



TREASURY DEPARTMENT

WASHINGTON 25



February 12, 1945

To: Secretary Morgenthau

From: J. W. Fehle

The following is a summary of significant developments in the Surplus Property and Procurement offices for the week ending January 27, 1945:

Surplus Property:

Work is going forward on preparations for the issuance of an Advance Reporter for distribution to Federal agencies. The Advance Reporter will list surplus property available for sale and its publication will facilitate Federal agencies in the exercise of their preference under the Act.

A problem has arisen with respect to the sale in commercial channels of surplus woolen clothing which is not labeled in accordance with the statutes requiring that the non-woolen content of such clothing be set out in labels. The Federal Trade Commission raised this matter, and a solution is being sought.

The Navy has advised us informally that it intends to declare to us as surplus approximately 2,000,000 pouring spouts, which were manufactured especially for five-gallon "blitz" cans. Since we have disposed of a large number of such cans it is not believed that the sale of such spouts will involve much difficulty.

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Pursuant to our suggestion, the Navy is rescreening its worn tires, and those found repairable for civilian use will be declared to us.

The shipment from Fort Crook, Nebraska, of 80 carloads of spare automotive parts has begun.

The Bureau of Standards indicates that the hydraulic fluid mentioned in last week's report may not be unsuitable for use for civilian automobiles. Nevertheless, all sales of this commodity have been stopped pending the receipt of the final report from the Bureau of Standards.

During this week the Army withdrew an additional \$73,110 worth of medical and surgical products.

Plans are being formulated for disposal of 550,000 first aid pouches, formerly the property of the Office of Civilian Defense.

The Chemical Warfare Branch of the War Department has advised us that it intends to withdraw all Stockinette gas masks and separate gas mask carriers. As a consequence, we have stopped sales of all these items.

A conference was held with representatives of the Ordnance Department for the purpose of determining whether the Army's fire control equipment, which cost the Government approximately \$50,000,000, has any commercial value. The property is located at 42 different points in the United States and some of it was manufactured as far back as 1898.

Price schedules are being prepared for all surplus office machines.

The twelve committees, organized for the purpose of considering the formulation of policies and procedures for the disposal of surplus property, are continuing with their work. Tentative proposals have been prepared and are being considered.

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German prisoners of war at the Jerome Prisoner of War Camp, Jerome, Arkansas, requested the permission to purchase certain surplus hardware. In response to an inquiry from our Fort Worth office, we stated that it was our policy to sell surplus property through regular channels of trade and that a refusal to accept the order of the prisoners of war would not be in contravention of the Geneva Agreement of 1929 with respect to the treatment of prisoners of war.

At the request of the War Department, we have withdrawn from sale all 30 calibre ammunition boxes pending further advice.

We have received declarations for a quantity of assembled wood boxes and these are being disposed of very rapidly with the cooperation of the National Wood Box Association.

A truck-load of photographic film has been shipped to the Standard Brands, Inc. laboratory to be tested for usability. This shipment was made on an experimental basis to ascertain the cost of making tests.

The Federal Public Housing Authority has acquired \$76,400 worth of new household furniture from surplus stock for use in public buildings in the State of Washington.

Twenty mortuary refrigerators have been transferred to the Veterans' Administration.

Seized nylon hose were transferred to the Navy Department for use in connection with its war-bond drive.

Seized cigarettes were transferred to the War Department for distribution at the Fort Dix Hospital.

Arrangements were made with the Commercial Car Journal to do a feature story on the Automotive Division, Office of Surplus Property.

The Surplus Property Board has been requested to authorize, under Section 30(c) of the Surplus Property Act of 1944, the Office of Surplus Property to deposit proceeds of surplus property dispositions in a special account from which refunds incident to rescissions, breaches of warranty, and other cases where sales do not become final, can be made without regard to the origin of the funds to be withdrawn.

Procurement:

Purchases for the week amounted to \$23,172,185.69, including \$22,900,000 for Lend-Lease (schedule attached) and \$272,185.69 for regular purchases.

Total Lend-Lease carloadings for the week were 3,326 cars.

Unusual requisitions for the week include 500,000 lbs. of rayon yarn for the Soviet Union and 1,175,000 squares of prepared roll roofing for shipment to France. The latter is the largest single procurement of such material in the history of the roofing industry and it will utilize all available production capacity of the industry to meet this requirement.

Unusual purchases for the week included 60,480 lbs. of special Kraft paper for the manufacture of matches in French North Africa; 50,000 tons (15,000,000 gallons) of Ethyl alcohol for Russia; and 10 long tons of black powder to be used by the French authorities in West Africa in part payment to the natives for their services. This powder is more important than money to the natives since ammunition is needed to hunt game, their major subsistence.

UNRRA has asked whether the Procurement Division would undertake to appraise and price articles for which UNRRA had no further use and wished to dispose of. An examination of the statutes indicates that the Procurement Division has authority to undertake to perform such services for UNRRA, provided it is compensated out of funds appropriated by the

Congress to the President for UNRRA's use.

The weight and cubic measurement of the material to be supplied to the Philippines for use in reconstruction of the national, provincial and municipal governments has been determined. Transportation facilities are being arranged between the Army and the Philippine Government.

At the request of FEA, a detailed statement on charges for shipment of Turkish and Greek chrome ore purchased from the British was prepared. Our records show that 100,317 long tons were secured at an average cost of \$63.46 f.o.b. ship at the U. S. port. FEA stated that it is renegotiating the prices paid by all Government agencies for such ore purchased from the British on the basis of \$42.75 per ton, f.o.b. ship U. S. port. If this adjustment is made, it will involve a saving of \$2,077,565.

The United States Court for the District of Columbia has upheld the decision of the Public Utilities Commission requiring the Potomac Electric Power Company to reduce its rates so as to decrease revenues by approximately \$1,000,000. In the same decision, the Court held that in view of the existence of a People's Counsel rate payers, including the Government, had no standing to appear on their own behalf from decisions of the PUC. It has been decided by the Procurement Division, the Federal Works Agency, and the Department of Justice to take an appeal to the Court of Appeals, taking the position that the rate reduction is not sufficient and that rate payers do have a right to prosecute their own appeals. In the meantime we are being represented by our own lawyers at hearings before the PUC to determine the allocation among classes of rate payers of the \$1,000,000 reduction.

As a basis for conducting negotiations with Western Union for a country-wide Government master contract for all services to all Government agencies, Western Union is undertaking a survey of Government telegraph and teletype traffic in Washington and certain test cities.

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Negotiations are underway with the New York Telephone Company for a single contract for services rendered to all Government agencies in the area served by that Company. Such a contract has already been approved by the Illinois Telephone Company for services rendered to Government agencies located in Chicago.

The Price Adjustment Board disposed of two 1943 cases and excessive profits amounting to \$225,000 were recovered.

The following is an abstract of a letter dated January 23, 1945 received from Major General C. M. Wesson:

"General Rudenko has written me a very kind letter expressing his appreciation for the 'full and successful completion' of the 1944 Arctic Program. General Rudenko has asked me to express to you and all American officials, departments and agencies the appreciation of the Government Purchasing Commission of the Soviet Union for the 'cooperation and assistance in solving the complicated problems of equipping this important region' last year."

Administration:

Statements for the Budget Hearings before the House Appropriations Committee on the General Supply Fund, Lend-Lease, Red Cross and Strategic and Critical Materials programs were prepared.

The Training Section of the Personnel Division has started the training of inspectors.



JAN 29 1945

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF JANUARY 27, 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	\$5929.1 (5925.5)	\$2628.0 (2628.0)	\$2457.4 (2457.3)	\$165.9 (165.9)	\$17.4 (17.3)	\$660.4 (657.0)
Requisitions in Purchase	\$ 165.5 (176.0)	\$ 32.4 (34.5)	\$ 18.8 (19.1)	\$ 1.0 (.6)	-	\$113.3 (121.8)
Requisitions not Cleared by W.P.B.	\$ 90.5 (114.1)	\$ 15.9 (20.2)	\$ 48.6 (66.5)	\$.7 (.7)	-	\$ 25.3 (26.7)
Obligations (Purchases)	\$4592.0 (4569.1)	\$2071.9 (2068.6)	\$1998.8 (1984.5)	\$103.5 (103.3)	\$16.3 (16.2)	\$401.5 (396.5)
Deliveries to Foreign Governments at U. S. Ports*	\$2880.8 (2850.3)	\$1594.0 (1586.9)	\$1203.3 (1180.7)	\$ 26.4 (26.4)	-	\$ 57.1 (56.3)

*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 20, 1945.

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TREASURY DEPARTMENT

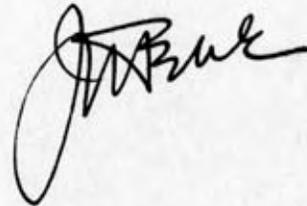
INTER OFFICE COMMUNICATION

DATE

February 12, 1945

TO Secretary Morgenthau
FROM J. W. Pehle

I think you will be interested in the latest edition of the Surplus War Property Newsletter, copy of which is attached.



Attachment.



Telephone
NATIONAL
2 4 4 4

SURPLUS WAR PROPERTY NEWSLETTER

*A Private Weekly Washington Information Service on
Disposal of U.S. Surplus War Goods and Properties*

1701 H STREET, N.W. WASHINGTON 4, D.C.

Letter No. 40, Washington, D. C., February 10, 1945.

Dear Sir:

Washington saw more surplus property developments this week than at almost any time since disposal became a major concern of Government.

Treasury announced that details of all sales over \$500 would be publicly posted in Regional Offices, and reported \$13,264,703.12 consumer goods sold in January, with buyers' names and prices in 133 large sales; Maritime Commission revamped and enlarged its organization for aggressive merchandising of surplus property, reporting \$6,142,721 available as of January 1; Surplus Property Board reported that regulations authorizing Army and Navy to dispose of surpluses in foreign countries would be issued at once, said that more than \$2,024,000,000 of excess and surplus property awaited disposal on January 1 by six agencies and Army and Navy; Senate War Investigating Committee wound up two weeks' hearings on an auction sale conducted by RFC.

TREASURY TURNS ON THE LIGHT - Most important and interesting news for buyers of surplus products was inception of Treasury's plan to make public all details of every transaction.

Innovation was announced by the Regional Offices, not by Washington, and got little newspaper attention. It was in line with the policy recently adopted by John W. Pehle, Treasury's surplus disposal director, of publishing names of large buyers. (List for January appears elsewhere in this NEWSLETTER.)

Treasury's announcement said that it was prepared to make available to the public "full information on all sales of surplus property." Each Regional Office will post on a bulletin board a record of each sale in excess of \$500 made by that office, listing the name and address of the buyer, the property involved, the total sale price - also the names, addresses and bids of the unsuccessful bidders in each case.

This information will cover current transactions only, will be available to the public daily, and remain on view for not less than one week. On sales involving less than \$500 a record will be kept which may be inspected by anyone interested on request.

The announcement said the listings posted would cover only transactions in merchandise available in the Regional Office area, not "national transactions or transactions by any of the other Regional Offices."

Investigating Unit Set Up

Reiterating his determination that the rapidly increasing activities of the Procurement Division in disposing of surplus property be

kept "clean and aboveboard" Secretary Morgenthau this week established an Office of Investigations and Complaints, reporting directly to John W. Pehle, Assistant to the Secretary.

By direction of the Secretary, Elmer Irely, Chief Coordinator, Treasury Enforcement Agencies, has set up a special field investigative staff. Duties of the new unit will be to handle any complaints or allegations of fraud or other irregularities, particularly with regard to surplus property activities and to investigate concerns doing business with Treasury, the standing of which is subject to question.

Treasury's handling of surplus property, the Secretary said, is to be "kept as free as humanly possible from improper pressures and manipulations."

Shifts in Treasury Assignments

Announced this week were several changes in assignments among the merchandising and sales staff at Treasury's Office of Surplus Property headquarter in Washington.

Lee W. Moran was designated as the officer in charge of the Automotive Division and the General Products Division. S. S. Fritz, III was made acting head of General Products. Homer Hilton, former head of this unit, will serve intermittently as consultant on photographic equipment, according to the announcement.

W. C. Lehman was named officer in charge of the Furniture and Hardware Divisions, and Lee R. Fleming of the Textiles and Wearing Apparel and the Medical and Surgical Divisions. F. W. Brill continues as acting director of the latter. E. P. Phillips heads up Machinery and Paper and Office Supplies, with Paul S. Fiske remaining as acting head of the latter division. C. A. Dickerson, the former head, will serve in a consultant capacity.

Samuel Miller was appointed assistant to R. C. Duncan, Deputy Director in charge of merchandising and sales. -0-

MARITIME SALES EXPANSION - Maritime Commission announced this week "a vigorous and aggressive selling policy" to move surplus goods, the establishment of an enlarged organization to do the job, adopted a fixed price policy for most disposals, and inventoried available stocks at \$6,142,721, broken down as follows:

Marine Boilers.....	\$ 147,941
Winches, Windlasses, Capstans.....	1,142,470
Small Craft and Miscellaneous Equipment.....	1,840,441
Marine Engines.....	2,878,109
Marine Lighting Equipment.....	133,239
Wire Rope Slings.....	521

Newly created merchandising unit is called the Contract Settlement and Surplus Materials Division. Personnel has been engaged right along in Maritime's not inconsiderable disposal activities. Additions to the staff and the organizational lineup are expected to be announced in a few days.

Maritime reported total surplus sales during the last quarter of 1944 as \$2,047,974, of property which cost the Government \$2,526,718, a recovery record of approximately 81 per cent. Marine engines (gas and Diesel) made up \$1,906,895 of the sales total.

Selling methods, it was explained, involve first a thorough inspec-

tion of the materials, then determination of the best channels of distribution through the Division's familiarity with market conditions. The objective is to obtain the highest possible prices without disrupting local or domestic markets. Sales promotion includes a study of the items and improvisation of new uses to make the items salable in markets other than the restricted marine channels.

Fixed Price Method Used

Reasons for adoption of the fixed price policy generally pursued, instead of bids, negotiated prices or auctions, were stated as follows:

This policy eliminates long dickering periods; establishes fair and square treatment for all purchasers whether buying small or large lots; obtains quick turnover where the purchaser can make his selection, pay the purchase price asked and obtain immediate delivery; eliminates tie-up of capital used for good faith deposits pending ultimate awards; permits full publicity covering all transactions.

Government agencies are notified and their indicated needs are filled before the merchandising of any stock of surplus begins. Full information is publicized at least thirty days before the date the sale is to open, giving prospective buyers opportunity to make inspection and consider arrangements for transportation and delivery.

Sales Points for Lifefloats

Maritime has found so much interest in the offering of 1,400 new metal lifefloats that it has arranged for purchases to be accepted at eleven offices, instead of at San Francisco only. The floats sell for \$50 each, \$35 in lots of 20 or more.

Inquiries will be answered and orders taken at the Contract Settlement and Surplus Materials Division, U. S. Maritime Commission, Washington 25, D. C., or any of these Maritime Commission offices: New York, 45 Broadway; Baltimore, 22 Light St.; Norfolk, 12th and Monticello; Seattle, 1054 4th Av.; Savannah, P.O. Box 979; Philadelphia, 1072 Ledger Bldg.; Chicago, 310 So. Michigan Av.; Portland, Ore., 800 So. East Hawthorne Blvd.; San Francisco, 220 Bush St.; San Pedro, 112 W. 7th St.; New Orleans, 837 Gravier St. -0-

AUCTION INQUIRY CONTINUES - Senate War Investigating (Mead) Committee continued two weeks' hearings into an auction sale conducted by Defense Plant Corporation (RPC subsidiary) at Maspeth, L.I., last December. The hearings will go on next week in order to develop additional evidence required by the Committee.

This was an unusual inquiry, since the committee decided before the sale took place to observe the auction, and asked New York City officials to "cover" it for them and report. These officials testified that the auctioneer, Jacob Goldberg, president of Surplus Liquidators, Inc., of New York, resold goods after the auction even though the goods had been knocked down to another party during the sale, and that some bids were cut after the sale while others were boosted 20 per cent.

Several buyers testified that the sale was conducted the same as any other auction, praised Goldberg, and said that what things were wrong were minor.

Testimony revealed that Herbert Bayard Swope, of New York, wrote a letter of introduction for Goldberg, and Herman Brandt, secretary of

Surplus Liquidators, to Jesse Jones, head of RFC at the time. Swope's daughter, Jane, is the wife of Brandt's son.

Goldberg vehemently denied testimony that he had attempted to bribe an employe of Defense Plant Corporation with an offer of a \$15,000 to \$20,000 job to make a favorable report on him. Regarding the Maspeth auction he insisted that every action in connection with the sale - before, during and after - was taken with the knowledge and consent of Defense Plant officials.

Appearing for DPC, Walter E. Joyce, vice president of the corporation, told the committee that he recommended Goldberg to the RFC board of directors. He said he was wrong in making the recommendation, did not consider Goldberg a first-class auctioneer, and that DPC would not employ him again. Joyce described other successful auctions conducted by DPC and said he hoped the committee would not condemn all auctions because of what happened at Maspeth.

The committee's inquiry marked the beginning of continuous Congressional study and investigation of surplus property disposal. Chairman Mead said that after the last war 106 committees investigated surplus sales, and that he hoped his group would be the one committee to investigate during this war, and that the inquiries would take place while disposal was still going on, not subsequently.

When the hearings are reopened next week, Goldberg will be recalled to testify, and several other witnesses will be heard. -0-

SURPLUS BOARD REVEALS PLANS - Holding its first press conference, the Surplus Property Board outlined some of its immediate plans.

Within a few days a temporary order will be issued authorizing the Army and Navy to dispose of surplus property in foreign countries, as directed by the Office of War Mobilization and Reconversion. It was stated that eventually a joint Army-Navy commission will be set up to handle transactions abroad.

Most pressing problem before the Board, and due for quick action, was described as the question of priorities in purchasing ordered in the Surplus Property Act for states, municipalities, institutions, veterans, farmers and other special groups.

It was declared that cities and states would get purchase priorities, but not price priorities. These latter will apply only to some public institutions, as provided in the Act.

Need for action was suggested by figures contained in the Board's report for December. It said more than two billion dollars worth of excess and surplus property awaited disposal at the beginning of 1945. Disposal agencies had surplus inventories of \$1,042,000,000. Army was screening excess property, contractor-owned termination inventories and idle facilities amounting to \$562,000,000, and the Navy was screening \$91,000,000. Idle plants and facilities held by Defense Plant Corporation totaled \$329,000,000.

Declarations of surplus rose from \$91,718,000 a month in June to \$217,657,000 in December.

The Board this week issued its second temporary order. This authorized Treasury to deposit proceeds from disposition of surplus in a special fund for the purpose of making appropriate refunds to the purchasers of property. This was in response to a Treasury request for

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permission to set up a fund of \$50,000 in each of its Regional Offices, and \$150,000 to be held in reserve by the central office. -0-

133 TREASURY PURCHASERS NAMED - Treasury's Office of Surplus Property has announced that sales of consumer goods during January amounted to \$13,263,703.12. Also reported were 133 transactions involving more than \$5,000. Previous announcement (December) listed buyers only in the \$10,000 class.

No individual buyers were named for the Regional Offices in San Juan, Puerto Rico, and the Panama Canal Zone, for which the January totals were \$91,794.30 and \$20,303.83 respectively. Names of buyers by regions follow:

REGION I Boston (Total \$277,825.72). Crushers \$6,510, Construction Equip. Co., Milwaukee, Wis.; Innersoles \$9,395, U. S. Rubber Co., Mishawaka, Ind.; Plants, Electric \$5,660, Joseph Cook, Poland Springs, Maine.

REGION II New York (Total \$1,760,713.49). Sheets and Pillow Cases \$6,311, Commonwealth of Penna., Norristown, Pa.; Beds, Double Deck \$5,263, Gimbel Bros., Inc., New York; Tables, Cushions, Scales, etc. \$11,718, Gimbel Bros. Trading Corp., New York; Prefabricated Bldg. & Concrete Bldg. \$5,200, City of Johnstown, Johnstown, Pa.; Motor Vehicles \$5,731, Erie Truck Parts, Philadelphia, Pa.; Shearlings \$11,133, Royal Coat Mfg. Co., Boston, Mass.; Shearlings \$17,349, Ace Exhibits Co., Brooklyn, N. Y.; Motor Vehicles \$11,856, Spielman Chevrolet Corp., New York; Clothing (Mixed Lots) \$15,000, Salvage Center, New York; Fasteners Slide \$19,905, Universal Slide Fastener Co., Long Island City, N. Y.; Fasteners, 18" heavy wgt. zinc \$6,811, Crown Fastener Div., Warren, R. I.; Batteries, Flashlight \$19,745, McKesson & Robbins, Inc., New York; Batteries, Flashlight \$11,880, Western Auto Sup. Co., New York; Batteries \$14,311, Suplee Biddle Co., Philadelphia; Batteries \$5,885, McCrory Stores Corp., New York.

REGION III Washington, D. C. (Total \$886,271.76). Bags, Paper-Craft, Cement \$7,476, Mathers-Lanint Paper Co., Washington, D. C.; Motor Vehicles \$5,735, Oakland Truck Sales, Pittsburgh, Pa.; Pavers and Finishers \$8,510, L. B. Smith, Inc., Camp Hill, Pa.; Misl. Lot of Bolts \$26,696, Industrial Supply Co., Detroit; Truck \$5,700, Harry A. Smuck, Brookland, Md.

REGION IV Cincinnati (Total \$622,208.51). Wheels, Escort Wagon \$13,479, Philip Hyman, Louisville, Ky.; Plaster, Adhesive \$5,000, American Red Cross, Washington, D. C.

REGION V Chicago (Total \$788,666.92). Skis and Bindings \$5,179, Gamble-Skagmo, Inc., N. Minneapolis; Wood Cases, Casualty \$13,428, Herberger Dept. Store, St. Cloud, Minn.; Mattresses \$18,240, Superior Bedding Co., Los Angeles; Scrapers, Road \$24,300, Hasselbalob Rinck Co., Omaha; Mattresses \$6,840, Shannon Spring Bed Mfg. Co., Louisville, Ky.; Mattresses \$5,130, Western Picture Frame Co., Chicago; Snow Shoes, Trail and Bear Paw \$14,762, Edwards Mfg. Co., Chicago; Lamps, Electric \$7,012,

Ashback & Rubloff, Chicago; Batteries, Flashlight \$50,700, Sears Roebuck & Co., Chicago; Batteries \$17,314, Butler Bros., Chicago; Rafts, Life \$17,745, Fisk Detroit Tire Co., Detroit; Batteries \$33,000, Gamble-Skagmo, Inc., Minneapolis; Batteries \$8,360, Coast to Coast Stores, Inc., Minneapolis; Rafts, Life \$7,500, Motor Power Equip. Co., St. Paul; Rafts, Life \$7,500, Southern Iron & Metal Co., Beaumont, Texas; Batteries, Flashlight \$5,610, S. S. Kresge Co., Detroit; Rafts, Life \$6,450, Hart Schaffner & Marx, Chicago.

REGION VI Atlanta (Total \$2,064,820.42). Tractors \$15,165, Auto Parts Co., Nashville; Net, Mosquito \$37,448, Sears Roebuck & Co., Chicago; Mattresses \$5,074, S. Shapiro & Sons, Inc., Baltimore; Robes, Bath \$37,7555, Jack J. Levenson, Birmingham, Ala.; Robes, Bath \$16,915, Arnold Opler & Associates, Inc., Chicago; Bags, Sand, Osnaburg \$46,800, Post Distributors, Inc., New York.

REGION VII Ft. Worth (Total \$1,911,032.77). Harness, etc. \$10,230, Texas Tanning & Mfg. Co., Yoakum, Texas; Harness, etc. \$11,383, Keyston Bros., San Francisco; Harness, etc. \$9,534, Bona Allen, Buford, Ga.; Harness, etc. \$12,978, Southern Saddlery, Chattanooga, Tenn.; Harness, etc. \$5,732, Boyt Harness Co., Des Moines, Iowa; Motor Vehicles \$7,043, Glear Motor Co., Childress, Texas; Tractor and Construction Equip. \$11,132, Intermountain Mach. Sales Co., Austin, Texas; Misc. Electrical Parts \$11,000, Broome Electric Co., Amarillo, Texas; Tractors \$7,415, Holt Equipment Co., Westlock, Texas; Construction Equipment \$6,196, Servis Equipment Co., Dallas, Texas; Construction Equipment \$5,787, Hargett Electric Co., Dallas, Texas; Construction Equipment \$7,763, Iron Machinery Co., Arlington, Texas; Shovel \$5,500, Standard Paving Co., Tulsa, Okla.; Construction Equipment \$20,775, Construction Equipment Corp., Milwaukee; Construction Equipment \$6,150, Clyde Weatherby, Hamilton, Texas; Construction Equipment \$7,828, C. L. N. Realty Co., Dallas, Texas; Mattresses \$5,035, Lewin-Mathes Co., St. Louis; Scrapers \$19,545, Weaver Tractor Co., Sacramento, Calif.; Tractors, Scraper and Electric Plant \$11,500, Western States Welding & Press Co., Albuquerque, N. M.; Construction Equip. \$8,030, Joe Smith, Denver; Mixer 17,500, Bexar Equipment Co., San Antonio, Texas.

REGION VIII Kansas City (Total \$1,442,603.24). Mixer and Paver \$5,210, M. B. Salisbury Co., Topeka, Kans.; Construction Equipment \$5,852, L. B. Smith, Inc., Camp Hill, Pa.; Tractors and Mixer \$5,113, Carnsy Machinery Co., Loveland, Colo.; Rock Crushing Plant \$18,000, Hobson & Co., Kansas City; Road Equipment \$5,371, Gibbs-Cook Tractor & Equip. Co., Des Moines, Iowa; Tractors \$11,231, Devenay Equipment Co., Seattle; Trailers, Paving Forms, etc. \$7,390, Wylie-Stewart Machine Co., Oklahoma City; Construction Equipment and Tractor \$5,149, Pecant Supply Co., Sioux City, Iowa; Aprons, Impermeable \$28,647, Consolidated Supply Co., Washington, D. C.; Construction Equipment \$15,593, George T. Ryan Co., Minneapolis; Tractors \$20,429, Southwest Machinery Co., Oklahoma City; Automotive Parts \$6,150, I. Lavine, Atlantic, Iowa; Automotive Parts \$7,025, Color Supply Co., Omaha.

REGION IX Denver (Total \$684,253.20). Tractors, Diggers and

Scraper \$5,212, Western States Welding & Brass Co., Albuquerque; Targets, Anti-aircraft \$37,367, Glant & Co., Philadelphia; Motorcycles \$10,898, B. B. Miller Machine Co., Los Angeles.

REGION X San Francisco (Total \$2,225,371.64). Trucks, Army \$5,0007, Bay City Truck & Parts Co., San Francisco; Motor Vehicles \$7,705, Stuart Equip. Co., San Jose, Calif.; Trucks Army \$38,250, Glenn E. Thomas Co., Inc., Long Beach, Calif.; Trucks, Army \$7,048, Frank Murphy, Oakland, Calif.; Trucks, Army \$8,732, M. K. Smith Chevrolet, Inc., Ontario, Calif.; Motor Vehicles \$12,923, Holeman Motor Co., San Jose, Calif.; Motor Vehicles \$7,660, Milt Dohne, Hayward, Calif.; Trucks, Army \$6,386, Murphy Chev. Co., Pomona, Calif.; Trucks, Army \$11,332, Bakers Motor Market, Bakersfield, Calif.; Trucks, Army \$9,704, B & W Auto Parts, Vallejo, Calif.; Motor Vehicles \$6,080, California Institute of Technology, Pasadena, Calif.; Trucks, Army \$6,327, Alameda Trailer Works, Los Angeles; Tractors \$11,805, W. E. Blackburn, Fresno, Calif.; Trucks, Army \$5,366, Rodman Chevrolet Co., Fresno; Clothing \$60,511, State of California, Oakland; Motorcycle Parts \$5,513, Harley Davidson Motor Co., Milwaukee; Trucks, Army and Conventional \$6,180, Gaudin Motor Co., Salinas, Calif.; Trucks, Army \$6,807, United Equipment Co., Phoenix; Trucks, Army \$5,566, Paramount Chevrolet Co., Downey, Calif.; Trucks, Army \$10,272, W. E. Blackburn, Fresno; Trucks, Army \$13,698, Bakers Motor Mart, Bakersfield, Calif.; Trucks, Army \$27,181, Dahl Chevrolet Co., Oakland; Mattresses \$16,498, Farmers Supply Co., Los Angeles; Trucks, Army \$5,703, Miller Automobile Co., Sacramento; Trucks, Army \$39,854, Dahl Chevrolet Co., Oakland; Trucks, Army \$9,704, Haleman Motor Co., San Jose, Calif.; Trucks, Army \$9,704, B & W Auto Parts, Vallejo, Calif.; Aprons, Impermeable \$21,861, The Dunn Products Co., Chicago; Trucks, Army \$8,320, Sam Davidson, Fresno, Calif.; Trucks, Army \$5,928, Clyde Willett, San Diego, Calif.; Trucks, Army \$22,879, Wegge-Pelton Motor Co., Pasadena, Calif.; Trucks, Army \$10,913, M. K. Smith Chevrolet Inc., Ontario, Calif.; Cans, Gas - 5 Gal. \$24,750, Cleveland Wrecking Co., San Francisco; Cans, Gas - 5 Gal. \$16,000, Farmers Supply Co., Los Angeles; Cans, Gas - 5 Gal. \$12,000, Thor Wholesale Co., Los Angeles; Cans, Gas - 5 Gal. \$12,000, Continental Wholesale Supply Co., Los Angeles; Nutrient Agar Bacto \$5,700, S. B. Penick & Co., New York; Trucks, Army \$38,454, Boyd H. Gibbons, Los Angeles; Scrapers \$5,637, Sierra Machinery, Reno; Trucks \$7,185, Ellsworth Harold Auto's, Sacramento; Construction Equip. \$17,749, Shephard Tractor & Equipment Co., Los Angeles; Rubber Tape, Cable Wrapping \$10,342, Perry Schultz Co., Los Angeles; Motorcycles, Harley Davidson \$47,205, Stewart Chevrolet Co., San Francisco; Motorcycles, Harley Davidson \$5,901, Baker's Motor Market, Bakersfield, Calif.; Construction Equipment \$7,395, Kritzer Equipment Co., Oakland; Trucks, Army \$10,752, Gaudin Motor Co., Salinas, Cal.

REGION XI Seattle (Total \$488,837.02). Mixers \$12,900, Sussex Motor Co., Lrnden, Wash.; Trucks, Coupe and School Bus \$6,956, "C" Ave. Sales & Service, Kennewick, Wash.

YACHT BUYERS ANNOUNCED

Successful bidders on sixteen of the 44 surplus yachts offered for

sale last November 11 have been announced by the Maritime Commission, after the opening of bids on December 22. Results of bidding on the rest of the vessels are expected soon. Here is the first lot, with the name of the vessel, the price paid and the buyer. (All power yachts unless indicated):

Power yacht 42-ft. ALBADOR III - \$2,251 - N. R. Rasmussen, Camden, N.J.; 39-ft. ALCORMIN - Anna M. DePopp, Alexandria, Va.; 47-ft. AHALA - \$5,275 - Kenneth B. Wolton, Atlantic City, N.J.; 64-ft. CENTAUR - \$5,028 - Pawtuxet Marine Corp., Cranston, R.I.; auxiliary yawl - 49-ft. CONDOR - \$5,005 - Paul W. Liskey, Jr., Harrisonburg, Va.; auxiliary schooner - 42-ft. GRAY GHOST - \$2,100 - Mrs. Georgia H. Lane, Ft. Lauderdale, Fla.; 32-ft. HAPSIE - \$550 - Shaffey A. Bashure, New York, N.Y.; 60-ft. HALLIMAR III - \$9,500 - Theodore Guterman, American Valve Co., New York, N.Y.; 46-ft. MOONBEAM - \$2,111 - Amory Bros., Newport News, Va.; motor sailer - 67-ft. MERCURY IV - \$12,557.75 - Charles L. Yuille, Miami, Fla.; 53-ft. MILLICENT III - \$6,330 - Thomas F. Hamilton, Beverly Hills, Calif.; 38-ft. PADISA - \$4,180 - Thomas F. Hamilton, Beverly Hills, Calif.; 37-ft. SEQUOIA II - \$515 - Raymond Elliott, Beverly Hills, Calif.; 94-ft. SKYLARK III - \$3,801 - James G. Crowley, Spartanburg, S.C.; 57-ft. SO-DOR-OT II - \$8,600 - R. S. Evans, Miami, Fla.; motor sailer - 63-ft. TRADE WIND - \$16,115 - Amory Bros., Newport News, Va.

For information about current and other yacht sales address Division of Small Vessels, War Shipping Administration, Commerce Building, Washington 25, D.C. State your requirements. When and if any craft suitable to your needs is available, you will be advised, and have an opportunity to bid. -0-

LISTED IN SURPLUS REPORTER - Latest issue of Treasury's SURPLUS REPORTER lists furniture and medical and surgical items on sale on and after February 19. Some of the items available in large quantity:

Furniture: Card files, mosquito bars, bedstead shoes, planetables, cushion backs and seats, bed-clamps and springs, bedscreens, work benches, foot lockers.

Medical and Surgical: Hospital incubators, large quantities various drugs and medicines, gummed labels, oxygen masks, rubber stoppers, laboratory spoons, surgical masks, dental tools, thermometers, surgical tools, rubber tubing, dish carts. -0-

Cordially,

Vincent F. Callahan

Editor.

ISSUED EACH WEEK FROM WASHINGTON AT \$75 A YEAR OR AT \$40 FOR SIX MONTHS

THIS NEWSLETTER IS WRITTEN PRIVATELY FOR SUBSCRIBERS ONLY AND HAS NO CONNECTION WITH THE SURPLUS WAR PROPERTY ADMINISTRATION OF THE U. S. GOVERNMENT. IT MAY NOT BE COPIED IN WHOLE OR IN PART, NOR BE REDISTRIBUTED IN ANY MANNER OR FORM.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE February 12, 1945

TO Secretary *[Signature]* Morgenthau
FROM Mr. Haas *[Signature]*
Subject: The Business Situation,
Week ending February 10, 1945.

Summary

Transportation: The railroad freight congestion in Eastern states has eased somewhat as a result of improved weather conditions, and a further embargo on civilian freight shipments has been obviated. Weather improvement in other areas, however, was somewhat offset last week by a severe snowstorm in New England, which crippled traffic and slowed industrial activity. In view of recent heavy snows, concern is rising over the possibility of disastrous floods in the event of a sudden thaw.

Steel operations: Substantial improvement in steel operations occurred in the latter part of last week, following earlier sharp curtailments caused by gas shortages and disrupted transport facilities. Actual steel ingot output in January dropped more than 5 percent below year-earlier levels.

Railroad earnings: Operating costs rose faster than operating revenues in 1944, and net railway income of \$1,107 millions in that year was 19 percent lower than in 1943.

National income: The annual rate of payments in December rose to a new high of \$160.3 billions from \$159.5 billions in the previous month. Income payments during the year 1944 rose 9.5 percent above the previous year, with all major income components showing increases. The most important factor was an increase of \$5 billions in Government salaries and wages, due largely to the expansion in the armed services.

Commodity prices: Commodity markets were very steady last week, with the BLS index of 28 basic commodities unchanged from the peak levels of the previous week. However, a weakness in grain futures, induced by improvement in transportation and favorable war news, caused a 1 percent decline in the Dow-Jones futures index.

- - - -

Transportation difficulties eased somewhat

The recent severe tie-up in freight traffic in Eastern industrial areas eased somewhat last week as a result of improved weather conditions and the relief obtained from embargoes on civilian goods shipments. Before the end of the week the ODT announced that the situation had improved sufficiently to obviate another week-end civilian freight embargo. Nevertheless, railroads in such hard-hit areas as Buffalo continued to face formidable difficulties in clearing up freight congestion, and the effects of the recent tie-up are expected to be felt for a considerable time ahead. Moreover, the improvement in weather conditions in other Eastern areas last week was somewhat offset by an unusually heavy snowstorm in New England, which crippled transportation facilities and hampered industrial activity.

In addition to the immediate problems of clearing snow and ice barriers, railroad officials and others have displayed concern over the possibilities of floods. In view of the unusually heavy snow-cover, which recently was more than 6 feet over a large section of northern New York, and heavy ice conditions in the rivers, a sudden thaw could readily cause serious trouble. In view of this situation, Army Engineers last week were reported to be keeping a close check on ice conditions in the Hudson, Susquehanna and Chenango rivers. Likewise, in the Pittsburgh area, concern was being manifested over the possibility that a sudden thaw might result in flood conditions comparable to those which caused heavy damage in 1936.

Fuel supply situation caused concern

One of the unfortunate results of the combination of low temperatures and disrupted transportation has been to accentuate the tightness in fuel supplies. The home heating oil supply situation in Eastern states was recently described by the Petroleum Administrator as one of extreme gravity, with supplies of 8,220,000 barrels on January 20 representing a decline of nearly 2,000,000 barrels from year-earlier levels. Transportation difficulties have been chiefly responsible for the tight supply situation in gasoline and coal, although a reduced production of coal, which thus far in 1945 has been running substantially below last year's level, has contributed to the difficulty. Soft coal output in the week ended

February 3 was 12 percent below the corresponding week in 1944, while cumulative output thus far in 1945 has been 8 percent below. (See Chart 1.) A further adverse feature of the coal supply outlook is the fact that existing wage contracts expire on April 1 in the bituminous mines and on May 1 in the anthracite mines. It now appears that negotiations between the miners and soft coal operators will not get under way before March 1, and consumers already have indicated concern over the possibility of work stoppages in the mines, such as occurred in 1943.

Steel operations improve

After declining sharply under the impact of natural gas shortages and transportation difficulties, steel operations improved substantially in the latter part of last week. By last Thursday operations in the Buffalo area had recovered to 72 percent of capacity after having dropped to only 23 percent at the end of January. Likewise operations in the important Pittsburgh district were reported to have improved sharply.

Meanwhile, heavy war demands continue to subject the steel industry to increasingly severe pressure. In commenting on this situation the Iron Age last week stated that "heavier order volume than for several years combined with disrupted production schedules during January to produce a more chaotic delivery situation than at any time since the war began." Figures just released by the American Iron and Steel Institute reveal that actual steel ingot production in January was the lowest for a 31-day month since 1942. Total production of 7,178,000 net tons was 408,000 net tons, or 5.4 percent, less than in January 1944.

National income payments at new high

National income payments continued to rise in December, with the annual rate of payments attaining a new peak of \$160.3 billions as compared with \$159.5 billions in November. (See Chart 2.) Aggregate payments for salaries and wages rose more than seasonally, despite a slight decrease in payments to workers in commodity production industries.

The usual November to December rise in interest and dividend disbursement tended to swell total income

payments, but cash farm income showed a slightly greater than seasonal decline. Reference to Chart 2 will disclose that all major income components in December were above year-earlier levels with the exception of wages and salaries in manufacturing industries, which were about 2 percent lower.

Income payments in 1944 totaled \$156.8 billions, an increase of 9.5 percent over 1943. All major income components showed increases in 1944. However, the most important factor in the continued rise was an increase of \$5 billions, or 22 percent, in Government salaries and wages, largely as a result of the expansion in the armed services. In addition, Government payments to soldiers' dependents and mustering-out pay rose to nearly \$3 billions from \$1 billion in 1943, causing a sharp rise in "other income payments".

Stock prices relatively steady

After rising close to the year's high last Wednesday, stock prices later weakened moderately. At the close on Saturday the Dow-Jones industrial and railroad averages were only fractionally above week-earlier levels, while the utility average was unchanged. (See Chart 3.) Trading activity dropped off considerably near the end of the week.

Publication of short interest figures during the week revealed that at the end of January the short interest on the New York Exchange was 85,000 shares larger than a month earlier. The total of 1,475,000 shares was the highest since 1938. Meanwhile, industrial stock prices in London strengthened moderately last week following the decline which occurred in the latter half of January.

Railroad net income declined in 1944

After pacing the rise in stock prices in December and early January, railroad stock prices subsequently have shown greater vulnerability to selling than industrial or utility issues. This probably has been due in part to shortening war prospects following recent Allied successes, and perhaps in part to a growing realization that higher wage payments and increased prices for fuel, materials, and supplies are cutting into railroad income.

Thus, despite further increases in traffic, railway net operating income (earnings after taxes but before fixed charges) consistently ran behind year-earlier levels throughout 1944 until December, when a very small gain was shown over the corresponding month in 1943. (See Chart 4.) For the full year 1944, total operating revenues of Class I railroads reached a record high 4 percent above 1943. However, operating expenses during the same period rose 11 percent. As a result, net railway income of approximately \$1,107 millions in 1944 was nearly 19 percent lower than in 1943.

Commodity markets show little change

Except for a noticeable decline in grain futures on Thursday, commodity markets showed very little change last week. The BLS index of basic commodities was unchanged at the peak levels of the previous week. (See Chart 5.) A fractional advance in wheat prices was the only change noted among the 28 commodities in the index. The Dow-Jones futures index, however, declined 1 percent as a result of profit taking in grain futures near the end of the week. An improvement in the transportation situation, together with favorable war news, was responsible for the selling off in grain futures.

Rapid progress of the American forces in liberating the Philippines is causing some speculation as to the possibility of our obtaining supplies of some important Far Eastern commodities. Before the war the Philippine Islands were an important source of sugar, coconut oil, and abaca (Manila hemp). Moreover, the hope is expressed that Borneo or Sumatra might be retaken soon, in which case we might be able to obtain small quantities of natural rubber to bolster our badly depleted stocks.

The BLS general index of wholesale prices remained unchanged in the week ended February 3, with prices moving in a very narrow range. Following a gradual rise in the last four months of 1944, the index has tended to level out in recent weeks. (Refer to Chart 5.) At 104.7 percent of the 1926 average, the index is now 1.6 percent higher than a year ago and is 39.6 percent above the pre-war August 1939 average.

Brazilian cotton prices decline following
U. S. export subsidy

While the 4-cent export subsidy on cotton, which became effective November 15, has produced no sharp repercussions in the world markets, prices have tended to ease in some markets. Price declines have occurred in Brazilian and Mexican cotton, although the price of Indian cotton has risen noticeably in the past two months. The price of Type 5 Brazilian cotton at Sao Paulo, after averaging 14.69 cents per pound for the four Fridays immediately preceding the announcement of the export subsidy, declined to 13.91 cents per pound on February 2, the latest date available. This decline has occurred at a time when the outlook for this year's Brazilian crop, which was planted in September, is quite unfavorable, with drought conditions threatening a substantial reduction in the crop.

The price of 15/16-inch middling cotton at New Orleans (comparable to Type 5 Brazilian) on February 2 was 21.25 cents per pound, or only 5 points below the average of the four Fridays just preceding the announcement of the export subsidy. Thus the spread between Brazilian and American cotton widened from 6.61 cents per pound before the subsidy announcement to 7.34 cents at the beginning of February. The widening of the spread is tending to render less effective the export subsidy, since the subsidy rate has not been increased.

Cotton exports under the subsidy program have thus far been rather small, amounting to about 184,000 bales during the period from November 15 to January 27. Our exports in the pre-war years 1935-39 averaged about 5,600,000 bales per year. However, a larger proportion of our exports are now going in the form of lend-lease. Moreover, the shutting off of markets as a result of the war, and difficulties in export due to the tight ocean shipping situation, have naturally restricted the export markets. Exports (including lend-lease) during the past three crop years have averaged about 1,300,000 bales, according to estimates of the New York Cotton Exchange.

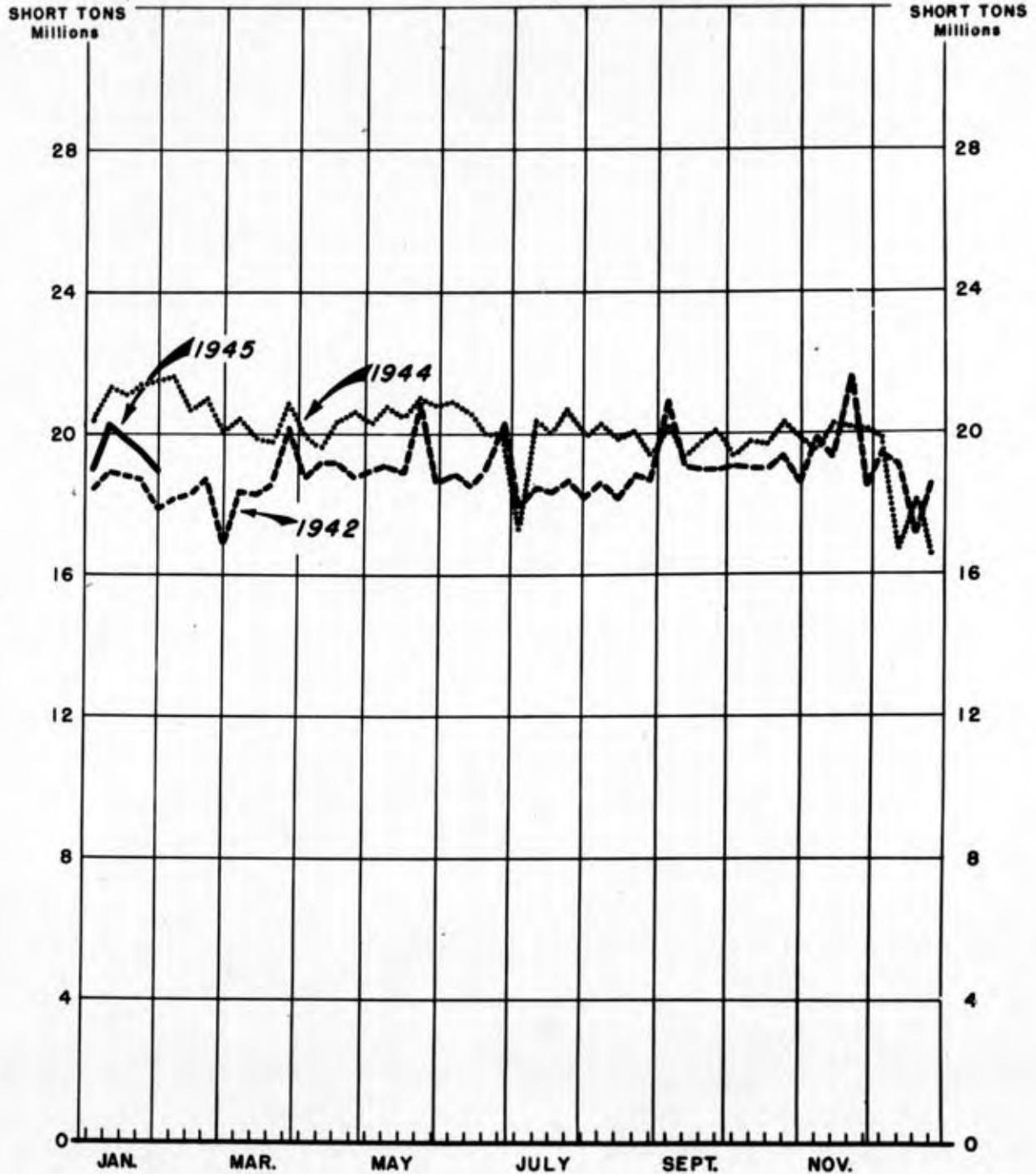
- 7 -

Diversion of more cotton textiles into essential
civilian use ordered

Taking the first step to implement the recently announced essential civilian apparel program, the WPB last week expanded the priority assistance order for low and moderately-priced cotton textiles. Heretofore priorities had been applied principally to children's clothing. The OPA is expected to issue a pricing order shortly, designed to operate in conjunction with the revised WPB order, and which will set dollar-and-cents ceilings for the various items.

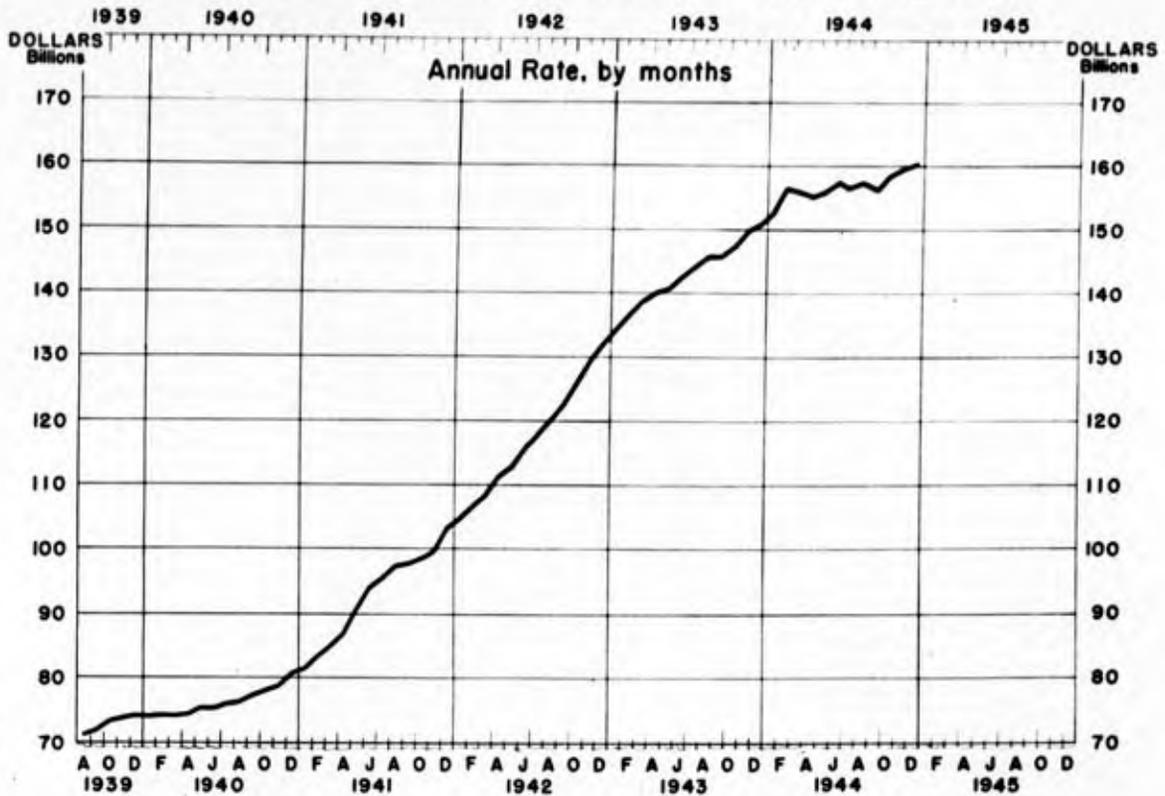
The revised order will require approximately 75 million yards quarterly, according to trade estimates, as compared with the 50 million yards estimated to be required under the original order. Press reports indicate that the new cotton textile program is substantially milder than the trade had anticipated. Furthermore, it is noted that certain cloth constructions for which high set-aside percentages for civilians are provided are practically unavailable at the present time because the armed forces are taking almost the entire output. In this connection the Army is reported to have begun last week the requisitioning of men's cotton knit undershirts from inventories of distributors, such as mail order houses and chain stores.

BITUMINOUS COAL PRODUCTION

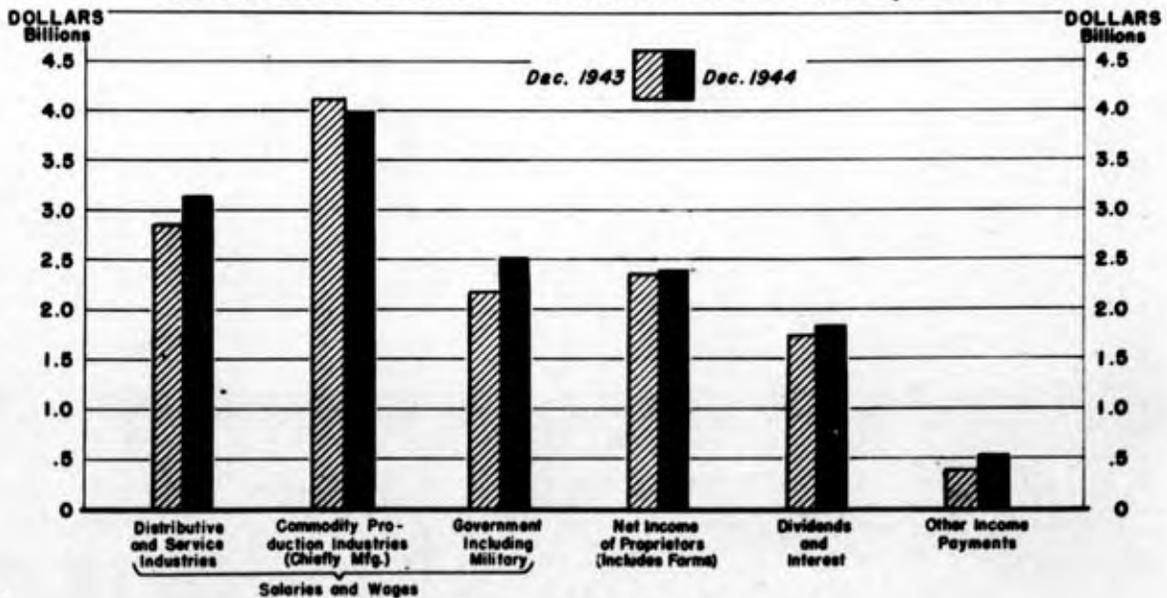


Source: Bureau of Mines

NATIONAL INCOME PAYMENTS AND COMPONENTS



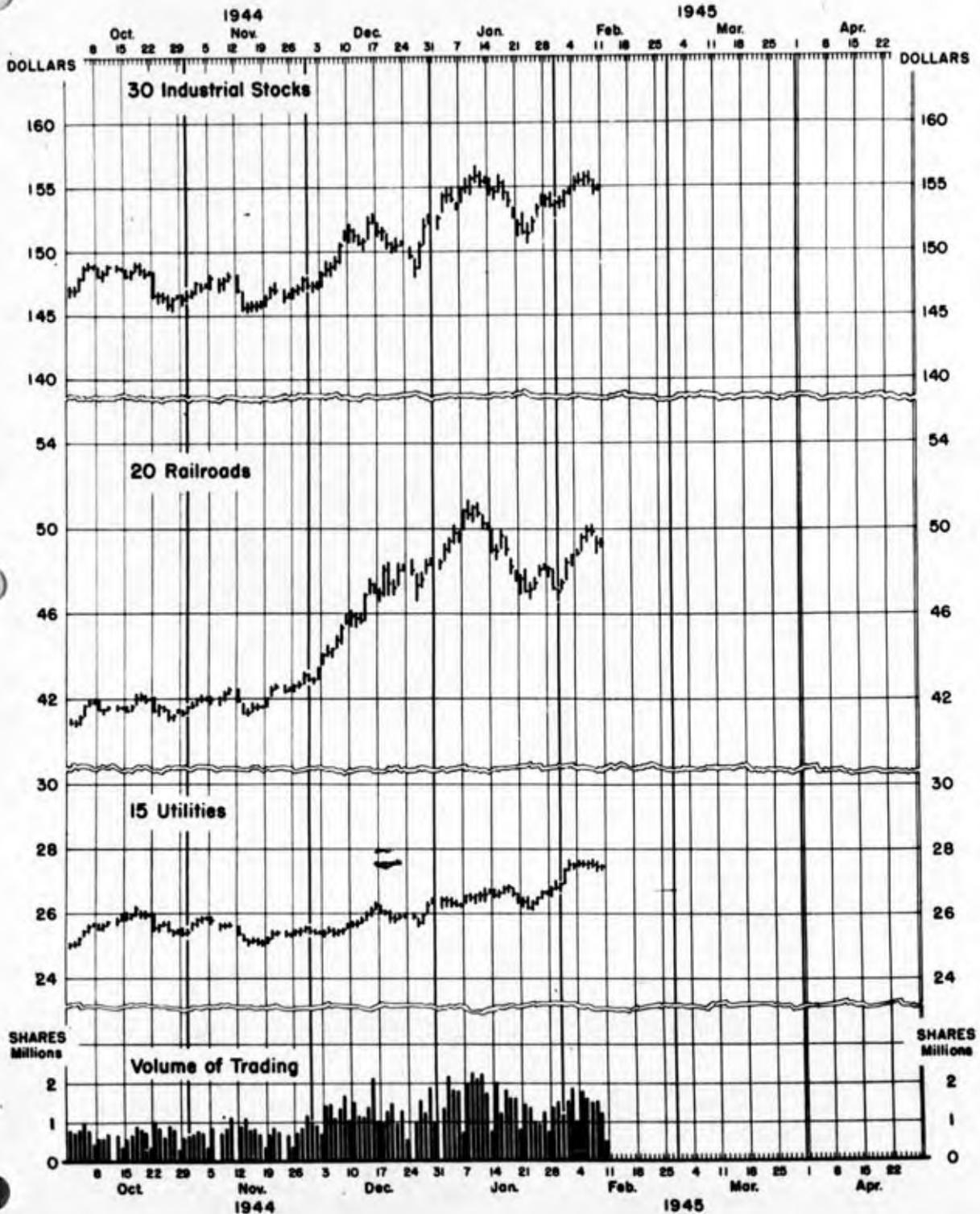
Dollar Totals for Selected Components, Dec. 1943 and Dec. 1944



Source: Department of Commerce

STOCK PRICES, DOW-JONES AVERAGES

Daily



RAILROAD EARNINGS

Net Railway Operating Income*, Class I Railroads

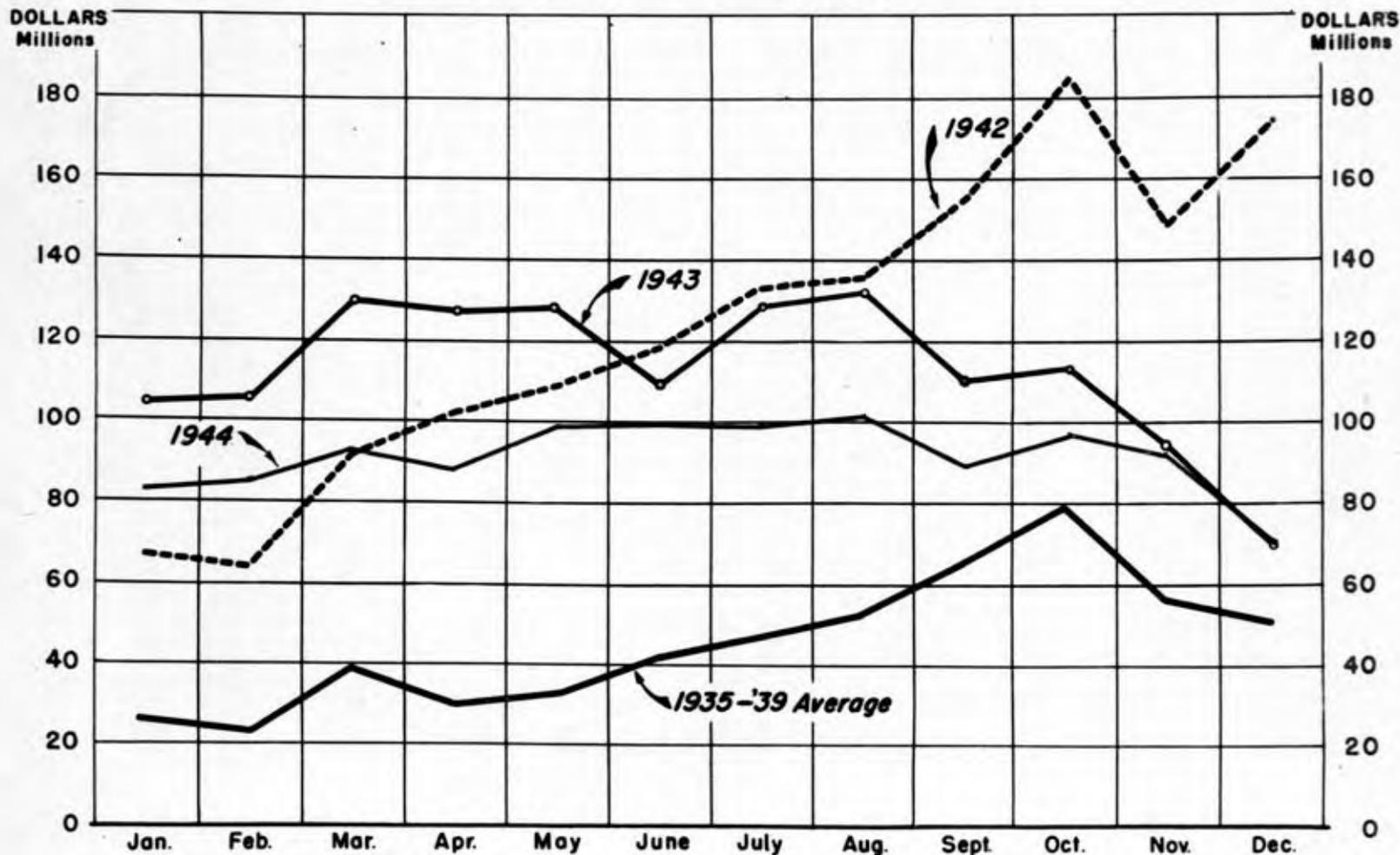


Chart 4

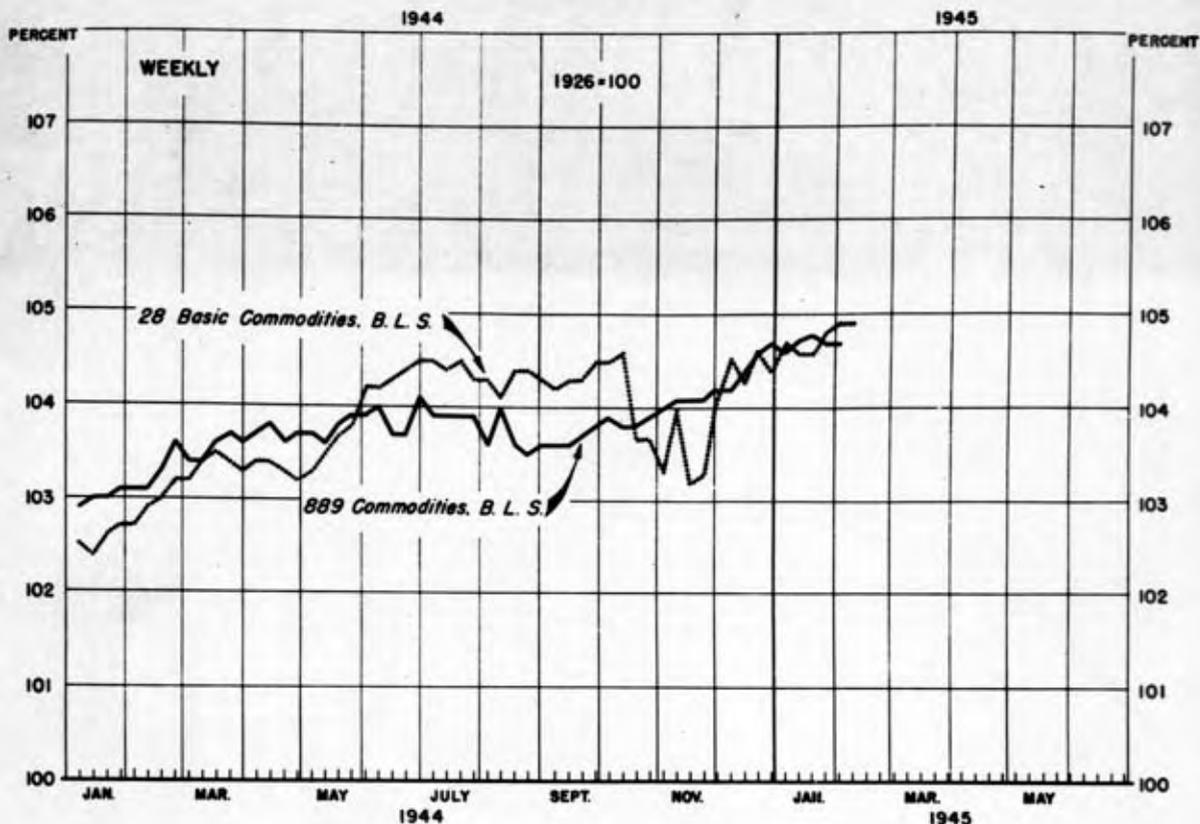
Office of the Secretary of the Treasury
Division of Research and Statistics

*Earnings after taxes, but before interest and other fixed charges.

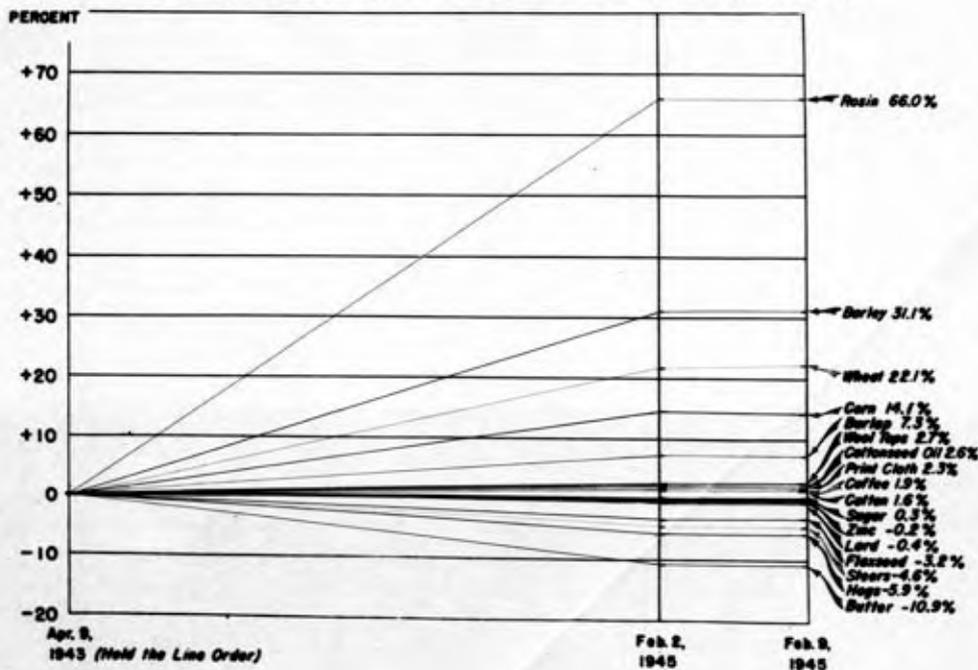
C-483-A

Regraded Unclassified

WHOLESALE COMMODITY PRICES



SELECTED BASIC COMMODITIES
Percentage Change April 9, 1943 to Feb. 2 and Feb. 9, 1945



AA

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE FEB 12 1945

TO Secretary Morgenthau

FROM Harry White *HOW*

*Information
re. Chase Bk.
activities in Paris.*

You will recall that on September 12, 1944, we reported to you that a study of an exchange of correspondence in New York between Chase, Paris, and Chase, New York, from the date of the fall of France to May 1942 disclosed that (1) the Paris branch collaborated with the Germans; (2) Chase was held in "very special esteem" by the Germans; (3) the Paris manager was "very vigorous" in enforcing restrictions unnecessarily against Jewish property; and (4) the home office took no direct steps to remove the Paris manager as it might "react" against their interests. We were then aware that the Paris branch of Chase acceded to the demands of the Germans to continue normal operations, even though both the Guaranty and National City had refused and substantial liquidation ensued.

On the basis of this report, you agreed with our recommendation to investigate Chase in France. As of the present date our investigation of the Chase records in France confirms the above mentioned findings, and discloses the following additional information:

1. S. P. Bailey, an American citizen who was in charge of the Paris office in June 1940, felt that it was desirable to, and actually commenced to, liquidate the Paris office. Some time thereafter and certainly by June 1941 his powers were revoked when the home office conferred authority on Niedermann who thereafter successfully ran the Paris office during German occupation, and Bertrand who remained at Chateaufneuf in then unoccupied France.

2. Although Chase in New York did not, so far as is presently known, send instructions for the Paris branch after February 4, 1942, there is thus far no evidence that Chase even attempted to veto any transactions of the Paris

office or between the office in the Free Zone and the office in Paris even when such contemplated transactions were the subject of requests for instructions.

3. Between May 1942 and May 1943, deposits in the Paris office virtually doubled. Almost half of the increase in deposits took place in two German accounts.

4. About a month after United States' entry into the war, the Chase attorney in Paris advised that it was a matter of "the most elementary prudence" to block American accounts notwithstanding that no such instructions had been issued by the occupying authorities. We are awaiting further reports as to whether the suggested action was taken.

5. In May 1942 the Paris branch advised a Berlin bank that certain instructions of the latter had been carried out and that the Paris branch "are at your disposal to continue to undertake the execution of banking affairs in France for your friends as well as for yourselves ***."

I will keep you advised of further developments in the investigation of Chase and the other American banks in Paris. In this connection you might be interested in reading the attached cable received yesterday from Hoffman in Paris which describes a meeting he held with Mr. Larkin who was apparently sent to Paris by Aldrich to try to straighten up the Chase offices. Larkin reported that Aldrich and the New York board of Chase were very much concerned over the situation in the Paris office of Chase, and that it was Larkin's job "to get to the bottom of the situation and make the necessary adjustments in personnel." It is significant that Larkin emphasized the fact that Chase, New York, had been cut off from the Paris branch since the United States entered the war. This does not agree with our findings which disclose that between the date of the fall of France and May 1942, Chase, New York, was kept advised about activities in Chase, Paris.

Attachment.

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

237
DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

EJG-432
This telegram must be
paraphrased before
being communicated to
anyone other than a
Government Agency.
(SECRET 0)

Paris

Dated January 12, 1945

Rec'd 12:55 p.m., 13th

Secretary of State

Washington

164, January 12, 5 p.m.

FOR TREASURY FROM HOFFMAN

Larkin of th(*) Bank called to discuss general
matters. The investigation was raised by Larkin in
the course of the discussion. He stated that Aldrich
and Board of Directors were very much concerned over
the whole situation and that it was Larkin's job to
get to the bottom of the situation and make any
adjustments in personnel that were necessary. Larkin
said that the managing personnel left in Paris were
not officers of the Chase Bank and would not be made
officers until he reported to New York. He emphasized
that Chase New York had been cut off from the Paris Branch
since the US entered into the war. Larkin stated that
he came over here with the purpose of opening the Chase
Bank for the use of the Army and that his mission was
semi-official. He has been temporarily billeted by
the Army. This activity has not commenced although
he is seeing the fiscal director on the twelfth. He

assured

action: Mr Saxon

Regraded Unclassified

CONFIDENTIAL
For security reasons the
text of this message must
be closely guarded.

-2-164, January 12, 5 p.m., from Paris

assured us of his full cooperation in the investigation and requested our assistance in determining the action he should take. We informed Larkin that we were not making any judgments concerning the activities of Chase during the war but were reporting fully to Treasury such information as we found. We made it clear that any decisions at present regarding personnel would be up to him as the officer in charge of the Bank. We said we assumed he would be reviewing the same records which we had been examining and would form his own conclusions. We agreed to advise him of some of the more significant files which he could examine. Larkin said that he felt the Bank's interest and the Government's are identical in that both desire to maintain American prestige in France. He referred favorably to the attitude of British Government toward British banks abroad and to the fact that British banks in Paris did a big business during the occupation.

CAPFERY

Action: Mr. Saxon

RB

(*) Apparent omission.

Treasury Department
Division of Monetary Research

259

Date. February 21 1945

To: Secretary Morgenthau

From: Mr. Coe

Taylor informs us that Rosenman was called to join the President before the Mission could begin work. Rosenman is returning to this country with the President and will call you upon arrival.



AIR MAIL

Office of the Treasury
Representative

UNITED STATES OF AMERICA
TREASURY DEPARTMENT



Embassy of the United States
London, February 12, 1945

Personal and Confidential

No. 237

Dear Mr. White:

We arrived in London the morning of the 11th after a not unpleasant trip via the Azores. The Mission group was minus one individual when we left Washington - Livingston Merchant of State had been hospitalized as a result of typhus and typhoid inoculations. It is assumed that he will join the party at a later date. Last evening Judge Rosenman called a conference of the group. We had assumed that at that time we would make detailed plans for meetings with the British. It came very much as a surprise, therefore, when the Judge informed us that he had just received cabled instructions that would take him away on a confidential mission for a period of ten days or two weeks. He will leave immediately for the Mediterranean theater, there to join up with the Chief and will accompany him back home. This information is very confidential and should be held in close reserve. The Judge says that in the event he got to Washington before returning here he would call the Secretary and explain the situation to him.

Under these circumstances I intend to stay here for the time being and to concentrate upon finding out what is going on in respect to general planning. I talked to Lt-Commr. Fisher in Paris this morning who informed me that Col. Bernstein had arrived yesterday and expected to come to London within three or four days. I also talked to Mike Hoffman who expects to leave for Washington on the 16th or 17th of this month. Jim Mann is presently in Brussels but is expected back here within a week.

The boys have done an extremely good job here. They have managed to keep all our avenues of contacts open

and

Mr. Harry D. White
Assistant Secretary
U.S. Treasury Department
Washington, D.C.

- 2 -

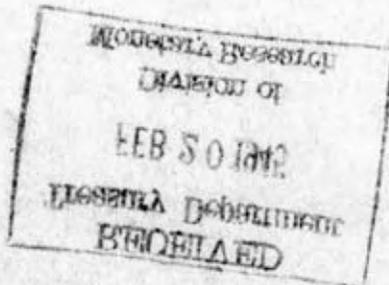
and have kept a flow of information moving back to Treasury.

Mike Hoffman reports that he is not at all happy about the prospects of the Paris office. He states that if neither he nor Jim Saxon are there, he anticipates a good deal of difficulty. He will doubtless talk to you at length upon his return. I shall try and get first-hand information on the situation in Paris very shortly.

Very truly yours,

Bill Taylor

Bill Taylor



PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: February 12, 1945
NUMBER: 1521

CONFIDENTIAL

US URGENT

I am grateful for your cable of February 5, no. 872, saying that Secretary Morgenthau had indicated his wish to appoint a financial adviser to me on EAC. I would be delighted to have this done and am especially happy that for this position he has named William H. Taylor.

WINANT

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

Dated February 12, 1945

263

Rec'd 12:10 a.m., 13th.

Secretary of State,

Washington.

318, February 12, 3 p.m.

FOR TROBE JDC FROM RESNIK.

This is WRB 313 JDC 169 from Harold Trobe for Leavitt.

For your information returned several days ago from Albania. Emergency relief granted to refugee group in Tirana. Plans for extended relief and possible evacuation now under consideration by Albanian National Liberation Committee. All this information not (repeat not) for publication.

Have advised Joseph Schwartz.

JMS

NORWEB

CABLE TO AMERICAN EMBASSY LONDON, FOR MANN FROM WAR REFUGEE BOARD

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

QUOTE PILPEL NOT RETURNING DUTY OVERSEAS. BIELE
ANXIOUS TAKE OVERSEAS ASSIGNMENT. WE BELIEVE BIELE
SHOULD BE ASSIGNED LISBON OFFICE FOR TIME BEING AND
AFTER SHORT PERIOD WITH TROBE SUGGEST TROBE BE RE-
ASSIGNED BY YOU FOR FIELD DUTY. HAYES SUGGESTING
TWO TO THREE CANADIAN FIELD WORKERS BE ASSIGNED YOUR
STAFF. WE AGREE IN PRINCIPLE PROVIDED STANDARD OF
WORKERS UP TO OUR OWN STAFF. ADVISE WHETHER YOU
AGREE. UNQUOTE

THIS IS WRB LONDON CABLE NO. 45

2:15 p.m.
February 12, 1945

MFD-1631

PLAIN

Paris

Dated February 12, 1945

Rec'd 1:54 p.m., 13th.

Secretary of State,
Washington.

650, Twelfth.

FORMOSIS LEAVITT AMERICAN JOINT DISTRIBUTION
COMMITTEE FROM JOSEPH SCHWARTZ RAGNAR.

Gottfarb requests appropriation \$10,000 for
purchase medical supplies Sweden to be sent to liberated
Czechoslovakia. Czech Government also making
available funds for this purpose. Would strongly
recommend this appropriation order participate this
necessary aid and also to establish possibilities of
Stockholm as a source of future supplies."

CAFFERY

RB

ME-1459

PLAIN

Lisbon

Dated February 12, 1945

Rec'd 7:38 p.m.

Secretary of State,

Washington.

313, Twelfth

FOR LEAVITT FROM HAROLD TROBE.

Hiem received following from Bertrand Jacobsen Bucharest. "Following urgent message for Joint from Filderman: Intercess here under pressure from World Jewish Congress delegates organize "section for south-eastern Europe" which although will operate with Joint funds will conduct activities not in Joint's name but in name of Red Cross under direction of among others World Jewish Congress delegates. World Jewish Congress already making newspaper publicity thereof. Wired two months ago through Intercess for 2 million francs for assistance in Hungary but received no reply. Yugoslav delegates have requested medical supplies and Polish representatives asking relief for Poland. Wire urgently if you desire us act Hungary Yugoslavia Poland and other liberated areas. If you approve extension our activity beyond Rumanian frontier please supply adequate funds and give me your decision whether to operate in name of Red Cross or Joint's name giving me exclusive authority to choose my co-workers and advise me whether you authorize collaboration with World Jewish Congress. We require urgently at least \$800,000 for Rumanian assistance alone including restituted Transylvania otherwise we maintain destitution without reducing it. Insist urgent presence your representative here". Have advised Joseph Schwartz.

NORWEB

MRM

NCB-1422

PLAIN

Lisben

Dated February 12, 1945

Rec'd 7:25 p.m.

Secretary of State,

Washington.

314, Twelfth.

JDC 168 WRB 312

FOR LEAVITT FROM HAROLD TROBE.

Passman Jerusalem cables "Information reached Palestine from 111 liberated towns Lithuania Galizia Ukraina White Russia where small number Jews remained each place and community councils formed. Ordered Tehran office send quantity parcels each placed community council for distribution. To some places also sent Hassoth parcels from Palestine also asked Tehran send cables letters to those places asking for details number Jews and situation. Airmailing you list communities. In addition 1200 individual letters reached Palestine from some these communities. To these we sent individually addressed parcels. Dispatched from Palestine 3340 Hassoth parcels to Rabbis Yeshiva students Orthodox notables. We paid 3750 pounds for 2500 parcels balance paid by Palestinians." Have advised Joseph Schwartz.

NORWKB

MRM

MCG-1428
Distribution of true
reading only by special
arrangement. (SECRET W)

Lisbon

Dated February 12, 1945

Rec'd 7:55 p.m.

Secretary of State,
Washington.

315, February 12, 6 p.m.

THIS IS WRN 311 JDC 167 FOR LEAVITT FROM
HAROLD TROBE.

Approximately \$110,000 spent for relief during
January in Shanghai of which 86% for food Saly Mayer
advises. 200,000 Swiss francs already transferred
by Saly for February and he plans this month transfer
additional 200,000 Swiss francs.

NORWKB

JMS

AS-1485

PLAIN

Lisben

Dated February 12, 1945

Rec'd 10:47 p.m.

Secretary of State,

Washington.

322, Twelfth

WRB 315 JDC 171

FOR LEAVITT FROM TROBE

Gottfarb Stockholm advises parcel service to
Theresienstadt ex-Stockholm stopped January 27th
due war situation.

NORWEE

LRM

AS-1486

PLAIN

Lisbon

Dated February 12, 1945

Rec'd 10:51 p.m.

Secretary of State,

Washington.

323, Twelfth

WRB 314 JDC 170

FOR LEAVITT FROM HAROLD TROBE

Our 165 group 1200 men moved to camps near Zurich and Montreaux. Dutch group receiving assistance from their government and German French Polish members transport cared for by Swiss authorities. Understand McClelland communicating Washington regarding evacuation this group from Switzerland.

NORWEB

CABLE TO HUDDLE AND MCCLELLAND, BERN, SWITZERLAND, FROM WAR REFUGEE BOARD

Reference your 869, 885, and 887 of February 8, appreciate your energetic steps.

In pursuing them further, will you please explain, with special reference to your 887, that Department's 127 of January 9 had in mind indirect influence of Swiss consular officials exercised by their presence near places where Jews are concentrated and such informal conversations which they could hold on the spot rather than official acts of intercession.

THIS IS WRB BERN CABLE NO. 399.

9:00 a.m.
February 12, 1945

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

February 12, 1945

Midnight

AMLEGATION

BERN

677

The following for Huddle and McClelland is WRB 399.

Reference your 869, 885, and 887 of February 8,
appreciate your energetic steps.

In pursuing them further, will you please explain,
with special reference to your 887, that Department's 127
of January 9 had in mind indirect influence of Swiss
consular officials exercised by their presence near places
where Jews are concentrated and such informal conversations
which they could hold on the spot rather than official acts
of intercession.

GREW
(Acting)
(GLW)

WRB:MMV:MM
2/12/45

273

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTEL No. 49

Information received up to 10 a.m., 12th February, 1945.

NAVAL

1. MEDITERRANEAN. Night 7th/8th. Allied coastal craft sank two coasters which entering Savona in Gulf of Genoa.
2. ENEMY ATTACK ON SHIPPING. 11th. A 5,382 ton Belgian ship in coastal convoy torpedoed or mined off Plymouth and abandoned.

MILITARY

3. WESTERN FRONT.
Central Sector: 3rd U.S. Army made further progress across Our and N.E. Prum, while 1st U.S. Army still fighting around Roer Dams S.E. Schmidt.
Northern Sector: 1st Canadian Army gained ground north and south Cleve which reported cleared.
4. EASTERN FRONT.
North Central Sector: Further advances made N.W. Schneidexuhl and Maerkisch-Friedland and Deutsch-Krone occupied.
South Central Sector: Massive crossing of Oder on 100 mile front made north of Breslau, where Liegnitz and Haynau captured and advances made up to 37 miles from river. Further south main railway heading south from Breslau cut only 10 miles from town. South of Katowice advances made to within five miles N.W. and two miles S.W. Bielsko.

AIR

5. WESTERN FRONT. 11th. 123 Liberators attacked fuel depot Dulmen (300 tons) with unobserved results. 160 medium bombers attacked railway centres Bingen (west Mainz) and Modrath (S.W. Cologne) and targets ahead 1st Canadian Army. 1342 fighters and fighter bombers (7 missing) operated battle areas where over 600 road and rail vehicles destroyed.
6. MEDITERRANEAN. 10th. 632 tactical aircraft (1 missing) attacked communications and other targets north Italy where 20 bridges damaged and railway lines cut 81 places.
7. BURMA. 9th. 18 Liberators scored two hits on viaducts Bangkok/Moulmein railway while 16 Liberators (1 missing) bombed rail targets Kra Isthmus.

HOME SECURITY

8. ROCKETS.
Night 10th/11th. Further incident reported.
11th. Four incidents reported.
Night 11th/12th. Three incidents reported.