dog-catcher in the Middle West. * * * If for no other reason, Wallace should be turned down as a declaration by the people, through their Congressmen, that they are disgusted by and sick and tired of the selling of high offices by the President to pay his personal political debts. It is a shabby, sordid thing to do, and it takes a shabby person to do it.

L. A. Carson and Family, Highland Park, Michigan.
What do you mean - a world of change? Would you change our form of Government for one like Russia, or Germany? We don't want no part of Mr. Wallace.

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The following letter was addressed by Elder R. Morgan, Elder R. Morgan & Company, Builders, Bisbee, Arizona, to the Collector of the Port, Nogales, Arizona:

"On January 4, 1945, about 4:00 p.m., four of us in my 1942 Buick Sedan crossed the line from Nogales, Sonora, Mexico, to Nogales, Arizona, and because purchases to be declared amounted to over \$25.00, we were sent to the main office for this purpose. All items were taken into the counter for inspection and the forms completed. Upon returning to our car Inspector Harmon requested that I open the trunk. Unfortunately, I had left the key home (Buicks can be driven without a key) which was near Ft. Huachuca. * * * He and I then went to the Chief Inspector, Bill Hatcher, and I repeated the explanation. I told him there was nothing in the trunk, that I would give an affidavit and leave \$100.00 cash bond to guarantee it. I told him the car had an Arizona license, gave him my card showing my office in Bisbee. * * * Explained that I was a contractor who had done considerable Government work during the past three years at the Fort, and suggested that he call Col. E. N. Hardy, Commanding Officer, for references. * * * He told Inspector Harmon to grab the keys out of the car quick so I wouldn't run away with it. I informed him that he need not fear my running off. He stated that the trunk would have to be opened as there was no alternative, or else the car impounded until it was opened. He suggested the Buick agency or the local key man as possible help. * * * He then suggested I call the Assistant Collector of the Port, Mr. Cattell. I did so, and repeated most of the above story. * * * But it was time wasted as Mr. Cattell said there was nothing he could do and it would have to be opened. * * * I then left for the Buick Agency and the key man. The former could do nothing as I supposed, and the key man was closed. I therefore bought a wrecking bar and returned. * * * As it was necessary to return home that evening, we proceeded to wreck the trunk door and lock. And it certainly is wrecked. Inspector Harmon took a hasty glance, opened one little box of tools, but didn't look behind the tire or search any corners. * * * The

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interior was not entered, the glove compartment never touched, no persons searched, and the trunk inspected as noted above. * * * Other cars drove up while we were there, some occupied by Mexicans, and went thru the regular procedure, except no trunks were opened. No identification papers were requested and our suggestions to call various people were wasted effort. All offers to establish our standing were entirely ignored, though we were American citizens, resident of and in business nearby, and with an Arizona license. When I told Inspector Harmon I was going to make a report, he said he didn't care, as they hadn't done anything about it for 170 years and probably wouldn't now. * * * Chief Inspector Hatcher will tell you I got "hot headed". Our preliminary discussion was spent in quietness, trying to make a very thorough explanation. * * * When a person knows he is going to have to do \$40.00 to \$50.00 damage needlessly to a new car just to satisfy a whim, and when he tries to be courteous but you still get the push-around, then you don't just sit around like a Pollyanna. In our dealings with the U. S. Government, it has been their policy that when a demand is made to destroy something in order that an inspection be made, and it is then proven that nothing is wrong, the Government will then stand the costs, plus 15%. We cite a paragraph from the Government Construction Contract. * * * If this is the policy of the Government in one Department, it probably is in yours. Therefore, when the work is done we will present our bill. You may argue that I could have left the car in which case you are then liable for the hotel and travel expenses we would have incurred by delaying the matter. * * * If it is true nothing has been done about it in 170 years, then with all the reorganizing that is now being accomplished by the Government, it might help to have your men use less buck-passing and more logic. * * *

James J. Laughlin, National Press Building, Washington, D. C. My client, Mr. William F. Brack, Baltimore, Maryland, told me that he wrote you in November, 1944,

with respect to the disposition of his money. He tells me that inasmuch as he is a bachelor and has been involved with his family in various litigation over a period of time he is desirous of bequeathing all his money and property to the United States and is desirous of appointing the Baltimore Trust Company as executor. He is somewhat concerned that he has had no reply from you. I would appreciate it, therefore, if you would advise me what is delaying your reply to Mr. Brack.

W. T. Harris, Belton, Texas. In the fall of 1935 I did some work for WPA, and this work was given me at a time when I sorely needed employment, and the resultant benefit thereof. My country helped me when I needed help. Now, my country needs my help. I have in mind to repay to you as an officer of my country this money. Local records not obtainable in this regard, but I know all the necessary facts in regard thereto. I mean to make remittance payable to you as Secretary of the Treasury.

Professor E. Balogh, University of Witwatersbrand, Johannesburg. I have just received, through the intermediary of Mr. Warren Kelchner, a copy of the "Final Act and Related Documents". The Bretton Woods Conference seemed to have been a great success. My heartiest congratulations on it. When my book on the "World Peace and the Refugee Problem" is printed, I shall take the liberty of sending you a copy. With best wishes, Yours sincerely, E. Balogh.

The following letter from Mrs. Wiley Galt, Tombstone, Arizona, was addressed to the President and referred to the Treasury for handling: "I think I had the most trying experience of my life today when a sailor walked up to the Bar and asked me for a drink of

whiskey and I had to say no. He was wounded and his eyes were yellow. He walked with a cane, and it appeared he could hardly make it. * * * He was travelling on the bus, trying to get home. In this 9th Corps area you can't sell whiskey to anyone in uniform until 5 p.m. They passed that ruling when so many boys first started training. Please! Can't you arrange it so that these boys that are coming back can get a drink of anything they need at any time? Oh, it is hard to refuse them a drink after all they have been through and you see them sick and wounded. * * * It seems as though they should have anything our country has to offer. It looks like we didn't appreciate what they have done for us. * * * "

H. F. McIntyre, Upper Darby, Pennsylvania. It is rumored that you are about to take a trip to the Pacific War Theatre. I would like to know, if you please: (1) Who is going to pay for this trip -- you, or the citizens and taxpayers of the country? (2) If the taxpayers are going to pay the costs of the trip, then I would like to know the necessity for a sightseeing trip of this kind -- and I suppose it is merely that! (3) Whether or not you are going to travel as a Roosevelt dog, or on "A" priority?

Ernest Briars, Rochester, New York. I am with you in your plan to make Naziland a pastoral country or worse. So much for that. However, why does F.D.R. sanction the packing of our State Department with pro-Nazis who are absolutely opposed to the punishment of German War Criminals? As one who is giving, or rather lending, more than ten percent of his gross income to the purchase of U. S. War Bonds, and like many others, has sons in the fighting services - what in hell is it all for when Roosevelt packs the State Department with Nazi sympathizers? * * * What's going to be done about it, please? Yours for Henry Wallace.

Mrs. Dorothy Unciano, Los Angeles, California. We were recently sent a directive from your Department. * * * The directive was about the necessary information pertaining to Returned War Dogs, that would be put on sale at approximately the rate of 300 a month. We sent an inquiry first to the local chapter of Dogs for Defense about a Doberman female, and they forwarded our inquiry to the above address -- 22 East 60th Street, New York City. Today we received a post card from the main office in New York saying that at the present time they cannot supply us with a Returned War Dog, and not mentioning any breed, meaning that there were NO War Dogs at all, and that if the order can be filled later, they would get in touch with us. Will you please tell us what is the correct information on the subject? * * * Also if you have them, will you please forward to us one of the Office of Surplus Property forms in quadruplicate, so that we may fill out the necessary information to acquire one of these fine dogs?

"A Taxpayer of Nevada" -- San Francisco, California. The public is getting sick and tired of some of the things done in Washington, such as the replacement of Jesse Jones by Henry Wallace. Another is in your own Department - the reappointment of Harry McSherry in Reno, Nevada. This man has an unsavory reputation. He left the Government service just to make more money as a concessionaire at the Basic Magnesium Plant in Nevada, and now is back in the Internal Revenue. He was supposed to be on furlough "to do war work". If selling beer at a plant with war contracts is "doing war work", that is a new one on me. We need competent, impartial men in the Government service, and had one in George Brady, who is a career man, but through political influence, McSherry has put Brady out. * * * This whole thing smells to high heaven, and I believe a thorough investigation should be made of McSherry.

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Hugo Sutor, New York City. I have been much concerned over the failure of the ordinary public to buy bonds. Instead, according to reports, they have banked millions. To my mind there is a lack of confidence somewhere. * * * Yesterday I saw an ad regarding sale of surplus war materials in the News to be had at 230 Broadway, Bronx, supposed to be open to wholesale and retail trade. On going there, I found out that no retail business was wanted. My bond money, and others, produced this material, and I can't understand why we are excluded, and other men there were also perplexed. After the last war, the Government published lists and anyone could order. By design or not, this smacks of favoritism, as it permits others to buy and resell at huge profit, where both public and the Government loses. * * * The little I could see, because I was not permitted inside, showed me there is utter lack of co-ordination in Government Departments. There was on sale wrenches, taps, dies, drills, reamers, and what not. This material could be of immense use in war plants and ship yards. It could even be assigned to new ships as part of their engine room equipment and supplies, or even be used as replacement stores. As a mechanic, I maintain that this material could be used anywhere the Army, Navy and Seabees establish new bases and repair shops. I would furthermore like to bet our boys at the front lines would move heaven and earth to get some of these things to keep equipment going. I don't like to think they are losing their lives for lack of it. If this material is surplus at this trying period of the war, there is certainly gross mismanagement and great waste of national funds and manpower. * * *

Favorable Comments on Bonds

Joseph B. Schusser, President, Terminal Barber Shops, New York City. Your citation commending me upon my contribution to the Sixth War Loan Drive was received with deep appreciation today. It filled me with pride and pleasure to know that my "little mite" had been of help. Please be assured of my continued and ever-increasing willingness to contribute my time and energy to this great cause.

A. B. Oakley, Atmore, Alabama. * * * The job you have handled in a most excellent manner, and when it was decided to place War Bonds on the market I felt that it was a most excellent idea, for at once it provided means to run the war, which was its primary purpose, but at the same time, it provided a back-log for the average man as a cushion when the inevitable depression comes after the war. It was a very wise move, when it was fixed so these bonds could not be sold or cashed in, until they were 60 days old, and here is where I want to make a suggestion. Would it not be a good idea to fix it so these bonds cannot be cashed until one year after the war is over -- for I can say without fear of successful contradiction that the very people who will need them most, cash them in as soon as they possibly can do so, thus defeating one very important purpose the bonds serve. * * *

Mr. Les Biedenman, Midwestern Broadcasting Company, Anderson Building, Traverse City, Michigan. This is just a note to tell you what we, the Staff of W.T.C.M., think of your Michigan War Bond Chairman, Mr. Frank Isbey. Last evening, Mr. Isbey was in Traverse City. He gave a dinner at his own expense and invited all the workers of the Sixth War Loan Drive, so that he

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could express to them his and your appreciation for the fine job that was done in the Sixth War Loan Drive. He certainly made a really fine impression among the active members of this community, and we are sure that the Seventh War Loan Drive will show the fruits of this Good-Will gesture. We are thankful that you saw fit to choose Mr. Isbey for this job. Kindest personal regards.

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Unfavorable Comments on Bonds

Harold G. Brown, Vice President and Cashier, Shenandoah Valley National Bank, Winchester, Va. * * * Winchester and Frederick County have gone "over the top" in every War Loan Drive. During the Sixth War Loan Drive our quota was \$1,250,000 and more than \$2,700,000 of Government securities were sold. We give you these figures to show you that this community has done its part in every War Loan Drive. Since the OPA -- a Government Agency -- repudiated certain ration points, the general public is losing confidence in the Government. We have heard during the past several weeks, and continue to hear, resentful criticism of the OPA -- a Government Agency -- repudiating a contract made in good faith with the public. A number of people to whom we have sold bonds in the past are asking why they should continue to purchase Government Bonds in the future when the Government might repudiate these bonds as they have done the ration coupons. Frankly, we think that the action of the OPA is having and will continue to have an adverse effect upon the sale of War Bonds in the future. We also think it is causing a number of people to cash in their War Bonds at this time. People, generally, are getting tired of the Government treating them like a group of small children. * * *

Mrs. Max Steiner, Newark, Ohio. I am taking the liberty of sending this certificate to you, together with my expression of complete disapproval of it, as an unwarranted waste of paper and labor! I did work in the Sixth War Loan Drive, and all the preceding ones -- but I don't need to be thanked for it, and I consider it an unnecessary waste from any point of view.

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Favorable Comments on Taxation

James C. Battle, Chicago, Illinois. I never expected to do this for a Democrat, them! But please accept my congratulations for the Simple Withholding Tax Return for 1945, which you evolved. Thanks and best wishes to you and our Boss, F.D.R., (much as I hate to confess it), you Democrats! Congratulations and thanks again!

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Unfavorable Comments on Taxation

Hugh Allen, In Charge of Public Relations, Goodyear Aircraft Corporation, Akron, Ohio. Some 30-odd years ago when the Goodyear Tire and Rubber Company was just getting on its feet, Mr. Litchfield took several steps, unusual in industry of that day, in the effort to build a sound and permanent organization. * * * It was the beginning of a rather broad-gauged program of industrial relations which came to influence labor relations fairly widely over the country. In the years since more than 3,000 regular employees have won 25-year pins, with appropriate ceremony in each case, (though depression cut the \$250 award to \$100) and this recognition by the company of long and effective service has become highly prized by employees. So when government attorneys stepped in and interpreted this service award as wages, and took out withholding tax, it not only hurt what was a rather fine sentiment, but even created resentment -- men feeling to some extent chilling employee enthusiasm for the voluntary War Bond purchases. * * *

Mrs. Labil K. Workman, Flint, Michigan. I have received two letters demanding payment of my 1943 income tax. My husband had a refund of \$128.00, and I had a payment of \$118.00. These returns were filed separately and a letter signed by Mr. Workman requested his refund be credited to my tax, and to refund the difference to him. This letter was ignored until seven months later I received a letter telling me of my tax payment, plus interest. Calling at the Flint Office I was informed this transaction wasn't possible, but they were unable to show me any rule, and I have up to this time been unable to find a printed rule which states this transaction is impossible. Would you please direct me as to the

source I could obtain this information, and if my tax was not paid by his refund, why hasn't the sum of \$128.00 been refunded to Mr. Workman?

A letter from M. H. Marwil, Box 169, Henderson, Texas, was forwarded by Representative Beckworth. * * * Under the present law, dependents are defined and limited to particular relationship; it eliminates an unadopted (foster) child who receives all of his or her support from a taxpayer. As an illustration: Mr. and Mrs. J. C. Payne, Overton, Route 3, for whom I prepare tax returns, has supported a little girl whose father is dead and whose mother is in the insane asylum; I believe the grandparents are all either dead or unable to support the child, and the child has no close relative who will give her a home and support her. Under the present law, Mr. Payne is unable to claim the child as a dependent; attorney's advice to Mr. Payne is to the effect that because the mother is living and is insane, he cannot legally adopt the child. Mr. and Mrs. Payne have provided a good home for the child for seven years, yet they are barred from claiming a dependent. The child is as much a dependent as any other natural child, and the law is unfair and should be amended to take care of cases of this nature. However, I believe that taxpayer should show that a child (unrelated) is wholly supported by him and living in same home; has received such support and a home for a period of one year prior to the year such dependent may be claimed as an exemption.

Mrs. George Godley, New York City. This is a complaint! After all, we only get the kind of Government we work for so that is why I am writing to you. The income tax man, named Mr. Bleetstein, asked me for several items on my 1941 income tax. I consider the items were ridiculous and that he should have known about

- 15 -

them. I had to go to Greenwich and spend several hours looking them up and getting receipted bills from the Town Hall. One item was an Old Age Assistance Tax of \$3.00. He should know that we all have to pay that tax. The other items were all taxes in Greenwich -- real estate, personal property, sewer tax. The cancelled checks would not do -- I had to get receipted bills for the sewer tax. * * * I found all the cancelled checks, but it was absurd. He passed all the complicated rest of the income tax - complicated because my husband died in 1940 - but lighted on these items which could have been so easily checked. * * * I really object to his methods but have never objected to paying taxes. * * * We certainly do not need to upset and inconvenience people who try and pay their taxes as honestly and correctly as possible. I pay my tax in New York City but live in Greenwich, Connecticut.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 2,
1945

TO Secretary Morgenthau

FROM J. W. Pehle

Attached is a proposed letter for your signature to Senator Shipstead.

The prices at which these vehicles were sold seem extremely low despite the reported condition.

I have asked Ireys' organization to investigate the matter thoroughly.



Attachment

February 2, 1945

My dear Senator:

Receipt is acknowledged of your letter of January 30, inquiring about the sale price of certain trucks sold through the Chicago Regional Office of the Procurement Division.

All of these vehicles were reported as sold under the AAA certificate procedure.

The following vehicles were reported to have been in a condition described as serviceable only after major repairs or reconditioning, and to have been sold at the prices indicated:

<u>Year-Model</u>	<u>Make</u>	<u>USA NO.</u>	<u>Sale Price</u>
1941 Chevrolet Truck	1½ ton Cargo Carriers	325249	\$337.60
1941 Chevrolet Truck	1½ ton Cargo Carriers	325264	337.60
1940 International Truck	1½ ton Dump	57382	267.00
1941 Chevrolet Truck	1½ ton Dump	338140	259.80
1940 Ford Truck	1½ ton Dump	3155043	195.60
1940 Ford Truck	1½ ton Plat- form	3476131	195.60

The following two units were reported to have been in salvage condition and no longer usable for the purpose for which they were originally intended and to have been sold at the prices shown:

<u>Year-Model</u>	<u>Make</u>	<u>USA NO.</u>	<u>Sale Price</u>
1941 Chevrolet Truck	1½ ton Dump	3109665	\$ 99.30
1941 Chevrolet Truck	1½ ton Dump	3109673	99.30

If you desire any further information with respect to this matter please let me know.

For your information I have asked that this entire matter be investigated.

Sincerely yours,

(Signed) H. Morgenthau, Jr

Honorable Henrik Shipstead,
United States Senate.

TOM CONNALLY, TEX., CHAIRMAN

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WARREN R. Austin, VT.

United States Senate

COMMITTEE ON FOREIGN RELATIONS

Washington, D.C.,
January 30, 1945.

ROBERT V. HURLEY, CLERK

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

My dear Mr. Morgenthau,

I am informed your Surplus Property Corporation that disposes of surplus property recently sold the following enumerated property:

		USA - No.
1940 International Truck	1½ Ton Dump	57382
1941 Chevrolet Truck	1½ Ton Cargo	
	Carriers	325249
1941 Chevrolet Truck	1½ Ton Cargo	
	Carriers	325264
1940 Ford Truck	1½ Ton Dump	3155043
1940 Ford Truck	1½ Ton Platform	3476131
1941 Chevrolet Truck	1½ Ton Dump	338140
1941 Chevrolet Truck	1½ Ton Dump	3109665
1941 Chevrolet Truck	1½ Ton Dump	3109673

I would be pleased if you will let me know what price was received for each item enumerated.

I shall thank you for this information and remain, with best wishes,

Yours sincerely,

Henrik Shipstead
Henrik Shipstead.

HS/e.



TREASURY DEPARTMENT
WASHINGTON 25



February 2, 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 20, 1945:

Surplus Property:

At the request of the Army, we have postponed the sale of many items of surplus property pending a decision as to whether such items can be used by the Army under present conditions. The Army's request is presumably due to recent events in the European theater, and has resulted in a drop in the volume of sales for the week. The Army actually withdrew during the week a quarter of a million dollars worth of medical supplies.

Army representatives are now installing in our regional offices procedures which will make it possible for Army procurement officers to screen their requirements against available surplus stocks.

There has been declared as surplus a quantity of fluid which was manufactured for use in hydraulic brakes. Serious questions have been raised as to whether this fluid can be used safely with civilian equipment. We have asked the Bureau of Standards for its opinion.

- 2 -

The next issue of the Surplus Reporter will include offers of about \$2,000,000 worth of critically needed automotive spare parts such as pistons, piston rings, piston pins, bearings, valves, and cylinder blocks.

As a result of conversations with a representative of the Redistribution Division of the Army Quartermaster Corps, worn Army shoes will be declared as surplus and made available by us to various foreign relief societies.

A spot sale, held at Salina, Kansas, resulted in the disposition of over 800 items of construction and farm equipment at good prices.

The Mosler Safe Company has agreed to purchase 17 safes, manufactured by it, at \$194.40 each. These safes cost the Government \$163 each, the difference of \$21.40 representing freight charges on each safe from Atlanta to the Mosler plant.

A large quantity of bolts, appraised at \$119,000, were sold for \$35,000. Since a bolt which is not used for the specific purpose for which it was originally intended is normally considered salvage, it is felt that this price was a fair one since, on a tonnage basis, it represents about four times the regular price of scrap.

The Surplus Reporter is now sent to over 170,000 persons, firms and corporations. As of the middle of October, the Surplus Reporter mailing list included only 90,000 names.

Total disposals for the period January 1 to January 15 were \$5,897,082.44. Our acquisitions of surplus during the same period amounted to \$11,958,905.38. As of January 15 our inventory was \$71,114,892.80.

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Procurement:

Our purchases for the week amounted to \$57,313,622.94, including \$57,000,000 for Lend-Lease (schedule attached) and \$313,622.94 for regular purchases.

Lend-Lease carloadings for the week totalled 3,528 cars.

Unusual requisitions included approximately 400,000 tons of steel for use by the French to re-equip their Army and for the maintenance of their transportation facilities; about \$13,437,123 worth of drugs, medicines, surgical dressings, laboratory equipment, dental and hospital supplies for civilian use under UNRRA; 64,004,249 pounds of wrapping paper with which to pack products in North Africa; 50,000 short tons of alcohol for the manufacture of explosives and synthetic rubber in Russia; and 35 tons of citral for shipment to Russia.

We purchased 17,000 pounds of paper for shipment to French North Africa to be used in cash register machines.

Warehousing facilities at Boston and Chicago, formerly under the Central Administrative Services of the Office of Emergency Management, have been reorganized, expanded and opened as Procurement Division regional warehouses and supply centers.

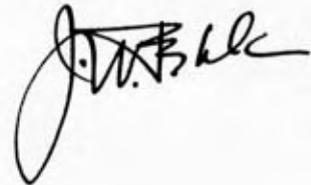
A detailed report was furnished to the Senate Small Business Committee showing the status on all critical material contracts made since the inception of the program.

Five 1943 cases were disposed of by the Price Adjustment Board. Excessive proceeds amounting to \$240,000 were recovered.

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Administration:

A statement was submitted to the Budget Section, Treasury Department, showing obligations from July 1 to December 31, 1944 on our appropriations. This statement is to be used for the Congressional hearing on Budgets, Fiscal Year 1946.

A handwritten signature in black ink, appearing to be "J.W. Bill", written in a cursive style.

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF JANUARY 20, 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	\$5925.5 (5915.0)	\$2628.0 (2628.0)	\$2457.3 (2457.3)	\$165.9 (165.9)	\$17.3 (17.3)	\$657.0 (646.5)
Requisitions in Purchase	\$ 176.0 (164.4)	\$ 34.5 (35.6)	\$ 19.1 (19.8)	\$.6 (.6)	- -	\$121.8 (108.4)
Requisitions not Cleared by W.P.B.	\$ 114.1 (90.8)	\$ 20.2 (19.1)	\$ 66.5 (52.6)	\$.7 (.7)	- -	\$ 26.7 (18.4)
Obligations (Purchases)	\$4569.1 (4512.1)	\$2068.6 (2064.8)	\$1984.5 (1970.7)	\$103.3 (69.1)	\$16.2 (16.1)	\$396.5 (391.4)
Deliveries to Foreign Governments at U. S. Ports*	\$2850.3 (2811.8)	\$1586.9 (1577.5)	\$1180.7 (1153.1)	\$ 26.4 (25.7)	- -	\$ 56.3 (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 January 13, 1945.

JAN 22 1945
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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Hovee
Date FEB 2 1945

TO Secretary Morgenthau

FROM Mr. White *HW*

You will recall that you wrote to Secretary Hull in September 1942 and August 1943 concerning the repatriation of the Treasury representatives in the Philippines. Copies of the exchange of correspondence with State are attached. Unfortunately none of the Treasury representatives have been repatriated. It has been officially reported that one, Reynolds North of the Office of the Comptroller of the Currency, died in captivity.

The attached copy of a State Department press release, dated January 22, 1945, indicates that another exchange is contemplated. While we have had no report of the whereabouts of the Treasury representatives since Manila has become a combat area, it is quite possible that they have been removed to Japan.

It will be noted that in his letter of September 1, 1943, Secretary Hull stated:

".....the Japanese Government has refused categorically to agree to the general release for repatriation purposes of any Americans captured on United States soil after December 7, 1941."

From this, it appears that the State Department has to date limited its efforts on behalf of Treasury personnel to those made in favor of the general category of Americans captured in the Philippines.

There is attached, for your signature, a letter to Assistant Secretary Grew requesting his assurances that the State Department will accord to the Treasury representatives captured in the Philippines the same treatment in the matter of repatriation which was accorded to representatives of the State Department. *(not attached)*

Attachments.

August 27, 1943

Dear Cordell:

In regard to the exchange of civilians between Japan and the United States, which I understand is about to take place, I have learned informally that none of the Treasury people in Manila are to be included in the exchange. This seems most unfortunate to me.

I am enclosing herewith a list of the Treasury personnel in the Philippines, and I would appreciate your using your good offices to see whether these people cannot be repatriated at this time.

Yours sincerely,

(signed) H. Morgenthau, Jr.

Honorable Cordell Hull,
Secretary of State,
Washington, D. C.

DEPARTMENT OF STATE

SD reply refer to

Washington

September 1, 1943

My dear Henry:

I have received your letter of August 27, 1943 enclosing a list of the Treasury personnel in the Philippines and deprecating the absence of any such personnel from the list of those to be repatriated in the forthcoming exchange.

As you say, none of the Treasury people at Manila have so far been included by the Japanese authorities for repatriation in the present exchange operation. Despite all of the Department's past and continuing efforts, the Japanese government has refused categorically to agree to the general release for repatriation purposes of any Americans captured on United States soil after December 7, 1941. Japan indicated that it would permit a small number to be repatriated from the Philippines but reserved to itself the choice of the individuals so to be included in the list. The list of those tentatively named for repatriation from Manila has recently been altered somewhat by the Japanese authorities and there may be further revisions before the exchange finally takes place.

Although the Department is continuing its efforts to obtain the agreement of the Japanese to the general

release

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

release of American civilians detained in Japanese-controlled areas of American sovereignty, including the Philippines, it is not anticipated that there will be any major change in the repatriation status of Americans so detained until after the present exchange operation is completed.

All of us in the Department are keenly aware of the distressing situation of Americans at present in Japanese hands and you may be assured that everything possible is being done to bring about their return to this country at the earliest feasible opportunity.

Sincerely yours,

(Signed) Cordell Hull

(initialed) WNT
Bell
AFL
JWP
WS

COPY

September 11, 1942

My dear Mr. Secretary:

I have received unofficial information that arrangements are being made for the exchange of United States officials in the Philippine Islands.

I shall be glad if you would inform me as soon as an exchange has been arranged, and if you would give me your assurance that the Treasury personnel in the Philippine Islands, indicated on the enclosed list, will be included among the American officials to be exchanged.

Sincerely yours,

(signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable
Cordell Hull,
Secretary of State.

Enclosure.

TREASURY PERSONNEL CAPTURED IN THE PHILIPPINE ISLANDS

<u>Name</u>	<u>Service</u>	<u>Nationality</u>
T. Maxwell Anderson	General Counsel	U. S. Citizen
William L. Hebbard	Monetary Research	U. S. Citizen
Thomas Page Nelson	Foreign Funds	U. S. Citizen
Reynolds B. North*	Comptroller of the Currency	U. S. Citizen
Albert E. Price	Comptroller of the Currency	U. S. Citizen

*Reported deceased - 1944.

WASHINGTON

In reply refer to
SD 390.1115/4861

September 26, 1942

My dear Mr. Secretary:

I have for acknowledgment your letter of September 11, 1942, regarding the arrangements being made for the exchange of United States officials in the Philippine Islands. You request assurances that the Treasury personnel in the Philippine Islands, i.e., T. Maxwell Anderson, William L. Hebbard, Thomas Page Nelson, Reynolds B. North, and Albert E. Price, be included among the American officials to be exchanged.

The Japanese government has recently indicated that a small number of Americans from Manila, including the Foreign Service personnel not connected with the local administration, will be included in the forthcoming second exchange of nationals between the United States and Japan. No information has yet been received however concerning the basis on which the Japanese government proposes to select such Americans for embarkation in the next exchange operation, but the Department is endeavoring to obtain their names and upon the receipt of this information I shall of course be pleased to inform you promptly if any of the representatives of the Treasury Department are included. I may mention moreover that the Department has no discretion in the selection of the Americans in the Philippines who may be designated for embarkation in the next exchange.

In view of the continued unwillingness of the Japanese government to apply the provisions of the present exchange agreement to the Philippines no assurance can unfortunately be given at this time that the persons referred to by you will be accorded the priority as official personnel of the United States Government that might otherwise be applicable to the persons in their category. While you may be sure that this Department will do whatever may be possible to effect the return to this country at the earliest feasible opportunity of the Treasury personnel, the refusal so far of the Japanese government to permit the return to the continental United States of officials who were a part of the administrative personnel of this Government in the Philippine Islands will complicate the inclusion of these persons in any arrangements that it may be possible to make for the evacuation of Americans from the Philippine Islands.

Sincerely yours,

For the Secretary of State:

(signed) Breckinridge Long

Assistant Secretary

The Honorable Henry Morgenthau, Jr.,

Secretary of the Treasury.

DEPARTMENT OF STATE

FOR THE PRESS

JANUARY 22, 1945
NO. 56

The following communication from the Japanese Government has been forwarded to the Department of State by the Spanish Embassy at Washington in charge of Japanese interests in the continental United States with the request that it be made known to the Japanese nationals concerned:

"Japanese Government are carefully considering further exchange of nationals between Japan and United States and expect to be able to carry it out during next year (1945). In view of special nature of Tule Lake segregation center Japanese Government are prepared to give special consideration to repatriation of Japanese subjects detained there through exchange."

The Department of State has requested the Swiss Government in charge of United States interests in Japan to obtain additional information with regard to the Japanese Government's plans for the proposed exchange of nationals between Japan and the United States.

The efforts put forth by the Department for the repatriation of American nationals in Japanese custody have been many and continuous. The first exchange of nationals between the United States Government and the Japanese Government took place in the summer of 1942 when over 1300 American nationals were repatriated from the Far East. Further negotiations lasting more than a year culminated in a second exchange of civilians late in 1943. Approximately 1240 nationals of the United States, including a small number from the Philippine Islands, and 260 nationals of the other American Republics and Canada were repatriated by this exchange.

In negotiating for the second exchange, and while that exchange was in progress, the Department of State proposed to the Japanese Government that further exchanges be effected immediately. The Japanese Government at that time refused to discuss further exchanges advancing as its reason that it desired to receive "clarification on certain points respecting the treatment of Japanese nationals in the United States". Spanish representatives in charge of Japanese interests in the continental United States were requested to supply the information requested by the Japanese Government and there is reason to believe that they complied with this request.

In March 1944, the Department of State reopened, through the Swiss Government, the question of further exchanges. A complete plan was presented under which, on a reciprocal basis, accelerated exchanges might be made. The Japanese Government informed the Swiss Government that this proposal was under study. Since then the Department of State has done everything possible to obtain Japanese agreement to further exchanges. In an effort to overcome Japanese indifference, the Department continued to present proposals, including one for a series of continuous small-scale exchanges involving the use of available railroad connections between Japanese-held

territory

Regraded Unclassified

- 2 -

territory on the Asiatic Continent and the Soviet Union.

The present communication from the Japanese Government indicates that, after long delay, Japan is now ready to negotiate for the further exchange of American and Japanese nationals. The Department of State is prepared to ensure the speedy execution of any exchange to which the Japanese Government's agreement can be obtained.

* * *

FEB 2 1945

Dear Mr. Eccles:

This is to acknowledge your letter of January 26, 1945, enclosing a memorandum prepared by Mr. Triffin on the ban on gold shipments to Argentina.

I have asked the members of the Treasury staff to study this memorandum. They inform me that they have discussed the matter informally with Mr. Gardner and Mr. Triffin and that in their opinion there is no occasion at this time to alter our policy on gold shipments to Argentina.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. M. S. Eccles, Chairman,
Board of Governors of the
Federal Reserve System,
Washington, D. C.

EMB:lr 1/31/45



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON

*Whit
for comment*

OFFICE OF THE CHAIRMAN

January 26, 1945.

My dear Mr. Secretary:

Enclosed is a memorandum, in which I feel you will be very much interested, in regard to the ban on gold shipments to Argentina. The memorandum was prepared for me by a member of our staff upon his recent return from a technical mission to several of the Latin American central banks.

While the members of the Board are not in a position to evaluate points raised in the memorandum, they felt, as I did, that it should be passed along to you for your information, the subject being one in which the Board and the Federal Reserve System have a direct interest because it relates to shipments from the stock of gold held under earmark at the Federal Reserve Bank of New York for the account of the Banco Central de la Republica Argentina.

Sincerely yours,

A handwritten signature in cursive script, appearing to read "M. S. Eccles".

M. S. Eccles,
Chairman.

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

Enclosure

BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM

Office Correspondence

Date January 26, 1945

To Chairman Eccles

Subject: Ban on Gold Shipments to

From Robert Triffin

Argentina

On my recent visit to Buenos Aires, I received from various circles first-hand information on a problem which directly concerns the relations between the Federal Reserve System and the Central Bank of Argentina.

Shipments of earmarked gold from the Federal Reserve Bank of New York to the Central Bank of Argentina were refused clearance papers in August 1944 by customs authorities at New Orleans. The Banco Central de la República Argentina made two cable inquiries to the Federal Reserve Bank of New York requesting information as to the reason for this action. Both cables were forwarded to the Treasury Department, but to date no reply has been made.

No official statement regarding the action of the customs officials has been released, but we understand that the shipments were held up as a result of consultations between the State Department and the Treasury. According to our information, the decision was taken at that time in contemplation of a more general freezing order on Argentine assets, on which action was expected momentarily. No progress has been made in this direction, however, and the ban on gold shipments has remained in effect for months as an isolated case in this field.

Whatever irritation or annoyance it may cause the Argentines, the action taken cannot restrict them in any way since they possess large reserves both within and outside of the United States and, in any case, are still allowed to use the gold earmarked here for purchases in our markets.

Repercussions within Argentina are definite and deserve careful consideration. The present Argentine Government has long considered the Central Bank as one of the main centers of opposition. Violent press campaigns have been waged against it in the nationalistic, pro-government sheets and the General Manager of the Bank, Raul Prebisch, was removed by the Government in October 1943. The prestige of the Bank is such, however, that the Government did not dare go further until it could strengthen its case with the public and the financial community with concrete evidence that the Bank had been remiss in its duties. The ban on gold shipments came as a godsend in this respect since the Bank could be accused of being responsible for the decision of leaving the gold under earmark, thus making the country directly vulnerable to the action which was taken here. This is now being exploited by the Government and we understand that a legislative draft has been prepared which would in effect completely destroy the Central Bank.

The Central Bank has always been far more internationally-minded and more cooperative with us than any other agency of the Argentine Government. The change contemplated would be a step backward not only from the Argentine point of view but also from the point of view of our own national interests as well as for the prospects of post-war international collaboration in the monetary field. While the difficulties between the Government and the Bank are of long standing and do not originate merely in our action on gold, the Government now is in a far stronger position in its fight to destroy the Bank. The Bank has enjoyed considerable prestige in the country but its good standing has been weakened no doubt by the apparent justification of the Government's criticism against it which we have thus provided.

While in Buenos Aires, I kept in close contact with our embassy. Its views coincided with those expressed here on the attitude of the Central Bank with respect to this country and also on the practical effects of the ban on gold shipments. The latter point was made the subject of a specific communication cabled to State around the end of September or the first days of October.

This memorandum is not intended to suggest in any way a policy of "appeasement" in our relations with Argentina. On purely technical grounds, it appears evident that the particular measure here discussed can have little, if any, significance as a weapon of economic warfare and is, in my opinion, detrimental to this country's long-term interest, regardless of whether we wish to be "tough" or "soft" in our general policy toward Argentina.

Outright repeal would not be misinterpreted as a sign of weakness on our part if it were coupled with the institution of new, and possibly more significant, controls in some other direction. If, on the other hand, new developments in the Argentine situation should prompt a revision of our policy, resumption of gold shipments might be considered as our first step.

I have taken the liberty to bring this problem to the attention of the Board since the status of earmarked gold is of direct interest to the Federal Reserve System and since the Argentine Central Bank is under the mistaken impression that the action taken was decided upon at the initiative or at least with the full assent of the System.

February 2, 1945

Harry White.

Secretary Morgenthau.

I'm not satisfied to let the last letter that Grew wrote me on the negotiations with the French stand unanswered. I think for the record we ought to answer it, saying that Clayton has agreed to go ahead on the Treasury plan and settle the gold balances in advance of signing a master agreement. I wish you would try and turn that out today if possible and get it to me by two o'clock. I'd appreciate your making an extra effort on this. I think it's a mistake to leave Grew's letter without an answer. *John*

FEB 2 1945

My dear Mr. Grew:

This is to acknowledge your letter of January 25 concerning the proposed lend-lease agreement with the Provisional Government of France.

The subject matter of your letter was discussed by Treasury officials with Mr. Clayton of your Department. Mr. Clayton agreed to adopt the procedure of reaching an agreement among the interested agencies of the Government as to the financial basis of the program before the signing of the Master Lend-Lease Agreement with the French, and he has agreed that his view so expressed for the State Department would supersede your letter of January 25. Discussions among the interested agencies have been going forward urgently, and I hope agreement will be reached very shortly.

Sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Joseph C. Grew,
Acting Secretary of State.

Copy to Mr. Grew

2/5/45-

HDW:HC/jm
2/2/45

TO:

○ Secretary Morgenthau

You may be interested
in the attached press
release on lend-lease
aid to Soviet Russia.

Feb 2,
~~Jan 30,~~ 1945 OCE

○

Oscar Cox

G-2358

Roche - FEA 575

OWI-4008

Cox

FOREIGN ECONOMIC ADMINISTRATION

ADVANCE RELEASE:

For Saturday Morning Papers,
February 3, 1945.

Cleared and Released
Through Facilities of the
Office of War Information

Leo T. Crowley, administrator of the Foreign Economic Administration, issued the following statement today:

Soviet armies battering the Nazis in Silesia, East Prussia, Poland and other points on the eastern front, are using millions of tons of American-made ammunition and equipment, supplied by the United States under lend-lease. Soviet officials have expressed to us their appreciation of the part these are playing in the success of the campaign.

Our share in the equipping of the Soviet troops is small compared with their total needs. The United States has, however, supplemented to an important degree Soviet production and resources on such items as motor trucks, locomotives, freight cars and other vital supplies. The transportation equipment is particularly more vital now than ever before because the Soviet supply lines are extended further and further into enemy territory.

From the beginning of the lend-lease program up to December 1, 1944, the United States had supplied under lend-lease more than 331,000 motor vehicles, including 45,000 jeeps. More than half of the Soviet army's supplies on some fronts are being carried by these trucks. We have also supplied under lend-lease 29,000 motorcycles.

In January 1944 we launched a program to supply railroad equipment for the drive against the Nazis fleeing Soviet soil. After the Nazis were turned at Stalingrad in November 1942 and during the months of their retreat to the Balkans and their own borders, they had systematically destroyed highways, railroad lines and rolling stock, in an effort to slow down the pace of the pursuing Soviet armies. Production for replacement by factories and mills in the Soviet Union was insufficient. Through November 1944 we had supplied under the lend-lease program 1,045 railroad locomotives, 7,164 flat cars, 1,000 dump cars and 100 tank cars. The movement of this type of equipment reached its peak in November 1944, when we shipped 1,367 flat cars.

The problem of rail replacements has also been a major task of lend-lease. Through November 1944 we had sent 2,120,000 tons of steel to the Soviets. Of this total, 478,000 tons consisted of railroad rails and 110,000 tons of wheels and axles. For vital war production we also sent 16,600 tons of ferro alloys to be used for the manufacture of steel in the Soviet mills and 733,000 tons of non-ferrous metals, which included 253,000 tons of aluminum, 314,000 tons of brass and 65,000 tons of other copper products.

Under lend-lease the United States has also aided the Soviet Union in rebuilding and reequipping her war industries in areas devastated when the Nazi armies invaded Soviet Russia in 1941. In this connection we have sent 60 power trains to help replace sources of power such as the ruined Dneprostroy Dam for these industries and have others ready for shipment. The Soviets destroyed essential parts of the \$110,000,000 dam in August 1941, to prevent its falling into Nazi hands, and the Nazis wrecked it further as they retreated.

(over)

X-38214

Regraded Unclassified

The power train program was started to assist the Soviet Union with the production of munitions. Such sources of power were particularly necessary in those areas which had previously gotten their power from the Dneprostroy Dam before it was blown up. The first trains were shipped in August 1944 and totaled 60 in the four months ending November 30, 1944. These power trains consist of complete steam-generating units mounted on railroad flat cars which are moved on railroad tracks from city to city or industry to industry as the need demands.

At the time the Russians blew up the Dneprostroy Dam, dozens of Soviet industries were moved back from the path of the invaders to prevent their falling into the hands of the enemy. Many of these have now been reestablished on their original sites, where sources of raw materials and transportation facilities are close at hand. Reconstruction of the dam would not be feasible as a war project, however, as the work would probably require many years. The power trains, designed by American engineers and constructed in American factories, serve as an emergency source to a group of the more important war industries.

The first of the power trains were assigned to the Donets Basin, where they won the immediate praise of Soviet engineers. To date we have sent nine 5,000-kilowatt trains, 26 of the 3,000-kilowatt type and 25 1,000-kilowatt trains.

The finished munitions sent to the Soviet Union up to November 30, 1944 include: 12,200 airplanes, the largest allocation of planes to any individual nation on our entire lend-lease program; 135,000 machine guns; 294,000 tons of explosives, mainly TNT and powder; 6,000 tanks; 1,800 self-propelled guns; 1,200 half tracks; 13,000 pistols; 3,300 armored scout cars; 8,200 guns of varied sizes, including anti-aircraft; 5,500 artillery prime movers; and 1,700 ordnance vehicles.

The United States has supplied an important share of many other of Russia's wartime needs, such as 1,300,000 tons of petroleum products, and 638,000 tons of chemicals. The Soviet air force has drawn heavily on fuel supplies, and the Soviet munitions industry has been aided by our chemicals.

The task of outfitting the Soviet troops under the handicaps of ruined mills and losses of supplies that fell before the invaders has been solved in part by American lend-lease supplies, which through November 1944 included 11,000,000 pairs of army boots, 97,000,000 yards of cotton cloth, 50,000,000 yards of wollen cloth and 58,000,000 yards of webbing and 24,000 tons of abrasive products.

END OF ADVANCE RELEASE: For SATURDAY MORNING Papers, February 3, 1945.



BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE

WASHINGTON 6, D. C.

TELEPHONE DECATUR 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statements Nos. 173 and 174 --
Aircraft Despatched -- for the weeks ended
January 19th and January 26th respectively.

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

February 2, 1945.

STATEMENT NO. 173
Aircraft Despatched from the United States
Week Ended January 19, 1945.

BRITISH/U. S. SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA.</u>
<u>CONSOLIDATED</u>					
Liberator B-VI	M.E.	M.E.		17	
Liberator B-VI	India	India		10	
Liberator GR-VI	U.K.	U.K.		1	
Liberator GR-VI	India	India		1	
Liberator GR-VIII	U.K.	U.K.		8	
Liberator C-IX	India	India		1	
<u>GLENN-MARTIN</u>					
Marauder III	M.E.	M.E.		12	
<u>NORTH AMERICAN</u>					
Mitchell II	Canada	Canada			1
Mitchell III	U.K.	U.K.		6	
Mustang	U.K.	U.K.	1		
Mustang	N.W. Africa	Casablanca	6		
<u>DOUGLAS</u>					
Dakota IV	U.K.	U.K.		1	
Dakota IV	India	India		23	
<u>BOEING</u>					
Catalina VI	U.K.	U.K.		2	
<u>VOUGHT-SIKORSKY</u>					
Helicopter	U.K.	U.K.		4	
* Corsair	India	Cochin		8	
* Corsair	Australia	Sydney		7	
<u>BEECH</u>					
UC 45 Beechcraft	India	Cochin		8	
UC 45 Beechcraft	India	Karachi		5	
<u>GRUMMAN</u>					
Avenger	India	Cochin		1	
* Wildcat	India	Cochin		2	
<u>REPUBLIC</u>					
Thunderbolt	India	Madras		7	
Thunderbolt	India	Karachi and/or Madras		4	
<u>NOORDUYN</u>					
Harvard	U.K.	U.K.		1	
<u>STINSON</u>					
Reliant	Australia	Sydney		12	
Reliant	Australia	Brisbane		2	
Reliant	India	Cochin		1	
* with radio equipment.			Total:	69	82
					1

Movements Freight I, R.A.F. Delegation
mmh

January 24, 1945.

STATEMENT NO. 174

203

Aircraft Despatched from the United States
Week Ended January 26, 1945

BRITISH SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>LOCKHEED</u>					
Fortress III	U.K.	U.K.		5	
<u>CONSOLIDATED</u>					
Liberator B-VI	U.K.	U.K.		1	
Liberator B-VI	M.E.	M.E.		5	
Liberator B-VI	India	India		1	
Liberator GR-VI	U.K.	U.K.		3	
Liberator GR-VI	India	India		3	
Liberator GR-VIII	U.K.	U.K.		10	
(1) Liberator C-IX	U.K.	U.K.		1	
<u>GLENN MARTIN</u>					
Marauder III	M.E.	M.E.		4	
<u>NORTH AMERICAN</u>					
Catapult III	U.K.	U.K.		1	
Mustang	U.K.	U.K.	1		
<u>DOUGLAS</u>					
Dakota IV	U.K.	U.K.		8	
Dakota IV	M.E.	M.E.		3	
Dakota IV	India	India		4	
(2) Dakota IV	R.A.F.T.C.	300 Wing		13	
<u>BEECH</u>					
Beechcraft UC 45	India	Karachi	16		
<u>VOUGHT-SIKORSKY</u>					
* Corsair	India	Cochin	10		
<u>REPUBLIC</u>					
Thunderbolt	India	Madras	18		
Thunderbolt	M.E.	Alexandria	5		
<u>NOORDUYN</u>					
(3) Harvard	M.E.	Alexandria	1		
			51	62	0

* with radio equipment.

(1) Previously reported in Statement No. 172 as exported to Canada. Please delete. Also change destination of Liberator C-IX in Statement No. 172 from India to U.K.

(2) Omitted from Statement No. 173 19 Dakota IV's were exported to the R.A.F.T.C., 300 Wing week ended January 19.

(3) Note: 4 Noorduyn Harvards were exported by air to Trinidad by the Royal Navy as follows: 2 November 26, 1944 and 2 December 1, 1944.

mmh
File V-11-45Movements Freight I, Rafdel
February 1, 1945.

DEPARTMENT OF STATE

FOR THE PRESS

FEBRUARY 2, 1945
No. 82

CONFIDENTIAL
FUTURE RELEASE
NOTE DATE

CONFIDENTIAL RELEASE FOR PUBLICATION AT 8:30 P.M., E.W.T.,
FRIDAY, FEBRUARY 2, 1945. NOT TO BE PREVIOUSLY
PUBLISHED, QUOTED FROM OR USED IN ANY WAY.

ADDRESS BY THE HONORABLE JOSEPH C. GREW, ACTING SECRETARY
OF STATE, BEFORE THE FOREIGN POLICY ASSOCIATION IN
PHILADELPHIA, PENNSYLVANIA, FRIDAY, FEBRUARY 2, 1945,
8:30 P.M., E.W.T.

Too often the problems with which the Department of State is faced in its conduct of the foreign affairs of this country are considered as strictly State Department problems. Actually, they are the problems of the American people; and it is the duty of the Department of State, as we see it, to put those problems before the country as fully and as promptly as it can. It is the Department's conviction that the people of the United States are entitled to know what they face in their relations with other countries -- what is the background and what are the details which eventually crystallize into what becomes known as "policy".

One of the principal problems with which our country is now faced is the problem of getting vital supplies to civilian populations in liberated areas still involved in war. This problem exists in all liberated countries; but I should like to speak of it tonight as it presents itself in our relations with one of our oldest and most trusted friends -- France.

The impulses of our minds and hearts are simple enough. We and our Allies desire to aid the French in all possible ways to relieve their present suffering in order that they may fight and produce for victory in this war. But there the simplicity stops and we have to start weighing priorities and other obstacles.

On the one hand we have in France a nation which has undergone four years of Nazi occupation, four years of physical, mental and moral anguish, four years of organized plunder of every conceivable description. The sufferings of France are today spoken of almost too glibly by some returning travellers. Those sufferings have been, and are, too real to be glossed over with clichés or overshadowed by the memory of a black-market meal in a Paris restaurant. The French people are cold; and they are all the colder because many of them are

hungry

hungry. Some of their machinery has been destroyed, and they lack the raw materials to start their industries going again. Millions of their men, businessmen and laborers alike, are either in prison camps or have been carried off to Germany to forced labor. It is as complete a vicious circle as one can imagine. France as a nation is literally stuck at dead center, and will require a boost from us in order to start rolling again. And we want to give her that boost with all our hearts.

On the other hand we have a France at war and in war. France, from the military point of view, is the supply area behind the principal battleline of the major Anglo-American effort to destroy the Nazi enemy. That this supply area is the same France to which I have just referred, lived in by the same people, is one of the great tragedies of this war.

Before France can cease to be a supply area behind a major line of battle, the battle must be won. And until the war is won, men, munitions, machines and supplies must continue to flow, not to France, but through it, to support the fighting on beyond.

Now one of the major decisions of the Allies in connection with the Western European military operation was that the Allied military, unlike the German military, would be completely self-sufficient, and that the produce of France would not be requisitioned by the Allied armies. I need not go into any astronomical statistics to have you appreciate what that decision meant in terms of shipping tonnage, and internal transport tonnage, and transport which may have been used for civilian supply purposes. But the decision was worth it.

The amazement and gratitude of the French over the fact that gigantic armies could land in France, deploy over their country and in a relatively short period drive the Germans from virtually all of France, without living off the land, was the complete justification for the decision.

However, some of that French gratitude turned to dismay when the inevitable things that go wrong in war began to go wrong in France. Of those things which went wrong, three were major.

First, was the condition of internal transport in France. Between German demolition, sabotage by French Resistance in aid of the Allied Armies, and Allied bombings, there wasn't much left in the way of bridges, canal locks, marshalling yards, important rail centers or rolling stock. In locomotives alone, France dropped from approximately 15,000 locomotives in 1939 to under 1,000 at the time of the landings in Normandy. Those automobile trucks which had been left by the Germans -- all of them operating on wood gas -- were in a shocking state.

Next

Next was what we can call the "port" situation. Between German demolition and German tenacity, we did not obtain useful ports in sufficient quantity soon enough. Even today certain French ports are still in enemy hands, and the facilities of ports which have been liberated were thoroughly wrecked, with their channels sewn with mines undetectable by normal means and requiring slow and hazardous work by deep-sea divers who incredibly find these mines by sight and touch. This shortage of ports did two things: First, it made the round trip by ship to France longer than had been expected, thereby reducing delivered tons per ship. Second, and most important, it greatly lengthened the anticipated truck haul, thereby cutting down the Army transport tonnage available for emergencies. You can visualize for yourselves the difference in your trucking problem to supply a military unit in Luxembourg if, instead of having Antwerp as your port of supply, you have to go to Cherbourg to get your supplies. Your demand remains constant, your trucks remain constant, your mileage is almost trebled.

The last difficulty, but by no means the least, is the weather. France has had and is having one of the worst winters of its history. The rivers reached flood stage in December. Not since the famous floods in 1908 has the Seine risen so high. That meant that all river traffic, which had been painfully organized to supplement the inadequate rail traffic, was immobilized for weeks, since neither the tugs nor the barges could pass under the bridges. In January France had an unprecedented snowfall. In Paris approximately twelve inches of snow fell -- something absolutely unheard of -- followed by just enough thaw to make just enough ice when it froze to render road traffic throughout France almost impossible.

I have not listed the following as a major point, but I feel that I would be guilty of an historical oversight if I did not mention the fairly recent German Ardennes offensive and Alsace offensive, which did not lessen the Allied supply and transport problem.

Thus we find that France's own internal, physical situation, plus the hazards of war, plus certain acts of God, combined to create an acute French supply problem, which will be corrected as fast as it is humanly and logistically possible to do so. But meanwhile the problem exists and we should recognize it, and recognize its impact upon Franco-Allied and Franco-American relations. It is a painful labor to balance the needs of the civilian population of France, or of any other liberated area, against the needs of a battleline flung around the world. But until the supply of shipping is adequate -- which means until the war is won -- that painful labor must be faced.

That is the black side; and I have not attempted to lighten it. There is also a brighter side, and I ask that you accept it as unequivocally as I have tried to depict the dark side. The fact is that we have shared what we could with the French from the beginning and we will continue to share with them.

French

French ports are being reconstructed and French means of transportation are being improved. I referred to French locomotives as being under 1,000 on D-Day. They now number several thousand. This reconstruction and these repairs, though undertaken for military reasons, accrue directly to the benefit of the French people.

For the French Army: Eight full Divisions of French troops and approximately 300 supporting and service units have been equipped by the United States with material valued through December 31, 1944, at \$700,000,000. Recently the equipping of eight more Divisions of French troops was agreed upon, and substantial numbers of Army planes have already been delivered.

For the French Navy: The battleship RICHELIEU, several cruisers, submarines and more than 20 other French war vessels have been overhauled and modernized in United States Navy Yards. Three heavy and seven light cruisers are now operating in the Mediterranean, all with American equipment; and well over 100 other warships have been turned over by the United States.

For France herself: A substantial program for French industry, using American and French raw materials, with the military effort as the initial beneficiary, but with obvious advantages to the civilian economy, is now about to start. The Army has initiated procurement of one billion dollars worth of military supplies, to be produced in France during 1945. Raw materials will be shipped to France in vessels allotted for this purpose. Let me name a few of the diversified articles already contracted for: 2,600,000 uniforms for American soldiers; 200,000,000 board feet of lumber; \$10,000,000 worth of X-ray film; up to 200,000 heavy duty tires. These orders, a percentage of which will be released for French use, will create employment in France and, by starting France off dead economic center, will inevitably aid in the restoration of her economy.

Even in the almost insoluble problem of shipping, considerable aid has already been given. Merchant vessel space has been assigned to carry civilian cargo to France a total of twenty-six precious ships, having an aggregate capacity of approximately 182,000 tons, are scheduled to sail during the first quarter of this year.

Moreover, the War Shipping Administration has turned back to the French Government for manning by French crews some French ships formerly operated by it. An undetermined number of Liberty ships will be manned by experienced French crews, and operated as part of the United Nations shipping pool under the French flag.

Various agencies of our Government are now processing additional French programs of non-military purchases. These will be held for available shipping.

Besides these French procured supplies, provision has been made for a continuing program of shipment of civilian supplies by the military. By December 1944, a total of 175,000 tons of civilian supplies had been shipped by the United States Army to Southern France and Northwest Europe. A total of 17 ships carrying approximately 119,000

tons

tons are scheduled for February arrivals in the same areas. Substantial portions of these cargoes will be made available for civilian uses in France.

The French, with their characteristic courage and clarity of mind, know that the larger needs of France cannot be met until Nazi Germany has been defeated. The French should not be and are not ashamed to voice their needs. We should not be and are not ashamed to state our capability. We both know that the fighting war comes first.

It was General Eisenhower who said that the French Forces of the Interior had been worth fifteen Allied Divisions in the liberation of France. Today French troops are fighting beside American troops on the western front. Today French civilians all over France are suffering, but are confident of victory, - for victory when it comes will be a victory of our Allied arms, in which all our fighting men will have shared, and a victory of suffering in which the French will have more than shared. May our will for peace and security, and may our plans for the rehabilitation of those who have suffered, be equal to the victory we will have achieved and the task that lies before us.

* * *

Treasury Department
Division of Monetary Research

209

Date.....1945

To: *g/lasper. Belaney*

From: *C/S* *Please prepare*

Who handles neutrals *Urgent*

*Please have some one
prepare a 1 page summary
of important points for the Sec.*

Feb. 3, 1945

210

From Miss Chauncey.

Secretary has not seen.

211
nl



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
ECA

February 2, 1945

SECRET

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits herewith for his information a copy of a secret document, "United States Proposal for Allied Economic Policy Toward Neutral Countries" (ECEFP D-90/44), approved by the Executive Committee on Economic Foreign Policy.

The document recommends securing from neutral countries positive cooperation in furthering the Allied war effort, recovering looted property, eliminating Nazi economic influence, and providing for the relief and reconstruction of liberated areas. The document has been approved by the President as a basis for discussion with other major Allied governments. Accordingly, arrangements are being made for discussing this matter with such governments.

Enclosure:
ECEFP D-90/44

RECEIVED
Foreign Department
FEB 8 1945
Office of
Special Liaison



SECRET

212

102

SECRET

ECEFP D-90/44
December 8, 1944

EXECUTIVE COMMITTEE ON ECONOMIC FOREIGN POLICY

UNITED STATES PROPOSAL FOR ALLIED ECONOMIC POLICY
TOWARD NEUTRAL COUNTRIES

(As approved by the Executive Committee on Economic
Foreign Policy December 8, 1944)

Those countries which have up to this time maintained neutrality or a non-belligerent status (including but not necessarily limited to Spain, Switzerland, Sweden, Portugal, Turkey, Eire, Argentina, and Tangier) constitute a special problem for Allied economic policy for a period beyond the close of hostilities in Europe. It is recognized that no policy which is adopted can be applied equally to all neutrals, that each situation must be dealt with as it arises, and that similar objectives, particularly with regard to supply matters, must be sought from some of the other Allied countries including liberated areas. Since it is essential that economic policy toward neutral countries represent agreement among the major Allied powers, it is recommended that the policy set forth herein be used as a basis for discussions on this subject with our principal Allies.

The problem has several aspects:

1. During the war these neutral countries have maintained commercial and other relations with Germany, often with considerable profit to themselves, and contributed in greater or less degree to German purposes.
2. The Germans have taken advantage of the neutral status of most of these countries to cloak enemy-owned and looted property, to undermine the effect of the Allied blacklists, and otherwise to promote German economic objectives.
3. The neutrals have not associated themselves with the United Nations and thus are not committed to United Nations decisions regarding the control of

Germany

-2-

Germany and Japan and long-term measures for political and economic security.

4. They are not committed to assume any responsibility for assisting in the rehabilitation of areas devastated as a result of the war.

5. As a result of their neutral position and in part as a result of their collaboration with the enemy, they are in many cases stronger economically than neighboring countries which have cooperated with the United Nations.

6. As they will be the only areas beyond the reach of direct Allied control, a residue of Axis activity is likely to remain in neutral territory, financed by enemy assets.

Because of these circumstances, therefore, the United States must seek certain special objectives in these neutral countries.

The principal objectives are as follows:

1. To obtain enactment and implementation by the neutrals of:

A. effective measures which will prevent export of enemy property into or through neutral territory, will circumvent German economic penetration or control of neutral economies, and will assist in restitution of loot, in preventing secretion of flight capital, and in disclosing all Axis assets;

B. measures recognizing Allied authority within their jurisdiction over all enemy assets; and

C. effective measures to prevent goods, particularly those of low volume but high strategic value, from going from or through their countries to Japan.

2. To obtain neutral cooperation in resolving the confusion of property relationships arising from enemy occupation of various Allied countries

and

SECRET

and the enemy's attempts to cloak their dealings through neutral agents.

3. To obtain agreement with the neutral countries not to obstruct the program adopted by the Allies for continuing the Statutory and Proclaimed Lists.

4. To prevent the disruption, by neutral competition, of Allied procurement arrangements for goods in tight supply.

In addition to the above, the following objectives should also be sought:

1. To enlist a contribution by the neutral countries in proportion to their resources for the relief and rehabilitation of liberated areas.

2. To obtain the cooperation of the neutral countries in supplying Allied requirements.

Assistance from the neutrals in providing for relief and rehabilitation and in supplying Allied requirements should not, however, be regarded as satisfying in any way the four principal objectives indicated above.

Implementation of Policy

Since it is probable that some of the detailed controls involved in allocation of supplies and United States export regulations will be relaxed within a relatively short time, it is important to consider what controls should be developed if any substantial economic levers for obtaining our objectives in the neutral countries are to be retained. The following may be useful for this purpose:

1. In the European neutral countries, the navicert machinery has provided a direct and complete control over all important neutral imports. So long as it is maintained, it will be effective in providing the necessary machinery to attain our objectives in the European neutral countries.

2. United Nations export and import controls, commodity allocation machinery, government purchase programs, exchange control and freezing regulations

will

will, so long as they are retained, be effective in providing necessary machinery for the attainment of our objectives in the neutral countries.

3. The Allies will have direct control over the exports, imports, exchange and other financial transactions of enemy countries. By the exercise of such controls it might be possible to obtain assistance from the neutrals in attaining to a substantial extent the objectives indicated above.

4. The determination of when neutrals may be admitted to United Nations associations for international cooperation will depend in some measure upon the extent to which they cooperate in the recognition and implementation of the above objectives.

The policy of the United States is to remove wartime restrictions on international trade as completely and rapidly as is feasible. So long, however, as our national interest requires the retention of control measures, including those listed above, such controls will be available to secure the objectives outlined in this document. In practical terms, it is probable that the second and third control measures listed will be the most effective in the attainment of the particular objectives under discussion.

Some of the specific problems to be dealt with under the policy set forth above are indicated in the attachment hereto.

ATTAINMENT OF ALLIED OBJECTIVES IN NEUTRAL COUNTRIES

For a period which may extend beyond the collapse of German resistance, it will be necessary for the neutrals to make arrangements with the Allied nations to obtain the supply of certain scarce commodities essential to their economic existence. During this period the bargaining power of the Allies will probably be at its height and the relatively strong position of the Allied countries in relation to the neutrals should be used to attain our economic objectives.

The first three objectives arise out of the special relationship in which the neutrals have stood vis-à-vis Germany. During the war period they have maintained close commercial and financial relations with Germany and have assisted Germany to a greater or less degree in carrying out her economic plans. For example, European neutral financial institutions have assisted the enemy in reorganizing European industry and finance to serve the German war economy and German long-range interests. In this reorganization the property relationships existing prior to the war have been drastically affected, and German interests and control have replaced those of the occupied and satellite countries. Many of these transactions have been conducted through neutral channels and cloaked under nominal neutral control. The assistance and cooperation of the neutral governments will be essential in unravelling this extremely complex situation.

Enemy Assets

Upon the outbreak of war certain neutral interests undertook to cover German ownership and control of properties outside Europe, thus helping to prevent Allied seizure of German assets and destruction of German economic power. During the war German owners of property, looted or otherwise, have frequently sought haven for their assets in the neutral countries. Whether the purpose of these Nazi nest eggs is to preserve private wealth or to promote German national interests, it is important to gain control of them through every means possible, both to restrict Germany's economic influence and to provide assets from which restitution or reparation payments can be made.

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The neutrals are already being requested to take measures to prevent the influx of flight capital and to detect and counteract the presence of German economic influence within their jurisdiction, and their willing assistance in this program would be most valuable. Far-reaching measures need to be taken, however, which will involve powerful interests in the neutral countries. It is certain that the utmost pressure will be brought to bear upon their governments to prevent restoration to the legitimate owners or confiscation by the Allies of assets held for or acquired from the enemy. Where voluntary cooperation proves insufficient, we must be prepared to use direct pressure upon the neutral governments.

Neutral Confiscation of Enemy Property Not Subject to Specific Allied Claims

There is a considerable danger that the neutrals may attach or confiscate certain enemy property against the deficit in the German-neutral clearings. Agreement should be reached with the neutrals concerning all German-neutral clearings, the clearings of the satellite countries with the neutrals, and other enemy indebtedness to the neutrals pending permanent settlement. The clearing deficits represent, in effect, credits granted by the neutral governments to Germany and the satellite governments against the strong representations of the Allies.

The Proclaimed List

It is important that the Proclaimed and Statutory Lists be continued for a time beyond the end of hostilities. During the war the effectiveness of Allied blacklists in the neutral countries has been very uneven. In the European neutrals adjacent to enemy territory, listed persons could always trade with the enemy - they were in fact given special considerations by the enemy - while Allied sympathizers have frequently been subjected to serious loss because of their friendship for us. The Allies have stated that they would protect the interests of persons and firms in neutral countries who have been of assistance to the Allied cause during

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the war, by restricting in so far as possible the ability of persons on the Proclaimed and Statutory Lists to carry on trade or obtain supplies from other areas.

To this end American nationals should be prevented from trading with Proclaimed List persons or firms in neutral countries under sanction of the Trading with the Enemy Act, and the other Allies should be requested to follow a similar policy in so far as possible. The neutral countries should also be requested not to obstruct the program adopted by the Allies for continuing the Statutory and Proclaimed Lists.

The effective enforcement of restrictions against blacklisted persons is not only an obligation arising out of our wartime program but will also greatly reenforce the potential effectiveness of the blacklist as a sanction to be used by a future international security organization to enforce peace.

Supplies

The neutral countries in return for supplies from United Nations sources should certainly be asked to contribute goods or services such as shipping and technical assistance to the rehabilitation of devastated areas in Europe and the Far East, or, where that is not possible, to provide needed goods or services at reasonable prices, such rehabilitation is as important to their future prosperity and security as to that of other countries.

Considerable support can be expected within the neutral countries themselves for cooperation in European rehabilitation. The European neutrals in many cases have an uneasy conscience about their performance during the war and are anxious to redeem themselves by assisting economically in the postwar period. At the same time, however, considerable pressure will be exerted within the neutrals against any action which would reduce profits or lessen commercial advantages to their citizens.

The neutrals are now in a favorable position to obtain special advantages over the liberated areas and other Allied countries by preempting export markets. They have built up large foreign exchange balances and other liquid assets; their economies have been substantially unimpaired by the war, the essential requirements of their populations have

been

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been well supplied; they have been able in some cases to build up substantial stocks of fuel and raw materials; they have merchant fleets independent of United Nations control; and they are in a strong position to undertake a rapid expansion of peacetime production and exports. There is danger that due to these circumstances, all resulting essentially from their neutrality and their willingness to cooperate economically with the enemy, they may be able to get a long head start over other countries in the production of goods for export. The neutrals should not, however, be permitted to expand their commercial exports at the expense of a reduction in supplies available for the liberated areas and other Allied requirements. Commodities in tight supply should not be provided to the neutrals beyond their essential requirements (presumably about the rate at which they have imported during the war period) plus the amounts required for use in the manufacture of products needed for relief and rehabilitation.

Coordination of Purchasing

In order to prevent the disruption of Allied procurement arrangements by neutral competition, the neutrals should be asked to purchase certain commodities in exceptionally short supply through Allied procurement machinery. Experience during the war has demonstrated the danger of neutral competition, which may become even more serious as the war draws to a close and during the immediate post-hostilities period. The European neutrals have in general found it to their advantage to purchase through Allied machinery, so that it should be possible without great difficulty to obtain their agreement to similar measures in the immediate future. Agreement to their importing goods from Allied sources should also be conditioned upon their willingness to surrender to the Allies, for allocation elsewhere, stockpiles which they own and which the Allies are not willing on supply grounds to permit them to import.

CORRECTION

ALH

February 2, 1945

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

In cable from Chungking numbered 136, dated
January 31, 3 p.m. (SECTION ONE OF TWO) page 1,
line 12, delete "(?)" insert "Farmer's" so as to
read "Two. Prices. Farmer's Bank confidential retail
price, et cetera."

DIVISION OF CENTRAL SERVICES

JMB

Note: Correction from Chungking

CC-717
Distribution of true
reading only by special
arrangement. (SECRET W)

London

Dated February 2, 1945

Rec'd 6:46 a.m. 3rd

Secretary of State,
Washington.

1161, February 2, 7 p.m.

FOR WEB FROM MANN

We have again taken up with British matter mentioned WRB 33 and 37. Foreign Office cabled British Minister in Bern for full report when matter first brought to its attention. Bern has not replied notwithstanding repeated reminders from Foreign Office. Accordingly British still unable to give us an answer, but expect to be able to do so soon.

WIMANT

WGB

6

BT-511

PLAIN

London

Dated February 2, 1945

Rec'd. 4:31 p.m.

Secretary of State,
Washington.

1175, Second.

FOR WRB FROM MANN.

Please deliver the following message to Susanne
LaFollette from Jef Rens:

MESSAGE BEGINS: Minister van Acker having left before
receiving your cable, I have taken advice Heri Fuss,
Director General Labor Department and Joseph Bondas, General
Secretary Belgian Federation Labor now in London for ILO.
Both urge financial aid now being more important than any-
thing else. Inflation in Belgium not to be feared. I
had already informed Belgian friends about your promise
of \$150,000. Non-fulfillment this promise would mean
great disappointment to them. MESSAGE ENDS.

WINANT

JT

BAS
No paraphrase necessary.
(SECRET)

February 2, 1945
1 p.m.

U.S. URGENT

NIACT

AMERICAN CONSUL,

MARSKILLE. (FRANCE).
71

This telegram is for Lafoon and Hodgdon and in response to your telegrams 34, January 31, 9 p.m., 35 undated, 35 February 1, 36 February 1, 4 p.m.

A telegram will follow dealing with question of accounting for overland transportation charges for category F refugees bound for Philippville.

There are at least two persons who should go to Philippville. among the category A and B Americans received in the exchange. Instructions regarding them will be sent separately.

As indicated in the numerous telegrams so far sent authorizing embarkation of individuals on the Gripsholm the category F group included a number of American citizens and alien relatives entitled to accompanying them to the United States. Such American citizens and accompanying relatives should not (repeat not) go to Philippville.

Department unable identify Otcer (repeat Otcer) mentioned in your 36. Please give full data including reference to Bern's telegrams mentioning this individual.

Regarding Eastham Department is cabling Bern requesting that Legation take up problem with Swiss Government and endeavor to find solution. Does she possess British nationality and could British consul take charge of her.

Department considering problem presented by men of doubtful loyalty who wish to remain in Europe and is hoping that helpful instructions on the subject may be sent you before Gripsholm leaves Marseille.

In view of all problems involved, Department hopes that departure of Gripsholm from Marseille will not (repeat not) be unduly hastened.

OREW
ACTING (EAP)

SAG-697

PLAIN

Lisbon

Dated February 2, 1945

Rec'd 4:16 a.m., 3rd

Secretary of State

Washington

234, Second

WEB 299 FOR HIAS 425 LAFAYETTE STREET NEW YORK
FROM BERNSTEIN HICEM.

Wladimir Schah, Paris, informs January 12 send
3 staff members southeast southwest and central France
with detailed instructions and necessary powers to
reopen offices specially Marseille, Nice, Lyon and
Grenoble. They will contact authorities to establish
list deported and victims in view of research. Just
received French visa, leaving with Raphael Spunien next
week will visit enroute offices Madrid and Barcelona.

NONWEB

SCW
JMS

SAG-711

PLAIN

225

Lisbon

Dated February 2, 1945

Rec'd 4:35 a.m., 3rd

Secretary of State

Washington

236, Second

WEB 300 FOR HIAS 425 LAFAYETTE STREET NEW YORK FROM

CHRISTIAN NICKL.

Request Rose Baron 325 Logan Street, Brooklyn secure USA visa favor Tony Birman healthy Bucharest others Cernatti, Paul Bateson 110 East 87th St. New York secure USA visa news favor Sami Foliar family healthy Bucharest. Gruenberg 6425 Hudson Avenue West New York secure USA visa and financial help favor Avram B. Rosen healthy Bucharest. Adolf Greif 1314 Seneca Avenue New York financial help and secure USA visa favor Leon Greif family healthy Bucharest. Helen Hahn 100 Cabrini Boulevard New York secure USA visa favor John Sos a one healthy Bucharest without news family. Kolse Abraham 3066 Welch, Detroit, Michigan Secure USA visa favor Martin Sherman now Friedmann wife and children healthy Bucharest. Max Corner care of Julie and 158 Kemp Street, Brooklyn secure USA visa favor Korits and Ross Corner healthy Bucharest. Maccobne 115/125, Brightwater Court, Brooklyn secure USA visa favor Marcel Phone healthy returned from Transilvania. Hanna Haro 110 Cann Street, New York secure USA visas favor Bernard Haro alone healthy at home Legman, Della and Schony already there cable. Inform Tony Metal 395 Central Park West New York Camilla Rudolph Bucharest asking urgent news mother, brothers. Angela Orlinmont 475 Park Avenue, New York family Iancovici healthy asking urgent news best wishes for Jacqueline birthday.

FORWEN

32M
JMS

CABLE TO MINISTER JOHNSON AND OLSEN, STOCKHOLM, SWEDEN

Please deliver following message to Fritz Hollander, Congress Committee Postbox 7306, Stockholm from Dr. ArieH Tartakower of World Jewish Congress:

QUOTE Kindly have foodparcels forwarded following Bergen-Belsen inmates: Baumgarten, Marion, Thomas; Cohen, Aaron, Amalia; Hesse, Nathan, Marta; de Jong, Emmy (nee Meyer), Moos; de Jongh, Klara & Son, Maximilian; Klau, Resa, Ursula; Moller, Minna & 2 daughters, Edith. UNQUOTE

This is WRB STOCKHOLM CABLE NO. 303

12:30 p.m.
February 2, 1945

MF-415
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern
Dated February 2, 1945
Rec'd 11:27 a.m.

Secretary of State

Washington

742, February 2, noon.

FOR WRB FROM MCCLELLAND

With reference to Legation's 570, January 26
post cards from a number of Jewish women previously
in the Resienstadt have recently been received in
Switzerland from Hamburg. They seem to be engaged
within city itself in heavy physical labor of clearing
bombing debris. Their number is unknown.

HUDDLE

RM

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

ELP-444
Distribution of true
reading only by special
arrangement. (SECRET W)

Bern

Dated February 2, 1945

Rec'd 1:15 p.m.

Secretary of State

Washington.

744, February 2, 1 p.m.

FOR WRB FROM MCCLELLAND

In line with Legation's 416, January 20, exchanges
from Bergen Belsen (BB) recently in Switzerland.

Reported that upwards of 25,000 men and women
(Jewish) deportees arrived in BB early in January from
Auschwitz and adjoining upper Silesian camps. They were
"housed" under most primitive conditions in tents in BB
and will, it appears, be transferred progressively to
other parts of Germany as labor.

Exchanges from BB were in state of acute under-
nourishment, three having died during their stay here.
I have every reason to believe this situation is far from
confined to BB but common to all German concentration
camps and deportee work companies. Fact that tens of
thousands of internees in similar or worse physical con-
dition are liable to be found as Germany is occupied by
Allied forces should be drawn to attention of competent
military authorities and UNRRA anew.

BB exchanges further reported although parcels
reaching camp were properly delivered to them number
was pitifully inadequate to need. According to all
available information this due to deterioration in land
transport in Germany rather than to any withholding of
packages, which are generally distributed if they
actually reach a camp. Any favorable action, accordingly,
which could be taken on basis of Legation's 455, January
22, would be of greatest value.

HUDDLE

JT

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTEL No. 38

Information received up to 10 a.m., 2nd February, 1945.

MILITARY

1. WESTERN FRONT.

Southern Sector: Further small advances made on 10 mile front N.W. Mulhouse, while outflanking movement from north has reached point 3 miles S.E. Colmar. Late reports also indicate advances varying from 3 to 6 miles on 20 mile front north of city where several towns re-occupied.

Central Sector: Between St. Vith and Monschau progress continues against scattered resistance. On right 9 mile wide bridgehead secured across River Our. In centre advances averaging 2 miles have put U.S. troops across German border on 3 mile front east of Malmedy, while on left more ground gained S.E. Monschau.

2. EASTERN FRONT.

East Prussian Sector: Russians captured Seeburg (20 miles N.E. Allenstein).

Central Sector: Ratzenbuhr (10 miles south New Stettin) captured, Scheidemuehl encircled, Torun taken by storm, and an advance made to points 25 miles east of Frankfurt on Oder, while West of Lesno German frontier crossed and Fraustadt taken. Germans report Russians have reached River Oder at point N.W. Kuestrin.

AIR

3. WESTERN FRONT.

1st. 157 escorted Lancasters bombed Munchen-Gladbach (714 tons) through cloud, but fair concentration obtained. 616 escorted Fortresses (3 missing or outstanding) attacked targets Western Germany, including railway centres Mannheim (194 tons), Ludwigshafen (183 tons), Krefeld-Uerdingen (92 tons) and bridges Mannheim (706 tons), and Wesel (340 tons). Pathfinder technique employed and results unobserved.

146 medium bombers dropped 229 tons railway bridges, communication centres and other targets in Central Sector while 394 fighter bombers and fighters operated battle front.

4. MEDITERRANEAN FRONT.

31st. 675 escorted Fortresses and Liberators (8 bombers and 1 fighter missing) attacked oil refinery (1211 tons) Moosbierbaum (23 miles N.W. Vienna) and railway centre Graz (43 tons) with good results. 152 Mitchells bombed railway targets Brenner route while 517 fighter bombers and fighters (4 missing) attacked rail communications Northern Italy and targets battle area.

HOME SECURITY

5. ROCKETS.

1st. Three incidents reported.
2nd. One incident reported.