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E R S K

M

MEMORANDUM FOR THE PRESIDENT

Subject: Draft Directive for the Treatment of *W*
Germany

Your memorandum of February 20 directed me to assume the responsibility for carrying forward the conclusions you reached at the Crimea Conference. In pursuance thereof, I am attaching for your approval a suggested directive on the treatment of Germany which I believe conforms to the Yalta discussions and decisions. I believe that such a directive is urgently necessary to implement the Yalta decisions and continue the formulation and development of United States policy to be concerted with our Allies. If you approve of the attached directive, I suggest the establishment of an informal policy committee on Germany under the chairmanship of the Department of State and including representatives of War, Navy, Treasury and the Foreign Economic Administration. This committee would serve as the central source of policy guidance for American officials both civilian and military on questions relating to the treatment of Germany and its proceedings would be based on the attached directive.

Enclosure:
Suggested directive.

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March 10, 1945

Draft Directive For The
Treatment of GermanyI. MILITARY GOVERNMENT

- Making
point*
1. The inter-allied military government envisaged in the international agreement on control machinery for Germany shall take the place, and assume the functions, of a central government of Germany.
 2. The authority of the Control Council shall be paramount throughout Germany. The zones of occupation shall be areas for the enforcement of the Council's decisions rather than regions in which the zone commanders possess a wide latitude of autonomous power.
 3. German administrative machinery must be purged as set forth below. It shall be used in so far as it can serve the purposes of this directive and does not permit Nazi abuses.

II. IMMEDIATE SECURITY MEASURES

1. The German armed forces, including para-military organizations, shall be promptly demobilized and disbanded.

2. All

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2. All military and para-military agencies, including the General Staff, partly military, and quasi-military organizations, the Reserve Corps, and military academies, together with all associations serving to keep alive the military tradition in Germany shall be immediately dissolved and thereafter prohibited.
3. All German arms, ammunition and implements of war shall be removed or destroyed.
4. Military archives and military research facilities shall be confiscated.
5. The manufacture and the importation of arms, ammunition and implements of war shall be prohibited.
6. The German aircraft industry shall be dismantled and the further manufacture of aircraft and component parts shall be henceforth prohibited.

III. GERMAN POLITICAL PARTIES

1. The Nazi Party and its affiliated and supervised organizations shall be dissolved and their revival in any form shall be prohibited. Such non-political social

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- social services of these organizations as are deemed desirable may be transferred to other agencies.
2. Nazi laws which provided the legal basis of the Hitler regime and which established discriminations on grounds of race, creed, and political opinion shall be abolished.
 3. All Nazi public institutions (such as the People's Courts and Labor Front) which were set up as instruments of Party domination shall be abolished.
 4. Active Nazis and supporters of Nazism and other individuals hostile to Allied purposes, shall be eliminated from public and quasi-public office and from positions of importance in private enterprise. Active Nazis shall be defined as those approximately two million members of the Party who have been leaders at all levels, from local to national, in the Party and its subordinate organizations.
 5. Nazi political malefactors and all war criminals shall be arrested and punished.

6. Germans

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6. Germans taken abroad for labor reparation shall be drawn primarily from the ranks of the active Nazis and of Nazi organizations, notably from the SS and the Gestapo.

This procedure will serve the double purpose of eliminating many of the worst carriers of Nazi influence from Germany and of compelling the guilty to expiate their crimes and to repair some of the damage they have done.

7. Under the direction and supervision of the Control Council there shall be established throughout Germany a unified system of control over all means of disseminating public information.

8. There shall be established a uniform system of control over German education designed completely to eliminate Nazi doctrines and to make possible the development of democratic ideas.

IV. ECONOMIC CONTROL

1. Pending definite decision on revision of boundaries and partitioning, Germany as it existed on

January 1,

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January 1, 1938, with the exception of East Prussia and Upper Silesia, shall be administered and controlled as an economic unit.

2. The economy of Germany shall be directed, controlled and administered in such a way as to

- (a) Provide facilities for, and contribute to the maintenance of the occupying forces and occupying authorities.
- (b) Stop the production, acquisition and development of implements of war and their specialized parts and components.
- (c) Provide a minimum standard of living for the German people including such food, shelter, clothing and medical supplies as are required to prevent disorder and disease on a scale that would make the task of occupation and the collection of reparation substantially more difficult.
- (d) Provide such goods and services to Allied countries for relief, restitution and reparation as will be in excess of the requirements of the occupation

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occupation forces and the minimum standards of living.

- (e) Conform to such measures for the reduction and control of Germany's economic war potential as the Allied Government may prescribe. (See paragraphs 1. to 14, inclusive.)

3. It is recognized that a substantial degree of centralized financial and economic control is essential to the discharge of the tasks mentioned in paragraph 2. The Control Council shall have general responsibility for insuring that all measures necessary to this end are taken.
4. In particular, the Control Council shall be empowered to formulate, within the framework of existing and future directives, basic policies governing: (a) public finance; money and credit, (b) prices and wages, (c) rationing, (d) inland transportation and maritime shipping, (e) communications, (f) internal commerce, (g) foreign commerce and international payments, (h) restitution and reparation, (i) treatment and movement of displaced persons, and (j) allocation of plant and equipment, materials,

manpower

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manpower and transportation.

5. It is recognized that the prevention of uncontrolled inflation is in the interest of the United Nations. The Control Council shall strive to insure that appropriate controls, both financial and direct, are maintained or revived.
6. The Control Council shall utilize centralized instrumentalities for the execution and implementation of its policies and directives to the maximum possible extent, subject to supervision and scrutiny by the occupation forces. Whenever central German agencies or administrative services which are needed for the adequate performance of such tasks have ceased to function they shall be revived or replaced as rapidly as possible.
7. (a) Before utilizing German agencies military government authorities must carry through denazification in accordance with the principles set forth above.
- (b) German nationals deprived of their positions because of previous affiliations with or support of the Nazi party or because of disloyalty to

the

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the military government authorities shall be replaced as far as possible by other German nationals. In recruiting replacements military government officers shall rely as much as practicable on the leaders and personnel of freely organized labor unions and professional associations and of such anti-Nazi political groupings and parties as may arise in Germany.

8. Military government shall eliminate active Nazis and supporters of the Nazi regime and other individuals hostile to Allied purposes, from dominant positions in industry, trade and finance.
9. Military government shall permit free and spontaneous organization of labor and professional employees. It shall facilitate collective bargaining between employers and employees regarding wages and working conditions subject to overall wage controls and considerations of military necessity.
10. Germany shall be required to restore all identifiable property which has been taken from invaded countries. It shall also be compelled to replace

objects

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objects of unique cultural and artistic value whenever looted property falling within these categories cannot be found and restored.

11. Germany must make substantial reparation for damage to, or losses of, non-military property caused by or incident to hostilities. Such reparation shall take the form of (a) confiscation of all German property, claims and interests abroad, (b) deliveries from existing German assets, particularly capital equipment (c) deliveries from future German output, and (d) German labor services in devastated countries.
12. The reparation burden and schedules for delivery should be determined in such a manner that Germany can discharge its obligation within a period of ten years from the cessation of organized hostilities.
13. The volume and character of German reparation deliveries of capital equipment shall be largely determined in such a way as to reduce Germany's relative predominance in capital goods industries of key importance and to rehabilitate, strengthen and develop

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develop such industries in other European countries, as part of a broad program of reconstruction.

14. Germany shall be prohibited from engaging in the production and development of all implements of war. All specialized facilities for the production of armaments shall be destroyed, and all laboratories, plants and testing stations specializing in research, development and testing of implements of war shall be closed and their equipment removed or destroyed.
15. Germany shall also be forbidden to produce or maintain facilities for the production of aircraft, synthetic oil, synthetic rubber and light metals. Production facilities in these industries shall be removed to other countries or destroyed.
16. In order to foster and develop metal, machinery and chemical industries in other countries, exports of competing German products shall be subjected to restraint for a considerable period. At the same time, German production and export of coal and light consumer goods shall be facilitated.
17. German firms shall be prohibited from participating in international cartels or other restrictive contracts or arrangements. Existing German participations in such

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such cartels or arrangements shall be promptly terminated.

18. The scope and execution of the economic disarmament program should be made compatible with the payment of reparation and both the reparation and economic disarmament programs should take into consideration the necessity of maintaining a minimum German standard of living as defined in paragraph 2.
19. In fulfillment of this principle, Germany shall be made to begin paying her own way as soon as possible. There shall be no simultaneous payment of reparation by Germany and extension of credit to Germany. Payment for such imports as are authorized by the Control Council shall be made a first charge on the proceeds of German exports. If Germany is unable to export sufficient goods in excess of reparation deliveries to pay for authorized imports, reparation recipients shall be required to shoulder this deficit in proportion to their respective receipts from reparation.

Mar. 10, 1945

AMERICAN BANKERS ASSOCIATIONI. General Position With Respect To Legislation

The American Bankers Association has opposed many of the principal alterations in banking, currency and financial law of the past five decades.

(a) Postal Savings

Postal Savings was established in the United States by legislation enacted on June 25, 1910, "after nearly forty years of discussion of Postal Savings in the United States, during which time eight Postmasters General had urged the establishment of Postal Savings Banks; after 80 bills had been introduced in Congress for this purpose; after all political parties had advocated such a system in their platforms; and after Presidents Roosevelt and Taft had urged the establishment of a Postal Savings System." (See "The Postal Savings System of the United States," American Bankers Association Committee on Banking Studies, at p. 7).

Both before the establishment of the Postal Savings System, and virtually to the present time, the American Bankers Association has officially opposed Postal Savings in general or particular phases of its operation.

The American Bankers Association opposed the establishment of Postal Savings Banks, condemning it as unwise:

"It is the opinion of this Association that we should condemn in unqualified terms the proposition for the establishment of Postal Savings Banks * * *." (Proceedings, American Bankers Association, 1909, p. 252)

The Savings Bank Division resolved that it

"deprecates the agitation for an enlarged system of Postal Savings banking paying an increased rate of interest, and hereby protest against any legislation to that end." (Proceedings, American Bankers Association, 1921, p. 195)

The Committee on Federal Legislation opposed the Steenarsen Bill (to amend the Postal Savings Law by increasing the maximum deposit and the rate of interest to be paid to depositors) and adopted a motion to

"oppose any increase in the powers of the Postal Savings System including the rate of interest which they pay and

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disfavor any compromise with the proponents of the Steenarsen Bill by which the existing powers of Postal Savings Banks be in any respect enlarged * * *." (Proceedings, American Bankers Association, 1922, p. 119).

As late as December 1935, the Association passed a resolution condemning as "inequitable" the "competition of the Postal Savings System with privately-owned banks through the relatively high interest rate and liberal interest privileges allowed its depositors."

(b) Guarantee of Bank Deposits by the Federal Government

The demands for insurance of deposits were virtually as old as that for establishment of a Postal Savings System. The American Bankers Association has at all times opposed the institution of a deposit guarantee system, and the establishment of the Federal Deposit Insurance Corporation by the Banking Act of 1933 was insufficient to quell the opposition of the Association.

The American Bankers Association successfully resisted all early attempts to guarantee deposits. Its legislative committee reported that it was:

"opposed to the guaranteeing of deposits by either State or Federal Government." (Proceedings, American Bankers Association, 1908, p. 283)

Its report was adopted and the Association stated that it was:

"unalterably opposed to any arbitrary plan looking to the mutual guaranty of deposits either by a state or the nation, believing it to be impractical, unsound and misleading, revolutionary in character and subversive to sound economics, placing a tool in the hands of the unscrupulous and inexperienced for reckless banking, and knowing further that such a law would weaken our banking system and jeopardize the interest of the people." (Proceedings, American Bankers Association, 1908, p. 286).

Similar opposition was voiced in 1909 (Proceedings, pp. 250, 260). After the adoption of the Federal Reserve System, attempts were again made to provide for the guaranty of deposits. Again, the Association objected. Its Federal Legislative Committee reported:

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"As our Association is on record, by resolution, as opposed to the guaranty of bank deposits by the States or by the Nation, we have opposed the bill introduced in the last session, providing for the guarantee of deposits in banks of the Federal Reserve System. *** This bill *** is a measure which, if enacted into law, would seriously affect the banks of this country." (Proceedings, 1932)

and in 1933:

"*** the American Bankers Association hereby records its deliberate judgment that the dangers involved in attempting to initiate at the beginning of 1933 the provisions for deposit insurance contained in the Bank Act of 1933 are genuine and serious. ***" (Proceedings, 1933, p. 36)

The President of the American Bankers Association, urging members to telegraph to the President recommending veto of the deposit insurance provision of the Banking Act of 1933, stated:

"The guaranty of bank deposits has been tried in a number of states and resulted invariably in confusion and disaster to the financial structure of the states, and if our party when returned to power should incorporate such a scheme in the federal organization, we would drive the strongest member banks from the Federal Reserve system."

An editorial in the American Bankers Association Journal for June 1933, at page 28, took the position that:

"It is entirely possible that the unwarranted burden that the [deposit insurance provisions] of the [Banking Act of 1933] would place on good banks might threaten the stability of the entire banking structure."

The President of the American Bankers Association stated that the scheme is not "different in essential purpose from the guarantee of deposit schemes that have been tried in eight western states and invariably failed," and that "the Economic Policy Commission of the American Bankers Association has just completed a partial restudy of the history and results of the deposit guarantee plans and the simple facts of these cases put them beyond the pale of sound remedies for the banking problem." (See address published 56 Trust Company 680 (June 1933)).

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The American Bankers Association remained skeptical of the Federal Deposit Insurance in 1941 when it was stated by its research council, in reply to a questionnaire of the United States Senate Committee on banking and currency . . . "Federal Deposit Insurance must still, in view of previous experience with state funds, be considered as experimental and not tested in the crucible of experience under varied economic conditions."

(c) The Federal Reserve System

The Federal Reserve System was an outgrowth of proposals for central reserve banking facilities which had been pending for many years. The first action by the executive council of the American Bankers Association approving any central reserve system was in 1911. At that time, the president of the association pointed out that:

"It is almost inconceivable that bankers should have taken thirty-seven years in coming to some solution satisfactory to themselves, and it is to be hoped that the present convention will give its approval of the action of the executive council in such a positive way that the whole country will understand that the bankers have at last agreed with practical unanimity on the cause of the trouble and the remedy."

The measure approved by the Association was however not acceptable to the Congress and new measures were introduced by Carter Glass, Chairman of the House Banking and Finance Committee. The Glass measure which was the basis of the Federal Reserve Act was disapproved by the American Bankers Association apparently for the reasons, among others, that investment in the stock of the Federal Reserve Banks was compulsory, and the individual banks had a minority representation in the Federal Reserve Board. 1/ (See Proceedings American Bankers Association, 1913, pages 64-65, 75)

1/ In reporting on the Glass bill to the American Bankers' Association, its Currency Commission stated:

"*** The question is asked, 'Why, if the bankers approved such provisions in the so-called Aldrich bill, do they oppose similar provisions in the so-called Glass-Own bill?' This is the reason:

"(a) Investment in the stock of the Central Reserve Association created by the bill of the National Monetary Commission was permissive, not compulsory; banks might invest in the same if they chose, or they might decline the opportunity, in accordance with the dictates of their business judgment."

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The American Bankers Association then presented certain amendments to the Committee on Banking and Currency for the purpose of partially restoring the features which it deemed desirable. (See Proceedings, of the American Bankers Association, 1913, at pp. 112-13).

The basic objections by the American Bankers Association were, however, not met in the Federal Reserve Act as enacted.

Today the American Bankers Association apparently has on the whole approved the Federal Reserve Act as relatively good legislation. See, for example, statement of Mylander, representing the American Bankers Association, in Hearings before Committee on Agriculture, 76th Cong. 3d Sess. on H.R. 5748 (1940) at p. 444.

Continuation of footnote 1/ from p. 4.

"(b) Under the terms of the bill of the National Monetary Commission, the bankers controlled the management of the Central Reserve Association. It follows that an investment in the stock of the Association was an investment under their own control and management. On the contrary, investment in the stock of the Federal Reserve Banks of the Glass-Owen bill is compulsory. The individual banks have a minority representation in the management of these Federal Reserve Banks and have no voice whatever in the selection of the Federal Reserve Board, which dominates the Federal Reserve Banks, and the proposed measure only provides that one of the seven members must have banking experience.

"The fact that the bankers controlled the Central Reserve Association was a guarantee against political control, and it was equally a guarantee against incompetent management--two important respects wherein the pending measure is lacking." (Proceedings, American Bankers Association, 1913, p. 75).

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- (d) General Philosophy of the American Bankers Association in Connection with Legislation Involving Extension of Governmental Credit or Governmental Expenditure.

The general attitude of the American Bankers Association with respect to the extension of credit by the United States Government is somewhat indicated by the "statement of A.B.A.'s position on socialized credit."

"The American Bankers Association has long been opposed to the socialization of credit by the Government. By socialization, we mean the extension of credit and the making of loans by the Federal Government with costs and losses paid out of the Federal Treasury either directly or indirectly. Our position supports the stand maintained by leading farm organizations as they oppose the control of agricultural credit by political forces.

"It is recognized that direct relief by the Government in times of serious economic stress may involve some granting of loans from public funds as a temporary emergency expedient. However, the continued practice of making uneconomic loans from public funds, without the adequate consideration of the ability of the borrower to repay and with the losses socialized at the expense of the taxpayers, violates the principles on which credit rests and thereby endangers the foundation of a sound credit structure." (Resolution at the closing session of the wartime service meeting, September 25, 1943)

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II. Tactics And Interest Of The American Bankers Association In Connection With Legislation

(a) Dilatory Tactics In Opposition to Legislation.

Although the question of a guarantee of deposits had been discussed from time to time since 1908, the 1933 report of the Economic Policy Commission recommended:

"that the official representatives of this association be directed to urge upon the National Administration at Washington the desirability of postponing by legislation or otherwise the initiation of deposit insurance until an adequate study and report can be made of the probable results that would follow the putting into effect * * * the provisions of the new banking law * * *" (Proceedings American Bankers Association, 1933, p. 34).

This report was favorably adopted. Likewise the Association adopted the Report of the Committee on Resolutions which stated that:

"We recommend to the National Administration at Washington that it seek means for postponing the initiation of deposit insurance * * *."

"* * * means should be found to postpone action in putting into effect the proposed measures for deposit insurance * * *."

It also took the position that:

"the whole project for deposit insurance * * * should be reconsidered * * * and * * * reiterates its conviction that the postponement of the first phase of the project is of the first importance." (Proceedings, 1933, p. 36)

The action taken by the Association in connection with the various currency reforms furnishes the most striking illustration of its technique in delaying legislative action. The President of the Association in his annual message to the convention in 1911 stated:

"It is almost inconceivable that bankers should have taken thirty-seven years in coming to some solution satisfactory to themselves" (Proceedings, 1911, p. 59-60).

The Association sought to minimize the need for the Banking Act of 1935:

"It is not our opinion that an emergency exists which makes it immediately necessary to have this legislation. (Statement of the President, Hearings before a Subcommittee of the Committee on Banking and Currency, U. S. Senate, 74th Cong. 1st Sess., on S. 1715 and H.R. 7617, at 515),

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(b) Indirect Opposition to Legislation

At times the Association has found it advisable to adopt a more indirect approach:

"In the submission of this report the Legislative Committee in asking for its approval in very mild and polite terms condemns postal savings banks, but it also recognizes as inasmuch as two political parties have spoken for it, it is unwise for this Convention to place itself on record in offensive terms against that proposition if they seek to accomplish anything with the legislative authorities in shaping the law, if we must have the law. (Proceedings, 1908, p. 292) and adopted a Resolution

"that the American Bankers Association welcomes all legislation that adds to the security and advancement of the business of the people, but deems the proposed plan of guaranteeing bank deposits and of establishing government savings banks as unwise and hurtful." (Proceedings, 1908, p. 293)

In 1910 the Postal Savings Committee reported as follows:

"As it became more and more evident that an attempt would be made to pass a postal savings bank bill your Committee urged upon the various Clearing House Associations of the country that they take action looking toward a delay of the matter." (Report of Postal Savings Bank Committee, Proceedings, 1910.)

The Bretton Woods proposals are not the first the Bankers Association opposed in principle, but object to in methods and procedures. It favored

"the aims and most of the provisions of the Glass Bill, but is opposed to the new insurance feature that has been incorporated in it." (The American Banker, May 17, 1933, p. 1).

(c) Preference for Self-Regulation

H. U. Page, Chairman, Committee on Mortgage Trusteeships of the Trust Division of the American Banking Association, Bankers Trust Company of New York, testifying at Hearings before the Subcommittee and the Committee on Banking and Currency, Senate, 76th Congress, 1st Sess. on S. 477, said:

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"As I stated in my testimony on the bill in the previous session of Congress, trust institutions do not welcome Federal regulatory legislation of this type. The American Bankers Association does not believe that the bill is necessary. It would have preferred to continue its efforts to bring about a satisfactory system of voluntary control, similar to that now in use in connection with personal trusts, and throughout the committee's discussion of the subject I have so indicated to the Securities and Exchange Commission. * * *"

In the annual address of the First Vice-President of the American Bankers Association (1913) at pp. 64-65, it was stated that:

"We are loath to believe that the integrity and the patriotism of bankers are regarded with suspicion by our lawmakers; or that it is believed that bankers are not to be trusted in the management of their own business through which the needs of the commerce of the country have been so ably served in the past; or that it is believed that banking should be more restricted than other classes of business, except as to supervision; or that the experience of bankers in their chosen profession should not be of value in the preparation of a new law; or that in the pursuit of politics the best thought of the country on so important a problem will not be given fair consideration."

"It is hoped, then, that the final results obtained will be such as will permit bankers to retain their self-respect in the control of their own property and to transact business under conditions at least as favorable as is provided for State institutions, through which so large a percentage of the business of the country is now satisfactorily handled. * * * (Proceedings, 1913, pp. 64-65)"

The American Bankers Association disapproved of the Glass Steagall bill, which became the Federal Reserve Act because it did not embody the principle of self-regulation (Part I above). Farm Credit legislation has been disapproved because it involves the establishment, continuance, or enlargement of federal credit facilities or the use of boards upon which bankers are not fully represented. (See Hearings before the Committee on Agriculture on H.R. 4384, 78th Cong. 2d Sess. (1944))

(d) Predictions of Undesirable Results

As early as 1896 the Association predicted that the establishment of postal savings banks in this country would be productive of much evil and lead to gross extravagance on the part of the Government.

- 10 -

(Bankers Magazine, Feb. 1896, p. 277). In 1908 it was resolved

"That the American Bankers Association condemns as unwise and harmful all propositions to establish Postal Savings Banks", (Proceedings, 1908, p. 304).

A spokesman for the American Bankers Association stated with respect to the Federal Reserve Act that "unless the proposed regional reserve system was radically changed, its failure in actual operation would be as certain as that of a central bank from a political point of view." (American Banker, Sept. 6, 1913).

A resolution passed in 1908 opposed any arbitrary plan looking to the mutual guaranty of deposits:

"believing it to be impractical, unsound, economics, placing a tool in the hands of the unscrupulous and inexperienced for reckless banking, and knowing further that such a law would weaken our banking system and jeopardize the interest of the people." (Proceeding 1908, p. 286).

Fifteen years later the Association was still of the same opinion:

"The obvious injustice of penalizing good banking for the protection of bad banking, of hazarding the funds of sound institutions to cover the losses of the unsound, must be clear to any one who will give this matter impartial consideration. It is entirely possible that the unwarranted burden which this would place on good banks might threaten the stability of the entire banking structure. It is an impracticable scheme to salvage incompetency and failure in others that might imperil the very existence of sound and well managed institutions." (Statement of President American Bankers Association, The American Banker, May 17, 1933, p. 1).

After the enactment of the Soldiers' and Sailors' Civil Relief Act, the Association feared that lending institutions would be practically helpless when a mortgagor would become a member of the armed forces. (Proceedings, A.B.A. 1942, p. 159). However, the following year, it was reported that less than one per cent of the total number of loans outstanding were delinquent because of the privileges granted by the Act. (Proceedings, A.B.A. 1943, p. 20).

- 10a -

(e) Protection and Awareness of Banking Interests

A past President of the American Bankers Association advocated the following legislative policy:

"For the protection of the interests over which we are custodians, it is one of the duties imposed upon us, which should by no means be neglected, to defend ourselves and our business from those who pander to the multitudes for selfish ends, and who seek to sway the people by vain-glorious oratory in their appeals to the prejudices of the people, whose suffrage, rather than whose welfare, they earnestly seek. (Proceedings, 1908, p. 42)

- 11 -

The Association has ever been on the alert to preserve and safeguard the interests of the banking fraternity.

"From time to time it is to be expected that changes will be made in the (Postal Savings Bank) law and it should be the self-imposed task of this Section to see that these changes are not inimical to the interests of its constituents; it is well within our provinces - - - to have a hand in shaping future legislation and in resisting as far as we may the encroachments of paternalism." (Report of Committee on Postal Savings, Proceedings, 1914, p. 175).

We must at all times keep a watchful eye upon the constantly recurring efforts to amend the Postal Savings Law. We should be broad enough to cooperate in making any changes for the common good, but should carefully guard the interests we represent from governmental encroachment." (Proceedings, 1915, p. 181).

" * * * A successful result was obtained in connection with the Philippine Bill. * * * As finally passed it provides for a more autonomous Government of the Philippines, but the threatened weakening of the security of American investments has been entirely removed and the holders of Philippine bonds are safe. In procuring this result our Committee were without doubt, very ably assisted by the representatives of millions of dollars of Philippine Railway bonds, and by large business interests that would have suffered by the termination of business relations existing between this country and the Philippines. * * * " (Report of the Committee on Federal Legislation, Proceedings, 1916, p. 126).

In recent years, the American Bankers Association has expressed the matter somewhat differently. Thus, for example, in the 1935 statement of position on socialized credit and government subsidized credit, it stated that

"The American Bankers Association will continue to present its position on these matters [i.e. credit by governmental agencies] before appropriate administrative agencies of the Government and before committees of Congress in an effort to secure the relief which is not only reasonable and proper but which is as much in the public interest and in the interest of farmers as it is in the interest of chartered banking.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE March 10, 1945

TO Secretary Morgenthau

FROM Miss Hodel

General O'Dwyer has asked me to advise you concerning his conference with Governor Lehman yesterday with respect to the care in Switzerland of refugees who are able to reach Switzerland from enemy territory.

The UNRRA representatives (who, in addition to Governor Lehman, included Abe Feller, General Counsel, and Fred Hoenler, Director of Displaced Persons) agreed that these refugees may be regarded as wards of UNRRA and that UNRRA could therefore assume responsibility for their care while temporarily in Switzerland.

However, because of political implications involved in an offer by UNRRA to the Swiss Government, Governor Lehman decided that the matter would have to be raised at least informally with the British and Russian members of the UNRRA Political Committee. This will be done immediately and the Board may expect to be advised within a few days. If the Political Committee agrees, UNRRA's offer will be to provide food and other relief supplies for 10,000 refugees in Switzerland by any of the following methods: (a) payment for supplies acquired in Switzerland, (b) shipment of supplies to Switzerland, or (c) a guaranty to replace supplies made available by the Swiss.

In addition to the foregoing, UNRRA has agreed to canvass at once the possibility of setting up a small reception center in France for refugees who might have to be evacuated quickly from Switzerland.

J. Hodel

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

MAR 10 1945

My dear Mr. Secretary:

I am pleased to send you herewith a copy of the report of the War Refugee Board for the week of February 26 to March 5, 1945.

Very truly yours,

William O'Dwyer
William O'Dwyer
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.



Report of the War Refugee Board
for the Week of February 26 to March 3, 1945

SITUATION IN CONCENTRATION CAMPS--DISTRIBUTION OF RELIEF PARCELS

Representative McClelland reported that a written request was submitted to the President of the International Red Cross urging that visits of its delegates to places of detention of all categories of "Shutshneftlinge" be increased to the greatest possible extent, that the number of its representatives in Germany be augmented as substantially and as rapidly as possible, and that its delegates be instructed to take every advantage of the mounting confusion within Germany in order to mitigate the lot of all civilian detainees and to dissuade German officials from last minute extremes.

As an indication of the present situation, the reply from Interross stressed that the German Government has recently informed it in writing that "for imperative reasons of national defense, visits to camps and places of detention where alien detainees (Shutshneftlinge) are confined are unfortunately at the present moment not feasible." It was stated that the International Red Cross delegate in Berlin recently reported being informed by headquarters of the Germany security police that permission to visit concentration camps of alien detainees must in each particular instance be secured from Himmler personally.

Five new delegates of Interross were expected to leave for Germany within a few days, and others are to be sent as soon as it can be arranged. From a practical view, it was pointed out that the question of transportation in and will continue to be the decisive problem, that access to camps by Interross delegates is dependent upon whether they bring something with them and whether they have gas and can still manage to travel on the roads (by truck), and that any number of freight cars made available to Interross may be, and probably will be, found useless as a result of aerial bombardments of rail lines. The President of Interross indicated his awareness of the urgency of the problem, stating that under the present circumstances thousands of prisoners and detainees can starve within four days and that not a moment is to be wasted. He expressed the view that by force of will and nerve Interross can do something to preserve the lives of these people if furnished with certain indispensable means for execution of the task, and that any results to be secured must be through large-scale methods of action and sweeping decisions.

- 2 -

Representative McClelland recently discussed with the chief Interross delegate from Berlin the current situation of Shutshneftlinge and Jewish deportees in Germany. From information which he obtained during this discussion, it appears that the Germans are evacuating the inmates of concentration camps and regrouping them in two general areas, one with headquarters at the concentration camp of Neuengamme near Hamburg, the other with headquarters at the Dechow camp near Munich. The Interross delegate reported that conditions of frightful overcrowding already exist in Neuengamme and Dechow, where the internees arrive in a state of utter exhaustion after days of traveling on foot. Almost all of them are in a very poor physical condition because of prolonged undernourishment and mistreatment, and a great many have died as a result of the evacuation measures. He also emphasized the urgent need of transportation equipment, expressing the conviction that invaluable aid could be given to thousands of these persons if trucks were available. It was his opinion that, in view of the general state of confusion and the recently demonstrated willingness of SS officials to cooperate with Interross, no difficulty will be encountered regarding permission to distribute relief parcels on the spot in assembly camps.

Representative McClelland advanced the suggestion that deliveries might be made to the Hamburg region from War Refugee Board stocks of some 220,000 parcels at Gothenburg and renewed his recommendation that arrangements be made to provide trucks for delivery of parcels from Switzerland to the Munich area to relieve the critical situation there.

He cited our Embassy in London recommending that, in view of the extreme urgency of extending additional aid to unassisted persons in enemy-controlled concentration camps and in view of recent reports from the International Red Cross that more widespread distribution can be effectuated under the terms of the existing agreement, an additional 500,000 packages of three kilograms each of foodstuffs be shipped from this country by the War Refugee Board for distribution by the International Red Cross. The attorney was requested to refer the matter urgently to the Relief Sub-Committee for blockade authorization to proceed with the program at the earliest possible date.

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- 3 -

NORWEGIAN OPERATIONS

Our Legation in Stockholm cabled a report of the rescue and relief operations conducted in Norway from Sweden under the supervision of the Board during January. Through licensed and other channels, 35,000 kilograms of food, 2,200 kilograms of clothing, 1,460 pairs of shoes, and a considerable quantity of additional clothing and other articles were sent into Norway. In the same period, an estimated 1,100 refugees were brought to Sweden over the evacuation routes established in connection with these operations. Representative Olsen strongly recommended that arrangements be made to continue these operations in view of the increasingly critical situation in Norway with more and more persons being forced into hiding because they are hunted by the Gestapo.

EVACUATIONS FROM YUGOSLAVIA

Ambassador Kirk cabled us from Italy of the arrival at Bari on February 28 of 101 Jewish refugees who had been evacuated from Topusko. The physical condition of the remainder of the group of 107 whose evacuation was recommended was such that they could not be removed. These few are now in the Split area where they are receiving proper attention.

LATIN-AMERICAN PASSPORT HOLDERS DEPORTED FROM VITTEL

Our Embassy in Madrid reported that, following submission of additional information concerning the whereabouts of persons removed from the internment camp at Vittel, the Spanish Ministry of Foreign Affairs has advised it of the transmission of the data in question to the Spanish Ambassador in Berlin with an indication of the interest of the Spanish Government in this matter.

William O'Dwyer
William O'Dwyer
Executive Director

30

CABLE TO MINISTER JOHNSON AND OLSEN, STOCKHOLM, SWEDEN, FROM WAR REFUGEE BOARD

Please deliver the following message to Fritz Hollander, Congress Committee, Postbox 7306, Stockholm, from Kurt Grossman, World Jewish Congress:

QUOTE Kindly have foodparcels forwarded immediately following Bergenbelsen inmates: Bernstein, Mrs. Henriette; Biologowski, Wolf, wife and child; Cohn, Dr. Hilda; Benedict (orphans barrack); Guttstein, Sonja, mother, father; Bloch, Dr.; Dessau, Dr. Sam, wife (nee Golde) child; Drayf, Abraham, Margaretha (nee Schelvis), Arnold, Billy (nee van Emden); Floersheim, Elise (nee Hoeller), Michael; Hirschfeldt, Kurt, Betty (nee Zann); Knoller, Aribert, Gertrude, Simon, Berta; Levy, Leonard; Lion, Mrs. Beatrice (nee Strassburger); Loewenberg, Lucie, Schanberg, Ernst, Gertrud, Toni; Schenkowsky, Isaac, Clara, Miriam, Moses; van Tijn, Benjamin, Rehje (nee Czoslinski); de Wries, Aaron, Reina (nee Spier). UNQUOTE

THIS IS WEB STOCKHOLM CABLE NO. 324

1:30 p.m.
March 10, 1945

31

CABLE TO HARRISON AND MCCLELLAND, BORN, FROM WILLIAM O'DWYER, WAR REFUGEE BOARD

Reference Department's No. 819 of February 23, 1945.

Since my trip to Switzerland has been delayed for the time being, I have decided to send Herbert Katski to Switzerland temporarily to assist Mr. McClelland in developing program approved by Board members at the meeting on February 20. Mr. Katski has just returned from Ankara, Turkey, where he was Special Representative of the Board, and is expected to leave United States for Switzerland very shortly.

THIS IS WAR REFUGEE CABLE NO. 440

1:30 p.m.
March 10, 1945

10-502

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

Paris

Dated March 10, 1945

Rec'd 10:08 p.m., 11th

Secretary of State,
Washington.

1132, March 10, 10 p.m.

Following is a close paraphrase of a message accepted from Leon Sabowitzki, World Jewish Congress, for transmission to the Department for the latter's decision regarding onward conveyance in whole or in part to the War Refugee Board for Doctors Wise and Golman, 1834, Broadway, New York City.

Since arrival Geneva, endeavored obtain immediate direct talks between appropriate German authorities, Swiss Government and International Red Cross regarding grand scale release and repatriation of civilian detainees and feeding action until their release. I was received by Von Steiger, President of the Confederation, and Isaac Burckhardt two times. I conferred with numerous personalities and brought about simultaneous representations to the various National Red Cross delegations. I can advise you in confidence that Burckhardt, despite his appointment as Swiss Minister to France, is proceeding soon to confer with Himmler. As protecting power Swiss Minister, Earl, is simultaneously asking for interview with Himmler. I have assurances of Burckhardt and Steiger that the number of refugees admitted into Switzerland will not be limited. Germany has agreed in principle, I understand, to repatriate unemployed civilian populations according to nationalities and that first nationality has already been agreed upon. Burckhardt expects, with regard to German Jews, to get them out as International Red Cross protégés. It is at Luebeck that civilians in northern areas are to be concentrated and the sending of a ship requested of the Swedish Red Cross. From the southern regions evacuation is expected to be done partly by Allied Army trucks on returning from carrying food to war prisoners. SHARP unfortunately prohibits using trucks for carrying food to other than war prisoners. Uninterrupted contact of War Refugee Board and our European offices is required on this situation.

Before releasing this message see secret GNS
Paris January 20, 1945, Germany political report from
Switzerland No. 81398 5/8. If not immediately available
contact Haack, office of Strategic Services, Washington.

CAPTIVITY

NOX
Distribution of true
reading only by special
arrangement. (SECRET 3)

March 10, 1945

7 p.m.

AUTENTIATION

MSUN
1014

The following to Harrison and McClelland from
O'Dwyer is WEP 440.

Reference Department's No. 819 of February 23,
1945.

Since my trip to Switzerland has been delayed
for the time being, I have decided to send Herbert
Katski to Switzerland temporarily to assist Mr.
McClelland in developing program approved by Board
members at the meeting on February 20. Mr. Katski
has just returned from Ankara, Turkey, where he was
Special Representative of the Board, and is expected
to leave United States for Switzerland very shortly.

CGOSH
ACTING
(OHB)

34

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

Please deliver the following message to Joseph Schwartz

From N. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE: VITREBS AVAILABLE MAY FIRST FOR OVERSEAS ASSIGNMENT. HE PREFERS NOT PRESENTLY POST ANY PARTICULAR PLACE BUT HE ADVISED HIM THAT ASSIGNMENTS COMPLETELY WITHIN YOUR JURISDICTION. CABLE FOR WHAT COUNTRY OR COUNTRIES HE SHOULD APPLY FOR PASSPORT VALIDATIONS. ADMITS IN MIND DIFFICULTIES SECURING VIAS VALIDATIONS. SIBEL PREFERS LESSON POST AND HE CONSIDERS COMPLETELY THIS MOST SUITABLE ASSIGNMENT FOR HIM THROUGH RELEASING HANDS FOR FRANCE SWITZERLAND OR OTHER PORTS DEPENDENT YOUR NEEDS. PLANT LEAVING FOR ALGERIA NEXT DAYS. RECENT AWAITING FOREIGN VISA PLEASE REMEMBER. JOSEPH HAZEN AID FORTY-SIX BUSINESSMAN HAD FAVORABLE IMPRESSION ITALY BUT NO SOCIAL WORK EXPERIENCE OR CONTACTS OTHER THAN USUAL FEDERATION AND JJA VOLUNTEER PARTICIPATION COMPANIES. MANY VOLUNTEER SERVICES ONE YEAR. ADVISE WHETHER YOU CAN USE SUCH PERSONNEL. UNQUOTE

4:40 p.m.
March 10, 1945

35

CABLE TO AMERICAN LEGATION, BERN, FOR MCLELLAND, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Saly Mayer from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE WE ARE NATURALLY VERY ANXIOUS THAT EVERY EFFORT BE MADE TO RESCUE MAXIMUS BERNER JONES. ASSURE YOU IN FULL AGREEMENT WITH THIS AND WILL HELP MAXIMUS BERNER THIS PROCESS. UNQUOTE

THIS IS WRS BERN CABLE NO. 441

3:30 p. m.
March 10, 1945

RHH: 3/10/45

36

CABLE TO AMERICAN EMBASSY, LISBON, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Harold Trobe from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE BASIS SCHWARTZ RECOMMENDATIONS APPROVED APPROPRIATIONS FOR MARCH ONLY SIMILAR PREVIOUS GRANTS EXCEPT FRANCE \$200,000 GREECE \$50,000 POLAND \$200,000 VIA SWITZERLAND \$900,000 STOP COLLECTION GREECE VIEW REGULAR MONTHLY APPROPRIATIONS TOTALING \$200,000 FIRST QUARTER WE CANCELLED \$360,000 GENTILE GRANT TENTATIVELY APPROVED 1944 ADVISE REBULK. LINDEN APPLY TREASURY LICENSE TRANSFER JANUARY FEBRUARY APPROPRIATIONS GREECE WE REQUIRE NAME COMMITTEE OR INDIVIDUAL PLEASE ADVISE. ASSURE YOU KEEPING LINDEN CURRENTLY ADVISED. UNQUOTE

THIS IS WRS CABLE NO. 155

3:30 p. m.
March 10, 1945

RHH: 3/8/45

37

CABLE TO AMERICAN LEGATION, BERN, FOR MCLELLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Isaac Sternbuch, Montreux, from the Vaad Hahatsala Emergency Committee:

QUOTE: DISCUSSED MATTER WITH JOINT DISTRIBUTION COMMITTEE. THEY CONSENTED IMPORTANCE REALIZATION YOUR EFFORTS RESCUE JEWS TO SWITZERLAND. THEY PROMISED MRS. S. HAYER. UNQUOTE

THIS IS WRS BERN CABLE NO. 442

3:30 p. m.
March 10, 1945

RHH: 3/9/45

38

CABLE TO AMBASSADOR STEINHART, ANKARA, FOR MRS. HENDERSON, FROM WAR REFUGEE BOARD

Mrs. Henderson is ordered to return to the United States leaving Turkey by the end of March.

The Embassy is authorized to arrange transportation by air for Mrs. Henderson from Ankara to the United States on a reimbursable basis. Please make necessary ticket arrangements at Cairo Legation to facilitate return, Cairo also to be reimbursed.

THIS IS WRS ANKARA CABLE NO. 145

2:00 p.m.
March 10, 1945

39

CABLE TO AMERICAN LEGATION, BERLIN, FOR SCOTLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Leon Kubowitzki, 37 Quai Wilson, Geneva, from Kurt Grossman:

QUOTE: BERLINER ARRIVALS REPORT STARVATION DANGER FOR
LARGES THER. FOOD PARCELS ESSENTIAL THEIR EXISTENCE,
THOUGH MANY REPORTED NOT TO ARRIVE. SUGGESTED INC WASHINGTON
SECURE DELIVERY GUARANTEED GERMAN GOVERNMENT. UNQUOTE

THIS IS BERLIN CABLE NO. 444

4:40 P. M.
March 10, 1945

RHH: 3/8/45

(released for distribution March 14, 1945)

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATED: March 10, 1945
NUMBER: 1534

CONFIDENTIAL

SALVADORAN INTERESTS GERMANY.

The Department did not instruct the Legation that all Salvadoran passports which the Consulate issued in question should be forwarded to the Government of Salvador for its examination nor was such request made to the Swiss Foreign Office.

In corrective notice dated March 9, it is stated by the Foreign Office that it is possible the Foreign Office misinterpreted as request Legation's offer to transmit Salvadoran documents for verification to the Government of Salvador. In addition, the Foreign Office says this misinterpretation likely since it was understood that the Legation could only act as channel of communication and could not itself verify these documents.

For completion file, Foreign Office notice will be forwarded in next pouch.

HARRISON

40

CABLE TO AMERICAN AMBASSY, LONDON, FROM THE WAR REFUGEE BOARD
Please deliver the following message to Harold Trebe from
A. A. Leavitt of American Jewish Joint Distribution Committee:

NOTE: FOREIGN TOUR 161 RECEIVED LONDON 161397 UTILIZE REMAIN-
ING BALANCE \$16,000 AND REMIT \$9,000 FOR MEDICAL SUPPLIES POLAND
ACCORDINGLY TRANSMITTED \$9,000. LONDON PROVIDES MEDICAL SUPPLIES
TOTALING \$25,000 AND FUND FROM WHICH PURCHASED SHALL HAVE AT
PROVAL AMERICAN ASSISTANT S. GORDON. BRISBANE

THIS IS NEW LONDON CABLE NO. 136

4:10 P. M.
March 10, 1945

REU: 3/10/45

41

42

CORRECTION OF
PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, London
TO: Secretary of State, Washington
DATED: March 7, 1945
NUMBER: 2353

This message was distributed to you March 8 as No. 2354.

Please note the correct number is 2353 and change your copies accordingly.

DC/L:GPN

3-10-45

43

CABLE TO BARRISON AND ROCHELLE FROM HAVI REFUGEE BOARD

Re your 1354, March 2. USRBA here informs us that correspondents in this country are addressing their mail to the category F (repeat F) group exchangees at Philippeville as follows:

s/o Jean d'Ars Refuge Camp
Philippeville
Algiers, Algeria

List of those exchangees who actually arrived at Philippeville will reach you via airmail.

THIS IS NOT YOUR CABLE NO. 446

5:00 P.M.
March 10, 1945

P2McDermackier 3/9/45

44

CABLE TO AMERICAN LEGATION, STOCKHOLM, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Hiel Storch, 108 7306,

Stockholm, from Carl A. Grossman:

QUOTE: RECENTLY ARRIVED REPORT INDICATES SERIOUSLY
DANGER OF STARVATION FOODPACKS OF GREAT IMPORTANCE
NOT VERY FAR AWAY. ADVISE YOU TAKE ACTION TO OBTAIN
SAFE DELIVERY TO ADDRESSES STOP. REPORT WHETHER YOU
REPEAT EMERGENCY PACKS ADDRESSING NO. 7306. UNQUOTE.

THIS IS THE STOCKHOLM CABLE NO. 125.

3:30 p. m.
March 10, 1945

RHH: 3/9/45

45

CABLE TO AMERICAN LEGATION, BERNE, FOR STOCKHOLM, FROM THE WAR REFUGEE BOARD

Please deliver the following message to Hans Klee c/o Helico, 1 Rue
du Rhone, Geneva, from Abraham Silberstein, World Jewish Congress:

QUOTE: MY SECURE PROTECTIVE DOCUMENTS FOR FOLLOWING PERSONS ALBERT
LITTLINGER 23 MAY 1882 BERNHEIM WIFE RENE LITTLINGER REG. UNFINDER 12
FEBRUARY 1879 NEW YORK SON THESSLESTADT STOP ELAIA HOROWITZ REG.
SCHNEIDER 26 APRIL 1882 IN 44 BERNHEIM SCHWABIA ARTHUR GUSTAV
HOROWITZ 5 APRIL 1888 BIELITE SLESTIA SON THESSLESTADT BENJAMIN
VAN TILIS BORN 17 JUNE 1880 HAULERSFIE WIFE EATIE VAN TILIS REG.
GOLDSKI 25 JANUARY 1881 GROEDEREN HOLLAND SON BLISSBERGER STOP
CLAIRE PERLBERGER 27 APRIL 1908 ANTONY MARTIN PERLBERGER AMSTERDAM
17 MARCH 1928 JACQUES PERLBERGER 19 AUGUST 1929 AMSTERDAM RALPH PERL-
BERGER 9 FEBRUARY 1931 AMSTERDAM SON BLISSBERGER STOP DOCTOR LEON
POLAK 1 OCTOBER 1883 WIFE ROSA POLAK REG. VOG 12 JANUARY 1887 ARTHUR
DAVIDSON MARIE POLAK 24 MAY 1922 DENMARK SON THESSLESTADT STOP
DAVID LEVISON WIFE JETTY DAVIDSON LEVISON FOUR CHILDREN AGES FIVE
SEVEN EIGHT ONE ALL BORN WIFE'S INFANT IN AMSTERDAM SON BLISSBERGER
STOP CHIEFMANI MAX MOSES FRIEDLDER 9 APRIL 1844 BUDAPEST HUNGARY SON
LEONARD ARTHUR FRIEDLDER 7 OCTOBER 1919 OUDERHOUT SON THESSLESTADT
STOP ELIA SPIER DAVIDES 35 AMSTERDAM ARTHUR DAVIDES 35 BARNUM SON
BLISSBERGER STOP BETTI FELIX ELIAS 72 PROFESSOR A. NATHANSON 53 JACCHA
WALLERMAN FRIED 47 JACQUES ABRAHAM ARTHUR ARTHUR MOSES SIXTEEN FORTYFIVE
FIFTEEN AND NINE SON BLISSBERGER STOP LEON FANTHMAN BORN 11 MARCH 1887
46 NINE FIVE ABRAHAM ELIA JOSEPH FIFTEEN FIFTYFIVE THIRTYFIVE AND
ELEVEN ALL BORN AMSTERDAM YONI FANTHMAN BORN 50 ROTTERDAM SON
BLISSBERGER STOP ISIDORE SPIER 11 MAY 1875 EUPHRA JOSEPH EDWARD ADOLF
SPIER 26 JUNE 1900 EUPHRA ALBERTUS BORN VAN BRUNN SPIER 9 JANUARY
1907 DOROTHY CHILDREN PETER GILLES THOMAS 1 JUNE 1907 AND MARY
1929 AND 3 DECEMBER 1931 AMSTERDAM ALL JAMES DAVIS 9 THESSLESTADT
STOP LEONARD SPIER 17 JANUARY 1900 EUPHRA WIFE GIRA BRUNN SPIER 37.
DAVID CHILDREN JACQUES ELIA ISIDORE WILHELM TEN AND SIX YEARS
AMSTERDAM AND FORTYFIVE ROTTERDAM SON THESSLESTADT OR BLISS BERGER
STOP FRIEDLDER LEONARD SPIER 12 MARCH 1907 EUPHRA SON BLISSBERGER
1909 MARY SON BLISSBERGER JACQUES POLAK ROTTERDAM 31 JANUARY 1903
REINOLD FANT POLAK 9 DECEMBER 1931 ROTTERDAM SON THESSLESTADT
STOP ANITA SPIER BORN 27 OCTOBER 1905 PETROVA YUGOSLAVIA ELIA
SPIER 25 JANUARY 1913 ELIO OLIVIERO ANITA SON THESSLESTADT
STOP FORTYFIVE ELIA ROSA VIRGINA BORN 1900-1901 TO BE DELIVERED TO
STILL ALBERT SCHWABIA JOSEPH BIELITE STOP BERTHA ELIA
LEONARD 15 OCTOBER 1899 AMSTERDAM WIFE CLARA ROSA LEONARD REG.
FOURTEEN 25 OCTOBER 1899 AMSTERDAM MARIE EVA LEONARD 24 APRIL
1908 AMSTERDAM SIX AND NINE 24 APRIL 1877 LEONARD ROSA ROSA BORN 1880
DAVID JACOB AND ARTHUR SPIER ALL AMSTERDAM SON BLISSBERGER STOP ROSA
SPIER WIFE ELIA CHILDREN LEO OLGA AGES FIFTYSEVEN FIFTYFIVE THIRTY AND

[illegible]

RFM: 3/0/45

[illegible]

RECEIVED: 3/10/45

48

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

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

QUOTE: WE FOLLOWED YOUR INSTRUCTIONS PAYMENT \$300,000 FEDERAL RESERVE BANK ACCOUNT BANQUE NATIONALE DE BELGIQUE BRUXELLES COMITE NATIONAL DE DEFENSE DE JEUX CARDS WHEN EQUIVALENT RECEIVED BY COMITE. UNQUOTE

3:30 p. m.
March 10, 1945

RBH: 3/8/45

49

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

Please deliver the following message to the Joint Distribution Committee in Jerusalem from A. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE: REPEATEDLY YOUR CABLE LISBON PLEASE ADVISE IF STANISLAW INCLUDED LIBERATED JONES GALLICIA BELT AND RAILROAD POSSIBLE SEND RELIEF COMMISSION COUNCIL JERU. IF NECESSARY SUGGEST YOU CONTACT DOCTOR GOLDMAN CURRENT GENERAL HOSPITAL STANISLAW. PLEASE REPLY OUR CABLE REQUESTING LAUNDED LABORERS' CONTRIBUTIONS FOR LOGS AND OTHER DESIGNATED CIVILS FORUM. UNQUOTE

3:30 p. m.
March 10, 1945

RBH: 3/8/45

50

CABLE TO AMERICAN EMBASSY, PARIS, FROM THE REFUGEE BOARD

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

QUOTE: UNIVERSAL HAS AVAILABLE ADDITIONAL TWO MILLION FRANCS
SAME BASIS AS PREVIOUS TRANSACTION FOR WHICH LICENCED REFUGES
IN MARCH QUESTIONABLE WHETHER RECEIVABLE. SHALL WE ACCEPT
UNQUOTE

4:40 P. M.
March 10, 1945

REF: 3/10/45

51

CABLE TO AMERICAN EMBASSY, BERNE, FOR SCOTLAND, FROM THE REFUGEE BOARD

Please deliver the following message to Leon Kubowitzki and
Gerhard Kiemer, 37 Quai Wilson, Geneva, from Kurt Grossman of World
Jewish Congress:

QUOTE: TRY FIND OUT WHETHER BEST NAME FLORA NAME ANNA LAST GEORGE
ANNA ANNA WERE INTERRED FERNBERG AND LAST WERBERG
STOP INVESTIGATE WERBERG'S NAME BEEN BORN 7/7/1882 BERLIN DEPORTED
3/4/43 FROM DRESDEN JERUSALEM TO SOLIDAR SILEZIA STOP INVESTIGATE CASE
JONI PARRY LITVINSKY DEPORTED APRIL 1944 FROM DRESDEN CASE SUBMITTED
YOU EARLIER STOP FINGERPRINT REQUESTS YOU COLLECT DETAILED LIST
JEWISH SURVIVORS HUNGARY OTHER LIBERATED COUNTRIES WOULD BE STILL
NOT RECEIVED YOUR LIST HUNGARIAN SURVIVORS PROMISED LONG AGO. UNQUOTE

THIS IS THE FIRST CABLE NO. 443

4:40 P. M.
March 10, 1945

REF: 3/10/45

NOT TO BE RE TRANSMITTED

524

OPTEL No. 79

Information received up to 10 A.M. 10th March 1945.

1. NAVAL

Home Waters 9th. An enemy force about 100 strong in landing craft carried out a raid on GRANVILLE (West of CHERBOURG Peninsula). A U.S. patrol craft which intercepted two enemy landing craft was damaged and beached. After setting on fire some caissons in the harbour and demolishing cranes enemy force withdrew on arrival Allied infantry reinforcements. Withdrawal took place before additional patrol vessels could reach area and some Allied prisoners were taken by enemy forces.

9th/10th. (Night) Allied patrols engaged E-Boats off DUTCH Coast but results not yet received.

2. MILITARY

Western Front South Central Sector: Rapid drives by U.S. armoured formations have split up large enemy pocket West COBLENTZ. Latest reports indicate on column driving up west bank of river to cut off remaining enemy this area, and state many thousands prisoners and much equipment taken. Further north REAGEN bridgehead extended and now five miles wide and three miles deep, while greater part of BOMM is in our hands.

Northern Sector: U.K. and Canadian troops have closed up to road CSEMBERG-XANTEN after bitter fighting and latter town now clear of enemy.

Eastern Front Central Sector: On right flank good progress made in Northern direction where SICLF, powerful German defense stronghold, captured as also STOLPUNKDE on coast. Fighting continues in direction SIETIN which aimed to clear enemy from Eastern bank River ODER.

Southern Sector: Germans continue to attack with large tank forces N.W. LAKE BALATON in attempt to break through to DANUBE and Russian report 70 German tanks destroyed.

Burma Central Sector: Heavy fighting continues Northern outskirts LANDALAY.

Northern Sector: Chinese troops advancing on broad front have occupied MALHSAN (40 miles West LASHIO).

3. AIR OPERATIONS

Western Front 8th/9th. (Night) Aircraft 782, despatched (four missing), 312 shipyards HALBURG (637 tons) 274 KASSEL (1135 tons) 39 BERLIN, 37 swimming, 120 bomber support and other missions. Halifaxes attacked shipping SLAGESEAR, damaging destroyer and 3,000 ton ship.

9th. Escorted Lancasters 157 (one missing) dropped 793 tons through cloud on Benzol plant in ELBE. Escorted U.S. heavy bombers 1011 (9 outstanding) dropped 2044 tons targets west and N.W. GERMANY including six railway centres (1935 tons) with good results.

SHAEF (Air) Bomber 715 (two missing) dropped 1126 tons railway centres and supply depots east of RHINE, while 2779 fighter bombers and fighters (12 missing) operated battle front destroying 80 locomotives, 1000 road and rail vehicles and inflicting enemy casualties in combat 22:3:10. 9th/10th Bomber Command despatched 255 aircraft without loss including 92 to Berlin.

Mediterranean 8th. Of 848 aircraft despatched 553 heavy bombers dropped 1074 tons targets BUNGAR, SOUTH ITALY including railway centres REGGIALON (17 miles south BRATISLAVA) and other targets SOUTH ITALY and CROATIA. Tactical aircraft 756 attacked communications and other targets SOUTH ITALY and CROATIA.

Burma 7th. Allied heavy & medium bombers 63, dropped 260 tons railroads and jetties SOUTH BUTLA.

Lockets 9th. three incidents. 9th/10th. five incidents.

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

53

CC-806

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

Chungking

Dated March 11, 1945

Rec'd 2:00 p.m., 12th

Secretary of State,
Washington.

401, March 11, 9 a.m.

TO THE SECRETARY OF TREASURY FROM ADIER (FOR
TREASURY ONLY.)

Present gold situation.

One. Government is now relying on sales of gold
and six month gold deposits as main source of
revenue. Receipts from such sales in January and
February were CN 14 billion (plus 20% of that sum from
compulsory purchases of three year treasury certificates
by gold purchasers), which is substantially in excess of
receipts from taxation in same period. It will be
noted that less than 25% of receipts from gold sales
were from spot sales and that by far the larger part
were from six month gold deposits. Central Bank's
short position on gold is now approximately one
million ounces.

Two. While Government is now selling gold it
largely



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

54

-2-401, March 11, 9 a.m. from Chungking

largely does not have on hand at rate of 350,000
ounces per month or United States \$105,000,000 per
annum, receipts from gold sales, including compulsory
purchases of treasury certificates, total barely
25% of current monthly deficit. And this deficit is
not going to diminish during course of year. There-
fore, if Government wishes to maintain in current
ratio of receipts from gold sales to monthly deficit
it will either have to increase price of gold or in-
crease gold sales or both.

Three. The reckless Government conduct of its
gold sales policy can only be described as "frenzied
financier".

(A) It has been and is selling gold at an
absurdly uneconomic price. The official pretext that
price cannot be raised without an adequate supply on
hand does not hold water. While official price of gold
has been maintained, black market price has risen to
CN dollars 39,500 per ounce; also witness the heavy
purchase of six month gold deposits at end of February
due to rumor that official price was to be raised at
beginning of March. Official claim that raising price
of gold would push up general prices still further
cannot be taken seriously at a time when prices are
skyrocketing

55

-3-#401, March 11, 9 a.m. from Chungking

skyrocketing in any case.

(B) It is dissipating China's foreign exchange assets, which she will badly need at war's end, at current rate of United States \$150,000,000 per annum without significantly affecting economic situation. In fact, since inflation has now entered snowball phase, future sales of gold at current rate will have even smaller effects as brake on inflation.

(C) Part of the gold is finding its way into occupied China.

ATCHESON

JT

COPY NO. 4

NOT TO BE RETRANSMITTED

SECRET

OPTEL NO. 80

Information received up to 10 A.M. 11th March, 1945

Naval 1. Hague Waters. 10th. A trawler was torpedoed and sunk by U-Boat off Montrose.

2. North Atlantic. 10th. Admiralty Floating Dock which was being towed to Gibraltar foundered in Bay of Biscay after persistent foul weather.

Military 3. Western Front. (South Central Sector) 3rd and 1st U.S. armies have joined up N.W. of Coblenz and are closing up to bank of Rhine between Neuwied and Sinzig. Further north, Remagen bridgehead strengthened and extended against stiffening opposition.

(North Central Sector) 9th U.S. Army now within 3 miles West.

(Northern sector) German resistance opposite Canadian First Army reported rapidly decreasing.

4. Eastern Front. (Central Sector) Further large advances made towards Baltic west and N.W. of Danzig which town also being approached from S.W. and S.E. Further west, small advance made towards Stettin from S.E. while further south, Germans claim to have checked Russian attacks against narrowed bridgehead at Anstrin.

(Southern Sector). In Northern Hungary Russians admit slight German gains N.E. Lake Balaton.

5. Burma. (Central Sector) Heavy fighting continues northern outskirts Mandalay, while our troops also in contact with enemy 19 miles N.E. of city.

Air

6. Western Front. 11th. Escorted Lancasters 153 dropped 765 tons through cloud on synthetic oil plant Baer (N.L. Essen) with unobserved results.

Escorted U.S. heavy bombers 1,332 (outstanding fighters 4) dropped 2,275 tons by Pathfinder technique on eleven railway centres and two railway viaducts North and East of Ruhr including Dortmund (1,062 tons).

SHAEF(Air)- Bombers 438 dropped 580 tons railway centres east of Rhine and mainly Central Sector, while fighters and fighter bombers 1,132 (missing 6) operated battle area destroying 30 loc motives and 160 M.T.

Swiftfires 43 dropped 21 tons on two rocket sites and communications in Hague area.
10/11th(Night). Bomber Command despatched aircraft 112 (without loss) including 60 Mosquitoes Berlin.

7. Mediterranean Front. 6th. Escorted heavy bombers 371 (missing 6) dropped 758 tons by Pathfinder technique on five railway targets Austria and Yugoslavia including Graz(630 tons) while tactical aircraft 932 (missing 4) attacked communications Brenner route and Northern Italy.

8. Burma. 8th. Liberators, 12 destroyed two bridges Burma/Siam railway south of Moulmein.

HOME SECURITY. (Up to 7 A.M. 11th)

9. Rockets. 9th one further incident reported for period already covered.

10th two incidents reported.

10th/11th (night). One incident reported.

TO:

Mrs. Klotz - 3400

58

C

The attached translation
of a Swedish newspaper
article on Wallenberg's
activities in Hungary may
be of interest to Secretary
Morgenthau.

F. Hodel

C
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YDATE
59 ✓LEGATION OF THE
UNITED STATES OF AMERICA

848/100/MET

Stockholm, Sweden
March 12, 1945

Brigadier General William O'Dwyer
Executive Director
War Refugee Board
Washington, D. C.

Dear General O'Dwyer:

In accordance with our recent cable there is enclosed
a translation of the article which appeared in Dagens
Nyheter regarding the activities of the Swedish representa-
tive in Budapest in behalf of the Jews.

Sincerely yours,

Iver C. Olsen

Iver C. Olsen
Special Attache for
War Refugee Board

Attachment - 1

SOURCE: Dagens Nyheter, March 6, 1945.

Swedish Achievements in Hungary

Race With Jew Train to the Border.

Many thousand Jews and other preys of persecution in Budapest say to this day: "The Jews in Warsaw defended themselves, the Danish Jews were protected by King Christian, the Dutch Jews were protected by the population itself, but we have been saved by the Swedes."

He who tells us this is a Hungarian who arrived in Stockholm some weeks ago after a fantastic journey through Germany; he can not find the words to express his gratitude for the spirit of self-sacrifice, the indefatigableness and the heroic courage shown by the entire Swedish Legation in Budapest and private Swedes in that city, when the persecutions were at their worst. There are two names which the Hungarians put at the top of the list: the Head of the Legation's Section B, Attache Raoul Wallenberg, and the Swedish "Lector" at the Budapest University, Waldemar Langlet. The detailed description he gives of their achievements justifies this reputation.

It may be recalled that Admiral Horthy at one time, after the personal letter from King Gustav, agreed that Swedish protective passports might be issued for some thousand Hungarian Jews, who were connected with Sweden through relatives or business connections.

Our source tells us that however extensive the persecution of Jews was under the Szotal Government, there nevertheless occurred no executions in Budapest itself, no deportations, and those who were in possession of Swedish passports were not affected by any measures. The real atrocities started when Szalasy came into power, then protective passports did not help. The Swedish Legation's Section B, however, immediately started action to protect the legal rights but met with hard resistance. One night the Minister of Internal Affairs personally announced on the air that protective passports no longer were valid, news which caused a tremendous panic among all those who had papers of this type.

Raoul Wallenberg, however, took the bull by the horns; he went to Szalasy personally and was met with the question, why were the Swedes interested in Hungarian Jews. Attache Wallenberg's answer became a sermon on humanity and after one hour's

conference he returned with Szalasy's written assurance that the Swedish protective passports were valid and that the authorities were to respect them.

Swedish Houses Were Given Extraterritorial Rights.

Nothing was impossible for Wallenberg. During the worst period, anonymous letters in which he was threatened with death, were sent to him, stones were thrown at his car, and everything was done to try to prevent him from seeing his proteges: armed gangsters were sent out to pursue him, but nothing could make him give up.

He succeeded in making the Hungarian Ministry of Foreign Affairs recognize the Hungarian Jews who had Swedish protective passports as foreign citizens with rights as such. Moreover, Wallenberg succeeded in arranging that these Jews, almost 5,000 were billeted in so-called Swedish Houses. These houses were given extraterritorial rights and enjoyed every possible protection. None of these Jews had to carry the obligatory David Star. All this happened, our source continues, in a city where the Gestapo and the "Pilkora Men" behaved with the utmost brutality. In the middle of the night Raoul Wallenberg would fetch people from the prisons who had been arrested despite their protective passports, in the darkest of nights he would drive to the Swedish Houses with medicines or help for the sick. For there was one restriction: Jews living in the Swedish Houses were not allowed to leave them. Everything they needed had to be sent to them, and the Legation was indefatigable in this activity.

"None Leaves This Place As Long As I Live."

Once Attache Wallenberg received a message that the Hungarian Military Authorities intended to take some of the inhabitants of the Swedish Houses for labor service. He immediately went to the Military Staff, but the lengthy negotiations seemed futile. The town's Commandant said: "If your proteges do not report, they will be considered deserters and hung immediately."

Wallenberg then had to return to the "Swedish Quarter" without having achieved anything. There he was met with the news that one patrol already had arrived to fetch the men who could work. Wallenberg reproached his people for having let anyone intrude on extraterritorial premises. He was told that the patrol was armed, but this did not prevent him from going up

to the leader of the patrol and shouting so that the whole quarter could hear it:

"This is Swedish territory! You have nothing to do here!"

"I have orders to fetch from this place all the men who can work", was the answer.

"None will leave this place. If you try to take anyone away you will have to answer to me. As long as I live none will be taken out of here. First you will have to shoot me."

The soldiers did not quite know what to do, and gradually left the place. Later the Commandant asked Wallenberg for a conference, a request he at once followed. The negotiations lasted one hour, after which Wallenberg returned with a paper from the Commandant saying that Jews under Swedish protection were exempted from labor service.

Racing With A Deportation Train.

The same night the Swedish Attaché received another alarming report: eleven persons with Swedish protective passports had been arrested by the Gestapo, and what was worse, had already been thrown into a railway carriage. Not a second could be lost. Wallenberg raced to the railway station in his car, but the train with the Jews had already left the station. The destination was Vienna.

In his car, Wallenberg then pursued the train and caught up with it at a station near the German border. The train made a stop there and Wallenberg succeeded in getting hold of the commander; ten minutes later his people were let out of the sealed carriages. The others, who could not be saved, had to go on to German territory in the dirty, overfilled carriages.

Just when the Russian troops were entering the suburbs of Budapest, an old man entered the Consulate. The man said he was working at the Printer's Athenaeum, one of the largest firms of this kind in Hungary, which by that time had been confiscated. He showed Wallenberg a pulled proof of a proclamation in which "workers, Jews and suppressed" were encouraged to rise against the Germans and the "Pilkors Men" and use their weapons. The typographer told Wallenberg that 300,000 copies of the leaflet were to be printed and distributed by aeroplane as a provocation. The idea was to bring about a revolt in order to arrest all who were found with weapons in hand.

Wallenberg did not hesitate, he at once went to Szalasy. The latter said he knew nothing about the provocation, and the result was that the leaflets were never thrown out.

Langlet's Passports Saved 2,000 Lives.

We mentioned above that the Swedish Legation could only issue a certain number of protective passports, and only to such persons who fulfilled fixed conditions. The Swedish "Lector" at the University, the 70 year old Waldemar Langlet, however, succeeded in saving many lives through his measures as representative of the Swedish Red Cross. He issued special protective letters with texts printed in gold print in Hungarian, German, French and Russian, and with photos, signatures, dates, stamps and seals, so that they acquired an extraordinary "impressiveness". These letters saved many from disappearing in concentration camps, from losing all their belongings, yes even from losing their lives. These letters, our source says, will for a long time to come, remain some of the most beautiful documents of human kindness. At least 2,000 people, among them children down to 3 and 4 years of age, were saved in this manner.

Finally, our source stresses that the Swedish Legation did not limit its help to Jews alone, it helped wherever it possibly could. The atrocities under the "Pilkors Men" regime, however, were all too many. Gangsters harried in the streets, stole, burnt, murdered and plundered. As a whole, the police behaved all right - there were exceptions, but other authorities were so much worse.

The Catholic nuns and monks did much besides hiding thousands of the persecuted in the cloisters. In one nun's cloister a secret printworks was installed for the printing of identification papers. At one time when the Szalasy men demanded a million pengő for the release of some Jews, the Benedictines and the Cistercian monks contributed one half of the amount.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 12, 1945

TOP SECRET

TO Secretary Morgenthau (Urgent)
 FROM Mr. Coe FC.

More on Yalta

This is a summary of the Yalta decisions on Germany, as given by Matthews (State) to Eisenhower's chief of staff, and sent us by Taylor, for Treasury use only.

Program for Elimination of German War Industries

"There was general agreement that this question should be studied urgently by the European Advisory Commission."

Decentralization

"There was general agreement that Germany should be decentralized and that the question of actual dismemberment would be studied by a commission to be set up in London composed of Eden, Winant and Gourev. In the brief time available no effort was made to work out many details."

but

"There was general agreement that interzonal movements of goods is essential", and

"There was agreement that the closest possible coordination of laws and administration between the zones is desired."

De Nazification, etc. and Punishment

"There was complete agreement of the dissolution of Nazi institutions, the German General Staff and the military and paramilitary organizations, and that this should be done as far as possible on a uniform basis through the Control Council machinery." and

"The question of German punishment other than war criminals (which was strongly urged by Prime Minister Churchill but was

65

- 2 -

regarded as too complex for treatment in the brief time available) was not discussed. There was general agreement that 'active Nazis' should be removed from all positions of importance and that they should be punished, but no decisions were taken nor was there much discussion of the subject. There was no tendency at any time to exonerate the German nation from precipitating the war."

Restitution and Reparation

"There is a provision in the agreement on reparation that the utilization of German manpower will constitute one form of reparation. This whole question is to be studied immediately by a commission to be set up in Moscow."

The Reparations Commission will also consider:

1. Restitution of identified property and in kind.
2. Reparation of equipment, goods, raw materials, etc.
3. Use of German production for reparations.
4. Restitution, within Germany, of despoiled property.
5. "There was general agreement that Germany's foreign economic interests should be taken from her and that this would constitute some form of reparation to be discussed in Moscow."

France

"As you will have noted from the communique, it was finally determined that France will be given a military zone of occupation of her own. It was also finally decided that France will be integrated on the Control Council (TOP SECRET. This took some doing: The Russians did not like the idea). No decisions was reached as to the exact location of the French zone. It was left that this could be worked out between the British and American Governments, but it seems likely that France will be given a part of the British zone west of the Rhine. It will be done in consultation with the French Provisional Government."

Other Decisions

1. Handling of United Nations prisoners and persons.
2. "There was general agreement on all types of records and archives being made available to the major allies but no discussion on details."

- 3 -

Not discussed

1. War criminals, Nazis and militarists.
2. Concealed assets of Germans.
3. Use of German scientific and industrial developments.
4. Movement of German population.
5. Government of Berlin.
6. Movement of people between zones.
7. Currency problems.
8. Foreign exchange control.
9. Japanese and neutral property in Germany.
10. German property and national abroad.
11. Transport, communications and radio.



AIR MAIL

Office of the Treasury
RepresentativeUNITED STATES OF AMERICA
TREASURY DEPARTMENTEmbassy of the United States
London, March 3, 1945.

No. 259

PERSONAL AND CONFIDENTIAL

Dear Mr. White:

I am enclosing herewith a copy of a memorandum dated January 27 from Brigadier General Frank McSherry to the Chief of Staff dealing with "Military Government Problems Requiring Immediate Agreement with the Russians", together with a copy of a letter dated February 15 from H. Freeman Matthews to Lieutenant General W. Bedell Smith. The Matthews letter attempts to answer the McSherry memorandum point by point. It would be appreciated if you would keep these papers strictly secret and for the confidential information of Treasury officials only.

Sincerely,

Bill Taylor
U.S. Treasury Representative.

Mr. Harry D. White,
Assistant Secretary,
Treasury Department,
Washington 25, D. C.

Enclosure.

SUPREME HEADQUARTERS
ALLIED EXPEDITIONARY FORCE
G-5 Division

27 January 1945

SUBJECT: Military Government Problems Requiring Immediate Agreement with the Russians.

TO: The Chief of Staff

1. The military situation as reported has potentialities of the immediate collapse of German resistance. When this occurs it will be necessary for SHAEF to establish military government in the British and U.S. Zones. During the early phase of this occupation military government will function to a large extent on a local and provincial basis, but many problems of a national scope will soon present themselves, necessitating definite and uniform solution if confusion and chaotic conditions are to be avoided. Agreement between the three big powers on certain subjects vital to the conduct of military government are essential at an early date.

2. Four subjects of underlying importance should be decided by the Allied governments as a basis for specific planning and operations:

a. To what extent will France participate in the military government of Germany? If France participates what area or zone will be assigned to this country?

b. The Russians in a recent broadcast state that it is the German nation that is guilty of precipitating this war on the world, not merely the Nazi element thereof, and should be punished therefor. The Combined Chiefs of Staff policy is to punish the Nazis, both as an organization and as individuals. Much can be done in the early days of occupation if the ultimate objective as to whether or not the German people are to be considered the guilty parties, and what over-all punishment is to be given, is known.

c. To what extent is the decentralization of Germany to be undertaken? (See U.S. Joint Chiefs of Staff Directive 1067, para. 11, which reads as follows:

"11. Military administration shall be directed toward the promotion of the decentralization of the political structure of Germany. All dealings in so far as possible should be with the municipal and provincial government officials rather than with Federal government officials.")

d. Efficient machinery should be established to deal with special inter-allied problems arising out of the war and involving countries other than those represented on the EAC. Problems of this nature are:

1. *End to 353 from Taylor*

- 2 -

i. Procedures for handling of United Nations persons and prisoners of war.

ii. Movements of German population and utilization of German manpower.

iii. Reparations, restitutions, deliveries and financial matters relating thereto, in particular:-

(a) Restitution to liberated territories of specifically identified property and restitution in kind.

(b) Reparations to liberated countries of equipment, goods and raw materials, and otherwise.

(c) Use of German productive facilities for benefit of liberated countries - extent to which this will be undertaken.

(d) Restitution within Germany of property which has been the subject of duress, wrongful acts of confiscation, dispossession and spoliation.

(e) Disposition of enemy war materials among the United Nations.

iv. Interchange of information, in particular:

(a) War criminals, Nazis and militarists.

(b) Financial information, particularly relating to assets concealed by the Germans.

(c) Use of German scientific and industrial developments.

v. All types of records and archives.

3. In addition to the foregoing, some US-UK-USSR authorities should be authorized to undertake the consideration and agreement of the following problems, as well as those listed in 2d above:

a. Program for the permanent pacification of Germany (elimination of Germany's war-making potential).

b. Policy respecting tripartite municipal government of the city of Berlin; in particular the initial proclamations and laws.

c. Frontier control, in particular:

1. Policies respecting movements of individuals from one zone to another - restrictions desirable for security reasons, to prevent mass migrations, and to prevent individuals from escaping restrictions and punishments.

- 3 -

11. Policies respecting movement of goods between the zones and across foreign boundaries - problems of foreign trade, movement of essential supplies within Germany, movement of exports out of Germany to liberated countries.
- d. Finance, in particular:
1. Currency problems.
 11. Foreign exchange Control.
 111. The breakup of Germany's foreign economic interests.
- e. Foreign relations of Germany, in particular:
1. Japanese nationals and property in Germany.
 11. Neutral nationals and property in Germany.
 111. German property and nationals abroad, including program for their release and handing over to the United Nations.
- f. Laws - extent to which coordination of laws between the zones is desirable.
- g. Dissolution of Nazi institutions, German General Staff, and military and para-military formations - to some extent this can be done separately in each zone, but a completely effective result can best be obtained through centralized control.
- h. Transportation and communications.
1. Radio - dissemination of information throughout national radio system.

(s) Frank J. McSherry
FRANK J. McSHERRY
Brigadier General, GSC
Deputy Assistant Chief of Staff
G-5

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COPY

THE SECRETARY OF STATE
WASHINGTON

February 15, 1945.

Lt. General W. Bedell Smith
Chief of Staff, Supreme Headquarters
Allied Expeditionary Force.

Dear General Smith:

You will remember leaving with us at Malta a memorandum from General McSherry to you of January 27 with regard to military government problems requiring immediate agreement with the Russians. I am attaching a copy of the memorandum for your convenient reference. You asked that we endeavour to work out as many of the answers to the questions posed as possible and that I let you know what was done. I was not present personally at the military staff conversations and consequently not informed of what may have taken place with respect to these problems thereat. Presumably you will receive through military channels full reports of these discussions in so far as they affect SHAEP.

I give you below our comments on the questions posed by General McSherry in so far as the Crimean Conference throws any light on them.

Paragraph 1: No comments required.

Paragraph 2: As you will have noted from the communique, it was finally determined that France will be given a military zone of occupation of her own. It was also finally decided that France will be integrated on the Control Council (TOP SECRET). This took some doing: The Russians did not like the idea. No decisions was reached as to the exact location of the French zone. It was left that this could be worked out between the British and American Governments, but it seems likely that France will be given a part of the British zone west of the Rhine. It will be done in consultation with the French Provisional Government.

Paragraph 2b: The question of German punishment other than war criminals (which was strongly urged by Prime Minister Churchill but was regarded as too complex for treatment in the brief time available) was not discussed. There was general agreement that "active Nazis" should be removed from all positions of importance and that they should be punished, but no decisions were taken nor was there much discussion of the subject. There was no tendency at any time to exonerate the German nation from precipitating the war.

2. Enc to 254 from Taylor

- 2 -

✓ Paragraph 2c: There was general agreement that Germany should be decentralized and that the question of actual dismemberment would be studied by a commission to be set up in London composed of Eden, Winant and Cousey. In the brief time available no effort was made to work out many details.

✓ Paragraph 2 d i: An Anglo-Soviet and Anglo-American agreement was signed (the latter by General Deane) on the last day of the Conference. The text of this agreement will presumably be immediately communicated to SHAEF.

✓ Paragraph 2 d ii: There was no definite discussion of the general question of movements of German population. There is a provision in the agreement on reparation that the utilization of German manpower will constitute one form of reparation. This whole question is to be studied immediately by a commission to be set up in Moscow.

✓ Paragraph 2 d iii: Questions (a), (b), (c) and (d) will be considered by the Moscow Commission mentioned above.

✓ Paragraph 2 d iv: Questions (a), (b) and (c). No discussion.

✓ Paragraph 2 d v: There was general agreement on all types of records and archives being made available to the major allies but no discussion on details.

✓ Paragraph 3 a: There was general agreement that this question should be studied urgently by the European Advisory Commission.

✓ Paragraph 3 b: No discussion.

✓ Paragraph 3 c i: No discussion.

✓ Paragraph 3 c ii: There was general agreement that international movement of goods is essential.

Paragraph 3 d i and ii: No discussion.

Paragraph 3 d iii: There was general agreement that Germany's foreign economic interests should be taken from her and that this would constitute some form of reparation to be discussed in Moscow.

✓ Paragraph 3 e i, ii and iii: No discussion.

✓ Paragraph 3 f: There was agreement that the closest possible coordination of laws and administration between the zones is desired.

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✓ Paragraph 3 g: There was complete agreement of the dissolution of Nazi institutions, the German General Staff and the military and para-military organizations, and that this should be done as far as possible on a uniform basis through the Control Council machinery.

Paragraph 3 h i: No discussion.

The Secretary of State urged upon Molotov the importance of getting the Russians to implement immediately their agreement, already given in principle, to participation in the nucleus planning group in London and at SHAEF and in sending forward their personnel for the Control Council. I did the same with other members of the Russian Delegation. I believe that with the rapidity of recent military developments the Russians will now come through.

I am sorry that we could not work out in detail a number of the above questions. I believe you will realize, however, that the number of highly important overall policy questions to be settled left us no time in our eight days at Yalta to undertake the detailed study of the above which we all agree is so urgently required.

It was good to see you at Malta even for a few moments. Please give my best to General Eisenhower -- tell him I wish I were still working for him -- and to all my other friends from Torch days -- also my apologies to General McSherry for the sketchiness of the above. I am writing this on a plane en route from Moscow to Cairo. We spent forty-eight hours in Moscow after the conclusion of the Conference and I must say the atmosphere could not have been better.

Very sincerely yours,

(Sgd.) H. Freeman Matthews
H. FREEMAN MATTHEWS

Encl.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 12, 1945

TO Secretary Morgenthau (For information)

FROM Mr. Coo F.L.

Subject: Re-entry of Treasury personnel into Philippines.

1. A meeting was held in Assistant Secretary McCloy's office on March 9, 1945 to discuss your letter to Secretary Stimson regarding the re-entry of Treasury personnel into the Philippines.
2. War Department representatives said that your letter had crystallized the discussion of the entire problem of the entry of civilian personnel into the Philippines which had been under consideration in a hit and miss fashion for months. Steps were taken at the meeting to set up a mechanism to deal with all requests from private corporations as well as civilian governmental agencies desiring to send people into the Philippines.
3. General agreement was expressed with the request contained in your letter to Secretary Stimson that Treasury representatives proceed as soon as possible to the Philippines to administer a Foreign Funds Control program.
4. The Army has been informed that we will send a team of four to six people to Manila. In accordance with established procedure General MacArthur is now being asked by the Army to permit the entry of these people into the Philippines.
5. We are asking Lt. Col. Norman Towson, former Assistant Director of Foreign Funds Control, to head this mission to the Philippines. He is now discussing with General Strong his release from the Army in order to accept this assignment.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE March 12, 1945

TO Secretary Morgenthau (For action)

FROM Mr. Coo F.L.

Subject: Suggested appointments with General Hurley and General Wedemeyer.

1. As you know, General Wedemeyer and General Hurley are now in Washington to report to the President on the situation in China and to discuss the future developments in the Pacific War.
2. It is suggested that you ask General Hurley and General Wedemeyer to call on you separately to discuss with them the situation in China as it relates to Treasury problems, particularly settlement of U. S. Army expenditures in China.

First of two luncheon meetings to inform top-management of plan for sale of bonds in industrial plants and other places of business.

SEVENTH WAR LOAN LUNCHEON

Minneapolis Club - March 12, 1945

Acceptances

The Honorable Henry Morgenthau, Jr.

Harry A. Mullis
President
General Mills, Inc.

Clarence R. Chaney *V.P. (Co. Genl. Chas. H. Chaney Co. War Fin. Com.)*
Northwestern National Bank

H. E. Atwood *V.P.*
H. F. Nelson Mfg. Co.

Palmer Anderson
Conn. General Life Ins. Co.

J. G. Cornelius *V.P.*
Batten, Barton, Durstine & Osborn

Richard D. Farber *Sec. Mgr.*
Hennepin County War Finance Committee

A. E. Hiatt, Jr.
Aetna Life Insurance Co.

Clare I. Long *V.P.*
Marsh & McLennan, Inc.

Paul W. London
Piper, Jaffray & Hopwood

Mrs. Dorothea G. Hoe
Hennepin County War Finance Committee

I. D. Owen *Partner*
Allison-Williams Co.

R. F. Pack *Chm. of Board*
Northern States Power Co.

Charles E. Pettillon
Berkshire Life Ins. Co.

W. LaVen Robison
Mutual Life Insurance Co. of N.Y.

T. L. Daniels, V.P.
Archer-Daniels-Midland Co.

John G. Peterson *V.P.*
Cargill, Inc.

Donald Ragnell, Pres.
Chicago, Milwaukee, St. Paul
& Pacific R.R. Co.

K. B. Olander
J. H. Clark Company

G. Nelson Dayton, Pres.
The Dayton Company

T. H. Brouillette *Pres.*
L. S. Donaldson Co.

P. L. Solether, Trustee
Duluth, S. Shore & Atlantic Ry

H. G. Atwood, Pres.
Darke-Atwood Company

W. H. Feldmann, Pres.
Electric Machinery Mfg. Co.

J. W. Dayton, Pres.
Federal Reserve Bank of Minneapolis

L. E. Wakefield, Pres.
First Nat. Bank

A. D. Hyde
General Mills, Inc.

H. Walls, Supt.
Copher Ordnance Works

Grier Wharton, Treas.
The Gray Company, Inc.

J. H. Hanson, V.P. & Treas.
Hardware Mutual Insurance Co.

R. J. Stallman, Treas.
O. B. McClintock Company

Charles E. Kiewel, Pres. (AND GUEST)
Minneapolis Brewing Company

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Marvin L. Kline, Mayor
City of Minneapolis

H. K. Wrench, Pres.
Minneapolis Gas Light Co.

Paul Wishard
Mpls. Honeywell Reg. Co.

W. C. MacFarlane, Pres.
Mpls. Moline Power Implement Co.

L. C. Sprague, Pres.
M. & St. L. Railroad Co.

H. C. Groat, Pres.
Soo Line Railway

Ernest L. Olrich, Pres.
Munsingwear, Inc.

A. J. Hanson, Vice Pres.
National Sea Company

John E. Parker, Pres.
Northwestern Aeronautical Corp.

Frank Bracolin, Pres.
M. W. Bell Telephone Co.

Shirley E. Ford, Pres.
Northwestern National Bank

Arthur Randall
D. W. Oman & Sons

Philip W. Pillsbury, Pres.
Pillsbury Mills, Inc.

John R. Coan, Postmaster
U. S. Post Office

Doddridge Olson, Pres.
Powers Dry Goods Co., Inc.

L. P. Miller, Pres.
Russell-Miller Milling Co.

Col. E. E. Taylor
Standard-Anderson-Sterling Co.

D. E. Strathy, Sec.
Stratwear Knitting Co.

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Jefferson Jones
Twin Cities Ordnance Plant

D. J. Strouse, Pres.
Twin City Rapid Transit Co.

L. R. Landon, Comptroller
University of Minnesota

D. C. Firmin
Veteran's Administration

B. H. Hader, Publisher
ST. PAUL DISPATCH

Julian Baird, Vice Pres.
First National Bank
St. Paul, Minn.

Philip L. Ray, President
First Trust Co. of St. Paul

R. E. Steele
Northern States Power Co.

O. S. Davidson
Northern Ordnance, Inc.

G. J. Arnold, Pres.
Northwestern Nat. Life Ins. Co.

Henry D. Thrall, ~~Director~~
Woodard-Elwood Company

John Cowles, President
MINNEAPOLIS STAR JOURNAL

*Joyce A. Swann, Publisher
Mpls. Daily Times,
C. E. Massie, Pres.
Kottropf King & Co.*

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Cannot Come

E. H. Keating
E. H. Keating Agency

Have Not Heard From

E. T. McCoy
Cargill, Inc. Shipyards
Savage, Minnesota

Donald B. Fogles, Pres.
Fogles Construction Co., Ltd.
711 Wesley Temple Bldg.

W. B. Totslaff, Pres.
Flour City Ornamental Iron Co.
2637 - 27th Avenue So.

W. J. Kay, Pres.
Northland Greyhound Lines, Inc.
509 Sixth Avenue No.

National Can Corporation
Twin Cities Ordnance Plant
Building #501, New Brighton

H. B. Atwater, Pres.
Scott-Atwater Mfg. Co.
2901 N. Hennepin Ave.

Arthur E. Eggert
1142 Minnesota Bldg.
St. Paul, Minn.

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Schedule for Secretary for
March 12, 1945 - Minneapolis

9:30 A. M. Breakfast

Presided over by John Cowles, President, Star-Journal and Tribune, and O. J. Arnold, Minnesota War Finance Committee Chairman.

Leading publishers and editors of Twin Cities - also, Fargo, North Dakota.

12:15 P. M. Luncheon

Chairman and principal speaker: Harry A. Bullis
President, General Mills

Speaker: Ernest L. Olrich, President, Munalingwear, Inc.

Group to consist of employers, in the Minneapolis area, having over 500 employees.

2:30 P. M. Dinner - Nicolet Hotel

Under the auspices of Foreign Policy Association and Minneapolis Civic and Commerce Association.

Presided over by Gideon Seymour, Vice President and Executive Editor of Star-Journal and Tribune, Minneapolis. Also, President, Foreign Policy Association.

3:00 P. M. Speaking program.

8:15-8:45 P. M.
Central War- Radio time. Station WLOL, Mutual outlet.
time

Head table guests:

Senators Shipstead and Bell (if they accept)
Mr. Peyton, Federal Reserve Bank
Messrs. Wakefield and Ford, Presidents of two large banks
Mr. Boyd, Independent Bankers' Association
Mr. Coffey, President of University of Minnesota
President or Vice President of Civic and Commerce Ass'n.
Mr. Sprague
Mr. DuBois
Mr. O. J. Arnold

Former Governor Stassen also being extended invitation.

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AGENDA
HENNEPIN COUNTY WAR FINANCE COMMITTEE
PAYROLL DIVISION LUNCHEON MARCH 12, 1945
MINNEAPOLIS CLUB 12:15 o'clock
HARRY A. BULLIS PRESIDING

1. Opening remarks by Mr. Bullis
2. Mr. Chaney to introduce special guests and leaders of Payroll Division
3. Introduction of the Honorable Henry Morgenthau, Jr. by Mr. C. J. Arnold
4. Secretary Morgenthau's remarks
5. Introduction of Mr. E. L. Clirich by Mr. Bullis
6. Presentation of plan for sale of bonds in industrial plants and other places of business by Mr. Clirich
7. Adjournment

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Cocktail party guests - Mr. C. J. Arnold

6:00 p.m., Parlors J and K, Nicollet Hotel - March 12 - preceding dinner

Head table guests who will attend cocktail party:

Secretary and Mrs. Morgenthau
Mr. Herbert Gaston
Mr. A. F. Luxford
Mr. George Little

Mr. C. J. Arnold - President, Northwestern Nat'l Life Insurance Co., and
Chairman, Minnesota War Finance Committee

Mr. and Mrs. Lyman Wakefield - President, First National Bank of Mpls.

Mr. and Mrs. Shirley S. Ford - President, Northwestern National Bank

Mr. and Mrs. Benj. F. DuBois - President, Independent Bankers Association

Mr. and Mrs. John W. Peyton - President, Federal Reserve Bank of Mpls.

Mr. and Mrs. Gideon Seymour - Vice Pres. and Exec. Editor, Minneapolis Star
Journal and Tribune, and President, Minneapolis
Foreign Policy Association

Mr. and Mrs. Arthur Upgren - Vice President and Economist, Federal Reserve Bank

Mr. Charles Liscomb and guest - President, Liscomb-Hood Company, Duluth, Minn.
and Exec. Vice Chairman, Minn. War Finance Com.

Mr. W. D. Haffziger - Manager, J. C. Penney Company, Inc., and Vice President
Minneapolis Civic & Commerce Association

Mr. and Mrs. Donald D. Davis - Exec. Vice Pres., Minn. & Ontario Paper Company

Mr. and Mrs. Pierce Butler - Attorney, Doherty, Rumble, Butler, Sullivan &
Mitchell - St. Paul; and President, St. Paul
Foreign Policy Association

(Dr. and Mrs. Walter C. Coffey - President University of Minnesota
Unable to attend for cocktails, but will be present at dinner.)

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Guests at breakfast for Secretary of the Treasury Morgenthau
Minneapolis Club, March 12, at 8:30 A.M.

Henry Morgenthau, Jr., Secretary of the Treasury
Herbert Gaston, Assistant ~~Assistant~~ Secretary
A. F. Lufford, Assistant to the Secretary
George Little, ~~member~~, Public Relations, War Finance committee

Maxus McPadden, managing editor, Minneapolis Daily Times
Bradley Morrison, editorial editor
Joyce Swan, publisher

Bernard H. Ridder, publisher, St. Paul Dispatch-Pioneer Press
Fred Hueberlin, managing editor
J. H. Higgins, editor

Ralph Keller, secretary, Minnesota Editorial association

Fred Schilplin, publisher, St. Cloud Daily Times
John E. Casey, publisher, Jordan Independent

Leif Gilstad, executive manager, Minnesota War Finance Committee
O. J. Arnold, chairman,
president, Northwestern National Life Insurance company

John Peyton, president, Federal Reserve bank

A. E. Loring, Jr., president, W. F. C. M.
Clarence Hagman, general manager, W. F. C. M.
B. S. Wittendorf, general manager, W. L. O. L.
Stan H. Loring, Jr., president, W. L. O. L.

Thomas Boright, publisher, Commercial West
Willis L. Williams, editor,
C. E. Michener, managing editor, Northwest Miller
John C. Eklund, editor, Minnesota Labor
R. D. Cramer, editor, Minneapolis Labor Review
Berry H. Akers, editor, The Farmer

Sander Genie, president, Minnesota CIO
George Phillips, president, Central Labor Union

*Will
preside* → John Cowles, president, Minneapolis Star-Journal and Tribune company
John Thompson, publisher
Gideon Seymour, executive editor
Charles E. Corbin, assistant to the executive editor
Thomas J. Egan, editor-in-chief, Minneapolis Morning Tribune
William P. Steven, managing editor,
George L. Peterson, editorial editor, Minneapolis Sunday Tribune

Frank W. Peck, president, Federal Land Bank, Saint Paul

Alan Kennedy

O. J. Arnold Cocktail Party List

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Representing Minnesota State War Finance Office Staff

Mr. Wallace Boss
Mr. L. P. Siswold
Mr. & Mrs. Martin
Mrs. Richard J. Hutchinson
Mr. Emil Boie
Mr. Harry Schmokel

Representing Hennepin County War Finance Committee

Mr. & Mrs. Chaney
Mr. & Mrs. Long
Mr. & Mrs. E. L. Olrich
Mr. & Mrs. Paul Loudon

Representing Minnesota State War Finance Committee

Dr. O. B. Jesness
Mr. Arthur D. Reynolds
Mr. & Mrs. John Sarles
Mr. William Duncan
Mrs. Franklyn H. Matson
Miss Mary Proal Lindeke

Others:

Mr. Harold E. Wood and guest
Mr. & Mrs. Alan Kennedy
(Assistant to Mr. O. J. Arnold)

Mr. H. M. Heneman, President
Security State Bank
Warroad, Minnesota

Mr. Otto Bremer

Mr. J. W. Green

THESE PEOPLE WILL OCCUPY SPECIAL TABLES AT DINNER, DIRECTLY
IN FRONT OF SPEAKERS' TABLE.

*Let draft
5-7-45*

These last few weeks have been so filled with tremendous events that I think most of us have become a little breathless trying to keep up with them. Besides the heart-warming news from the fighting fronts, we are beginning to see the postwar world take shape before our eyes.

Following the general acceptance of the Dumbarton Oaks proposals we have had the welcome news of the Yalta conference and the increased Western Hemisphere unity portrayed at the Mexico City conference. We are looking forward to the most hopeful of all, the San Francisco conference.

Draft I.

I have come here to talk about a program which is vital to the success of all the plans that have been made. That program was framed at still another conference, held at Bretton Woods, N. H., last summer. There representatives of 44 United Nations drew up agreements to establish an International Monetary Fund and an International Bank of Reconstruction and Development. The first is designed to stabilize currencies after the war; the second provides a part of the machinery needed to finance the rebuilding of the wartorn world.

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The strides that were taken toward peace and security at Dumbarton Oaks, at Mexico City and at Yalta as well as the further steps that will be taken at San Francisco will be wasted unless there is stable and expanding commerce after the war. The Bretton Woods agreements, therefore, are one of the pillars that must be both strong and well placed in order to hold up its share of the international structure.

It is hardly necessary for me to remind this audience that sound business is essential to peace and that it can exist only in a world at peace. The Bretton Woods agreements were drafted with a view to making business sound. I am convinced that they succeeded, so far as insuring the end of certain very dangerous restraints on trade are concerned.

The experience of our generation has proved to us that a well balanced prosperity for our country depends on a vigorous foreign trade. In peacetime, ten percent of our jobs in agriculture and industry depend directly upon international commerce. That was true in the high employment years of 1929 and 1937 just as much as in the depression year of 1932.

- 3 -

One of the greatest brakes on our own foreign trade was made up of the discriminatory exchange regulations and the fluctuating currencies of other nations. They found it impossible to buy our flour or our hardware or our machinery when the price was constantly rising because the value of their money was steadily falling. They tried to save themselves by setting up artificial exchange barriers. They bought less and less from us.

No commodity in America suffered so much as wheat from the loss of foreign markets. In 1914, the United States exported 20 per cent of its total production. By 1940 exports had fallen to less than 5 per cent. Other crops suffered more in volume but none so much in proportion.

Our domestic market suffered perhaps more as a result. Consider what happened when your customers lost their foreign markets. In 1914, the United States sold abroad more than 60 per cent of its cotton crop and nearly 50 per cent of its tobacco. The cotton and tobacco farmers could eat white bread. But in 1940 we were exporting only 30 per cent of the cotton crop and less than 20 per cent of our tobacco. Cotton and tobacco farmers were either growing their own wheat on mighty poor wheat land, or else they were eating corn pone.

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Now the Bretton Woods agreements are not going to restore our foreign markets all by themselves. But they are a necessary first step toward getting and keeping those markets.

The obvious prerequisite for any such foreign trade as we must have to insure full production and full employment is a stable medium of exchange. Of course the governments of the world must sincerely desire stabilization. The fact that their representatives agreed to the Bretton Woods proposals and approved a schedule of funds which will be put up by their governments proves that the will to stabilize is there. Our program provides the machinery for making their will effective.

All the member nations agree under the plan to maintain the stability of their currencies, and the Monetary Fund is established to help them do it. The businessmen of your community know what happens when the grain market begins to kick up. The difference of a single point means \$10,000 to the holder of a million bushels, and when the market is jiggling up and down like a vibrator, the grain business becomes pretty difficult.

- 5 -

Foreign exchange is not much different. When currencies are fluctuating, or simply depreciating steadily without fluctuation, foreign trade becomes so difficult that it is speedily curtailed.

Our international commerce is to the economic life of the whole country what the Twin Cities are to our grain market. What happens in Minneapolis and St. Paul has repercussions throughout the nation. So does a new exchange restriction in Europe.

We have all seen it happen. At one point between the two wars, France bought more than half of all her radio sets from the United States. But French exchange was extremely unstable. Dealers found it difficult to get dollars. In terms of francs, the radio sets that were becoming cheaper over here grew more expensive over there. In an effort to avoid a monetary crisis, France clapped a quota on American radio sets. Not more than 8 per cent of the country's total sales could be purchased from the United States.

The drop in sales to France affected more people than the radio manufacturers and their workers. The men thrown out of jobs became very poor customers for all the products of American industry and agriculture. The whole country

- 6 -

was sucked into a downward spiral as though it had been caught in a whirlpool.

After the war, the world will face economic dislocations and reconstruction problems more complex than anything in history. We will need all the machinery for stabilization and development that we can get. The Bretton Woods agreements are the answer drawn up by experts from 44 nations. The program represents the accumulated work of three years. In its simplest terms, it means more business and better business, more jobs and better jobs for the people of Minnesota, as for the people of all the country.

If it did not mean that, it would not accomplish its other purposes. But because it does provide a vehicle for the expansion of your foreign trade, it becomes an integral part of the world's machinery for peace.

I have been talking principally about the Monetary Fund. The other half of the program sets up a bank to help finance the world's needs for reconstruction and development. This bank is hedged about with safeguards to insure sound practices and to help rather than hamper private financing. Some very important jobs of repairing

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war damage are not going to be attractive to private capital because the risks may be too big and the return too low. If the job is a genuinely productive one -- and all the International Bank's loans must be made for really useful projects -- the Bank will either provide the funds or guarantee the private investor. That guarantee is backed by the resources of the Bank, contributed by all 44 members. The borrowing country must also guarantee it, and all projects will be carefully examined as to necessity and value.

So far this is simply good banking business. But there is another aspect of this banking operation which commends itself to me and has been somewhat overlooked. In the past, many smaller or hard pressed countries have been obliged to sacrifice some of their political independence in order to get essential financing. A creditor country would insist upon concessions, often of a political nature or imposing a restrictive trade relationship upon the debtor. The result was a new barrier in the way of world trade and a new link in the chains which power politics had forged for free peoples.

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Under the Bretton Woods agreements, this will be a thing of the past. Any member nation can come for its government financing to a world bank and make the loan on its merits, free from political shackles.

What that can mean to peace is plain from any study of the way in which political strings on government loans forced small nations into the orbit of one or another of the aggressor countries.

The Bretton Woods program, therefore, must be considered on two broad and vital grounds. In the first place it is good business for the American people. In addition it is a solid contribution to world security. On both counts I think I know where the people of Minnesota will stand.

--oOo--

1st draft
2nd

3/14/45

These last few weeks have been filled with tremendous events. Besides the stirring news from the fighting fronts, we are beginning to see the outlines of the postwar world. A program for peace is taking shape before our eyes.

Following the general acceptance of the Dumbarton Oaks proposals we have had the great news of the Yalta meeting and the increased Western Hemisphere unity portrayed at Mexico City. Now we look forward to the meeting which we hope may prove most fruitful, the conference of the United Nations in San Francisco next month.

I have come here to talk about an essential segment of the peace program, prepared at another conference of the United Nations held at Bretton Woods, N. H., last summer. There representatives of 44 nations drew up agreements to establish an International Monetary Fund and an International Bank for Reconstruction and Development.

I have been in close touch with every stage of the progress of these agreements, through two years of preliminary work, through the conference itself and through the discussions since then. I can assure you that they are definitely good business for the United States.

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They are more than that.

Unless they are put into effect the strides toward peace and security at Dumbarton Oaks, at Mexico City and at Yalta, as well as the further steps that will be taken at San Francisco, may end only in frustration. Peace to be secure must rest on the firm foundation of profitable industry within nations and profitable and expanding commerce between them.

The Bretton Woods agreements deal with two great problems. One is to reconstruct the economies of countries devastated by war so that they can resume production and trade and to supply others with funds needed for the development of their resources. The second is to establish a system of fair monetary practices that will put an end to the disorderly exchange conditions and destructive rivalries of the past. Early in our discussions, we considered joining the functions of the Bank and the Fund in one institution. We decided against it. I think you may want to know why, since the question was raised after the agreements were completed.

The two deal with entirely different problems. They will need staffs with entirely different training.

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The Bank will be concerned exclusively with long-term investments -- loans for twenty to thirty years, or even longer -- for productive purposes. Its staff will have to study the long-term debt positions of various countries, their places in world trade, the value of the project for which the loan is intended. The Bank will have only investment problems. It is worth remembering that in this country we learned from experience that it was necessary to enforce separation of commercial banking from investment banking.

The Fund is not an investment institution at all. It will be concerned exclusively with the current operations of the exchanges, with fluctuations in the exchange markets, with seasonal and other factors affecting the exchanges. It must recommend correctives for prompt application.

This is a highly specialized function reflected in the organization of the big banks that operate in the exchange markets. Their separate foreign exchange departments are staffed with highly specialized technicians. I think we at Bretton Woods were wise to follow what is now accepted as the best banking practice.

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Before the war, the monetary stability of each country was supposed to be its own private business. Each was left to its own devices so far as its currency was concerned. Most countries struggled desperately to get onto the gold standard. Before 1922, only eight were on gold. Through very real sacrifices in the way of deflation, over-valued currencies and lost exports, 45 achieved the gold standard in a precarious way by 1928. But the first serious pressure was too much for most of them. Six were knocked off gold at the start of the decline in international trade. By 1936 only seven were left, five of them with currencies closely associated with the dollar. The world was back where it had started fourteen years before.

But that doesn't tell the whole story. This was an era of trade warfare in which country after country employed currency manipulation along with other forms of discrimination in the effort to save itself at the expense of other nations. In 1932 Germany began to use clearing agreements to force less powerful nations to trade with her. These agreements permitted Germany to get what she needed from them and pay in return what she wanted to export -- harmonicas or aspirin where the other country really wanted dynamos and locomotives.

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In other cases Germany blocked payments due on previous exports and on credits extended to Germany, so that some countries were forced into payment agreements to protect the investment of their citizens.

All this led to a tangle of discrimination and preference that spread over Europe to the great cost of American exporters and the peace of the world. By 1938 Germany alone had 36 clearing agreements, Italy and Greece 28 each, Turkey 23 and so on. The only country in Europe that had none was Albania. Only Ireland, Norway and Russia succeeded in keeping their clearing agreements to as few as five.

The Fund will deal with the situation that led to this confusion through international cooperation. Each member country will define its currency in terms of gold and undertake to keep it stable. If it runs into trouble, it will not have to act alone, using currency depreciation or discriminatory regulations which will spread depression from one nation to another. It will be able to consult with others through the Fund and get help to maintain stability. Stability of exchanges will facilitate trade by encouraging each country to buy where it wishes. The pressure to create discrimination, preferences and the other instruments of economic warfare will be kept to a minimum.

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Foreign loan operations under the Bank and under the system in use before the war will present an equal contrast. In the past, when countries needed foreign capital to help in their development, they came to the investment market and paid perhaps 7 or 8 per cent interest. Discounts on top of that sometimes gave them no more than 90 of every 100 dollars borrowed. Too often the loans were made for unproductive purposes, without adequate supervision and with little prospect that the borrower could ever repay. The borrowing country and the American purchaser of foreign bonds were both losers.

The International Bank will make it possible for these countries to obtain their capital for worthwhile, productive projects. The Bank will guarantee loans for such purposes so that they will be attractive to the private investor on reasonable terms. The Bank will undertake this only when the borrower can service the loan, when its usefulness is clear and when the charges are fair.

There will be great need for such a service. We cannot have a prompt restoration of the producing and consuming power of the world while Europe is wrecked and great areas of the world remain undeveloped.

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The Bretton Woods program offers currency stability to facilitate trade, and credit protection which will benefit the borrower through reasonable loans for sound use and the American people through an increased market for their products.

The experience of our generation has proved to us that a well balanced prosperity for our country depends on a vigorous foreign trade. Under normal conditions, ten per cent of our jobs in agriculture and industry depend directly upon international commerce. That was true in the high employment years of 1929 and 1937, but the sharp decline in 1932 had much to do with the severity of the depression.

The greatest brakes on our own foreign trade were discriminatory exchange regulations and the fluctuating currencies of other nations. They found it impossible to buy our flour, our hardware, or our machinery when the price in their currencies was constantly rising because the value of their money was steadily falling.

No commodity in America suffered so much as wheat from the loss of foreign markets. In the years 1925-1928 the United States exported \$239 million worth, which was 21 per cent of its total production. In 1931-34, the era of exchange discrimination, this had fallen to \$38 million,

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which was only 8 per cent of our production.

As a result, the wheat farmers were forced to sell more of their wheat at home. But as our total export trade fell from \$7 billion to \$2 billion, the income of workers in industry and agriculture fell sharply. The result was that the wheat which brought \$1.25 a bushel in 1928 was sold for 60 cents in 1932.

Of course the Bretton Woods agreements are not going to restore our foreign markets all by themselves. But they are a necessary first step toward getting and keeping those markets.

The businessmen of your community know what happens when the grain market begins to kick up. The difference of a single point means \$10,000 to the holder of a million bushels, and when the market is jiggling up and down like a vibrator, the grain business becomes pretty difficult.

Foreign exchange is not much different. When currencies are fluctuating, or simply depreciating steadily without fluctuation, foreign trade becomes so difficult that it is bound to fall.

Our international commerce is to the economic life of the whole country what the Twin Cities are to our grain market.

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What happens in Minneapolis and St. Paul has repercussions throughout the nation. So does a new exchange restriction in Europe.

We have all seen it happen. At one point between the two wars, France bought more than half of all her radio sets from the United States. But French exchange was extremely unstable. Dealers found it difficult to get dollars. In terms of francs, the radio sets that were becoming cheaper over here grew more expensive over there. In an effort to conserve exchange, France clapped a quota on American radio sets. Not more than 8 per cent of the country's total sales could be purchased from the United States.

The drop in sales to France affected more people than the radio manufacturers and their workers. The men thrown out of jobs became very poor customers for all the products of American industry and agriculture. The whole country was sucked into a downward spiral as though it had been caught in a whirlpool.

To achieve the stability and the development through mutual effort which is needed to prevent a repetition of this collapse, it is obvious that the first requisite must be a sincere desire on the part of all governments to achieve them. The Bretton Woods agreements are the expression of

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that unanimous will on the part of the 44 United Nations to work together.

I wish it were possible to describe the manner in which that will was expressed at Bretton Woods. You have all taken part in meetings at which a variety of interests were represented. Perhaps there was a little wrangling and horse trading.

At Bretton Woods were representatives of 44 nations covering the whole range of the world in size, stage of economic development, customs and economic conditions. Yet they succeeded in hammering out a thoroughly workmanlike program because they knew that we must either create an orderly system now or sink back later into the chaos of individual expedients and devil-take-the-hindmost. They were animated by the new international spirit. They agreed to pledge large sums which could not benefit their countries directly, but were a contribution to the general welfare, and they were farsighted enough to know that what helped others also helped them.

Let me give you perhaps the most dramatic example that occurred. In the list of subscriptions to the Bank, Russia had been put down for \$800 million. This is a tremendous

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sum for a country whose richest districts -- bigger than any single country in Europe -- have been ravaged with the utmost brutality by the Nazis. On the last day of the conference, Russia announced that she would increase her subscription to twelve hundred million dollars. Russia assumed that additional \$300 million obligation, not because there could be any direct advantage to the Soviet Union, but in order to create a stronger Bank with a larger capital, able to contribute that much more to the rebuilding of the world.

All the other countries manifested the same spirit. Many of them expect no other benefit from their share in the \$18 billion dollar capital of the Bank and the Fund than a contribution to that better world in which they can work out their own prosperity and security.

The Bretton Woods agreements were conceived in the very practical spirit of cooperation. They represent the first such set of resolutions which have been presented to our people for the achievement of the ideals for which we are fighting. They can be an inspiration to all the other meetings of the United Nations and an example of how the most difficult problems can be overcome through mutual good will. The legislation to carry out the Bretton Woods

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program is now before Congress. Favorable action by the House of Representatives in advance of the session at San Francisco on April 25 will be a token to all the delegates that the United States is thoroughly in earnest about joining with other nations to achieve international security. A House vote for Bretton Woods will strengthen the hands of our own delegates at San Francisco.

I am sure that as this becomes better understood, the favorable vote will be forthcoming. As I have said, I am absolutely convinced that the Bretton Woods program is good business for the American people -- all of them.

But there is another aspect of even greater importance. At Bretton Woods we proved that delegates from the governments of most of the world could meet together and consider ways of helping each other instead of killing each other. This is the international spirit of the United Nations, the ideal for which Americans are dying today. But it is harder to live for an ideal than to die for it. And that more difficult task is for us at home to perform. It is because I feel so deeply that the Bretton Woods agreements are so much a part of this new spirit, are so essential to its development, that I have been urging their acceptance. As

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I see it, we are called upon in these times to express and to act upon our faith in mankind. At Bretton Woods, we set our hands to a very real expression of our faith in the capacity of men to work together for their mutual benefit. I am sure that we will not stop there, but will carry on to the achievement of all that our men have died to win for us. They have died so that we might have another chance to build peace and security and a decent world for all its people. It is for us to live for the same great ends.

I believe the American people are determined to do just that. Our generation has been given a new vision of the world. It is as though we were seeing the earth whole for the first time. Perhaps you remember how that was when you made your first airplane trip. Soaring over the city, you really caught a glimpse of its magnificence, the wonder of it all complete and the shabbiness and ugliness concealed under the larger view. And it might have been that as the plane flew in from the East, you were in darkness, but ahead you could see the sun. We of America, we of the United Nations are near enough to the end of our war journey to know that although the night is still all around us, we are coming out into the light of a new day with its new opportunities for creating a better and safer world.

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These last few weeks have been filled with tremendous events. Besides the stirring news from the fighting fronts, we are beginning to see the outlines of the postwar world. A program for peace is taking shape before our eyes.

Following the general acceptance of the Dumbarton Oaks proposals we have had the great news of the Yalta meeting and the increased Western Hemisphere unity portrayed at Mexico City. Now we look forward to the meeting which we hope may prove most fruitful, the conference of the United Nations in San Francisco next month.

I have come here to talk about an essential segment of the peace program, prepared at another conference of the United Nations held at Bretton Woods, N. H., last summer. There, representatives of 44 nations drew up agreements to establish an International Monetary Fund and an International Bank for Reconstruction and Development.

I have been in close touch with every stage of the progress of these agreements, through two years of preliminary work, through the conference itself and through the discussions since then. I can assure you that they are definitely good business for the United States.

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They are more than that.

Unless they are put into effect the strides toward peace and security at Dumbarton Oaks, at Mexico City and at Yalta, as well as the further steps that will be taken at San Francisco, may end only in frustration. Peace to be secure must rest on the firm foundation of thriving industry within nations and profitable and expanding commerce between them.

The Bretton Woods agreements deal with two great problems. One is the problem of providing capital to repair the devastation of war and for development purposes. The other is the problem of establishing a system of fair monetary practices that will promote trade instead of hindering it. The solution proposed is the creation of two institutions, the Fund and the Bank. Early in our discussions, we considered joining the functions of the Bank and the Fund in one establishment. We found good reasons for not doing that. I think you may want to know what these reasons were, now that the question has again been raised.

The two deal with entirely different problems. They will need staffs with entirely different training.

- 3 -

The Bank will be concerned exclusively with long-term investments for productive purposes -- loans for twenty to thirty years, or even longer. Its staff will have to study the long-term debt positions of various countries, their places in world trade, the worth of the project for which the loan is intended. The Bank will have only investment problems.

The Fund is not an investment institution at all. It will be concerned exclusively with fluctuations in the exchange markets, with seasonal and other factors affecting the exchanges.

Whether to join the Fund and the Bank in one institution is not a question of form. It goes to the very heart of the stabilization problem. Those who argue for one institution think of currency stabilization as a matter of making loans. That is not our conception of the problem at all. We think the issue goes much deeper. We believe the essential aspect of the Fund to be the setting of standards for fair dealing on the exchanges. Giving help to some countries to maintain our standards once they are set is incidental to the attainment of this main objective. Long-term stabilization loans to a few countries would be a poor substitute for broad and constant cooperation in meeting international currency problems.

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That can be secured only through a Fund which is concerned exclusively with bringing all countries together to work for currency stability.

The fundamental reason for monetary disorder after the last war was failure to understand the necessity for international cooperation in dealing with this problem. Each country was left to its own devices. Before 1922 only 8 countries were on the gold standard. By 1928, through real sacrifices, about 45 had made a precarious return to gold -- some with the help of stabilization loans. But the first serious pressure was too much for them. The wolf pack of exchange speculators was on the prowl, seeking out weak currencies to destroy, and adding immeasurably to the difficulties of the countries which sought individually to maintain currency stability. One by one countries were forced off the gold standard until by 1936 only 7 were left. The world was back where it had started 14 years before.

But that doesn't tell the whole story. This was an era of economic warfare. The weapons were currency manipulation and other forms of discrimination. The aim of each country was to save itself at the expense of others. The bilateral clearing agreement was the most destructive of these weapons, because it was in fact part of Germany's

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preparation for war.

This is how it worked. In 1932, when everyone found markets very scarce, Germany agreed with some Balkan countries to buy most of their wheat and raw materials at good prices in marks. But the Balkan merchant did not get marks. These were paid into the Reichsbank. The Balkan countries then had to buy goods in Germany to get the value of those marks. The Balkan importer paid into his central bank the price of the German goods, and only then could the seller of the wheat or other raw material get his money.

As a matter of policy Germany bought much and sold little. She was generally a year behind in meeting clearing obligations, and then frequently forced the Balkans to take articles they didn't need or want simply so they could pay their own exporters. Too often they got harmonicas and aspirin when they needed locomotives and dynamos.

Through these agreements, Germany tied the economy of neighboring countries to the German war machine so that when she began her war she would have access to raw materials. In self defense, other nations were forced to adopt similar measures.

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- 7 -

use before the war. In the past when countries needed foreign capital they too often had to give away some of their independence to get it. And they usually paid high interest rates in the bargain.

For instance, a great many of you will remember Kreuger and Toll. Frequently when a European country was seeking foreign loans, Kreuger would turn up in the Finance Minister's office. He was glad to oblige with quite a large loan. All he asked was the country's match monopoly, and of course profitable rates, too. Kreuger then sold not only the bonds he took for the loan, but forged duplicate sets of them as well. Some of you in this audience may still hold Kreuger and Toll Securities. You know what they are worth.

Kreuger was not the only operator in those days. Undeveloped countries seeking foreign loans frequently secured from other sources loans that cost them too much and were often tainted with fraud. Many of them were squandered on projects which could never pay off. There was little or no supervision to make sure the money was spent for productive purposes. In too many cases there was little prospect that the investor would get his money back.

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That was the system under which Americans used to lend money abroad. By 1939, not counting the World War I loans, more than 40 cents of every dollar they had invested in foreign countries was in default.

The International Bank will make it possible for countries to obtain capital for worthwhile, productive projects. The Bank will guarantee loans for such purposes so that they will be attractive to the private investor on reasonable terms. And there will be no need for a country to give the lender a match monopoly or a salt monopoly, or to pledge its sovereignty in the form of an assignment of custom revenues. There will be no need for these methods because the Bank will undertake loans only where the project is productive, only where the charges are fair, and only where the borrower can service the loan.

There is urgent need for such productive investment. We cannot have a prompt restoration of the producing and consuming power of the world while Europe is wrecked and great areas of the earth remain undeveloped.

To sum up in simple terms: the Bank is a cooperative method of providing capital for productive purposes to countries that need capital for reconstruction and development.

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Its purpose is to safeguard the interests of the borrower and the investor. That's what the Bank is and what the Bank does. And you can see that its business is lending, not monetary stabilization.

The Bretton Woods program offers currency stability to facilitate trade, and credit protection for sound international loans. Both will benefit the American people through an increased and more stable market for their products.

The experience of our generation has proved to us that a well balanced prosperity for our country depends on a vigorous foreign trade. Ten per cent of our jobs in agriculture and industry depend directly upon international commerce. That was true in the high employment years of 1929 and 1937, but the sharp decline in 1932 had much to do with the severity of the depression.

Let's see what discriminatory exchange regulations and fluctuating currency meant to the Twin Cities and the Northwest. Countries abroad found it impossible to buy our wheat and flour, and the same was true of our exports of hardware and of machinery.

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No major commodity lost so large a part of its foreign market as wheat. In the years 1925-1928 the United States exported \$239 million worth a year, which was 21 per cent of production. In 1931-34, the era of exchange discrimination, this had fallen to \$38 million, which was only 8 per cent of our production.

As a result, wheat growers were forced to dump their crops at any price. The farmer in the Red River Valley was being squeezed, as truly as if he had caught his hand in a threshing machine, by the exchange rates of the rupee and the yuan and the peso. The instability of foreign currencies was one of the chief reasons why No. 1 Dark Northern, which sold for \$1.64 a bushel in Minneapolis in May, 1928, brought 49 cents in December, 1932. It helps explain why flour sold here for \$8.68 a barrel in May, 1928, and \$4.02 in November, 1932.

Of course the Bretton Woods agreements by themselves are not going to restore our foreign markets for wheat or anything else. But they are a necessary first step toward getting and keeping those markets for thousands of American products. New exchange restrictions anywhere in the world can close them.

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We have all seen it happen. Our exports of commodities and of manufactured goods reached a high point between the two wars, but in the 30s our farmers and our manufacturers alike fought a losing and hopeless battle to restore their export sales in the face of depreciated currencies, quotas and other barriers set up against us. The men thrown out of jobs because of this lost trade became very poor customers for all the products of American industry and agriculture. All these restrictions had much to do with intensifying and prolonging the great depression.

To prevent this chain of disasters being repeated after this war is it not perfectly plain that the first thing we need is a sincere desire on the part of all governments to work together to prevent them? The Bretton Woods agreements are the expression of a unanimous will on the part of the 44 United Nations to work together to that end.

I wish it were possible to describe the manner in which that will was expressed at Bretton Woods by representatives of 44 nations covering the whole range of the world in size, stage of industrialism, customs and economic conditions. They succeeded in hammering out a thoroughly

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workmanlike program because they knew that we must either create an orderly system now or sink back later into the chaos of individual expedients and devil-take-the-hindmost. They were animated by the new international spirit.

Let me give you perhaps the most dramatic example that occurred. In the list of subscriptions to the Bank, Russia had been put down for \$900 millions. This is a tremendous sum for a country whose richest area -- bigger than any other country in Europe -- has been ravaged with the utmost brutality by the Nazis. On the last day of the conference, after the subscriptions were closed and all countries had agreed on the allocation of subscriptions, Russia announced that she would increase her subscription to twelve hundred million dollars. Russia assumed that additional \$300 million obligation, not because there could be any direct advantage to the Soviet Union, but in order to create a stronger Bank with a larger capital, able to contribute that much more to the rebuilding of the world. This is a symbol of her determination to cooperate wholeheartedly with us and the other United Nations in the task of reconstruction and development.

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The Bretton Woods agreements were conceived in the very practical spirit of cooperation. They represent the first such set of resolutions presented to our people for achievement of the ideals for which we are fighting. They can be an inspiration to all the other meetings of the United Nations and an example of how the most difficult problems can be overcome through mutual good will.

The legislation to carry out the Bretton Woods program is now before Congress. I hope that time will permit the House to act favorably on it before the United Nations delegates gather at San Francisco on April 25. This would show that the United States is thoroughly in earnest about joining with other nations to achieve international security.

At Bretton Woods we proved that delegates from the governments of most of the world could meet together and consider ways of helping each other. This is the international spirit of the United Nations, the ideal for which Americans are dying today. It is our task at home to live for that ideal.

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It is because I feel deeply that the Bretton Woods agreements are so much a part of this new spirit, are so essential to its development, that I have been urging their acceptance. We are called upon in these times to express and to act upon our faith in mankind. At Bretton Woods, we set our hands to a very real expression of our faith in the capacity of men to work together as partners in peace.

I believe the American people are determined for their part to do just that. Our generation has been given a new vision of the world. It is as though we were seeing the earth whole for the first time. Perhaps you remember how that was when you made your first airplane trip. Soaring over our country, you got a new perspective of it, a new glimpse of its magnificence and the interdependence of its people. And it might have been that as the plane flew in from the West, you were in darkness, but ahead you could see the dawn.

We of the United Nations know that although the night is still all around us, we will come out into the light of a new day with its new opportunities for creating a better and safer world.

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DEPARTMENT OF STATE

DIVISION OF ~~COMMUNICATIONS AND RECORDS~~
CENTRAL SERVICES

March 12, 1944

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

FROM: Raymond H. Geist, Chief of the
Division of Central Services.

A copy of this telegram has been
given personally to the Secretary of
War, the Secretary of the Navy, and to
General Magruder of the Office of
Strategic Services.

DEPARTMENT
OF
STATEINCOMING
TELEGRAMDIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

103

PEM-33
No paraphrase
necessary
(SECRET)

Stockholm

Dated March 9, 1945

Rec'd 7:43 a.m., 10th

Secretary of State,

Washington.

TOP SECRET

US URGENT

932, March 9, midnight

Olsen had a two-hour discussion along with Fritz
Hesse yesterday afternoon on the prearranged understanding
that the discussion was entirely a personal exchange of
views on humanitarian problems and in no way to be con-
strued as official (Legation's 876, March 7, noon).

Olsen inquired why Hesse had contacted him and the
latter replied that Kleist (close associate of Himmler)
had suggested it in Berlin the past week as well as "other
important German authorities". Olsen inquired what posi-
tion Hesse held in German Government and he replied that
he was a member of the German Foreign Office with direct
lines to the top officials, he emphasized the very top,
in German Government. He stated that at outbreak of war,
he had been attached to German Embassy in London in a
public relations capacity and that for a while thereafter,

he was

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-2- #032, March 9, midnight, from Stockholm.

He was the intermediary between the German and British Governments. He made reference to personal discussions with Churchill in 1939 and quoted certain comments made by the latter during such discussions. He added that since his return to Berlin, he had pursued his independent convictions on war policies and that such convictions had on occasion placed him in considerable personal jeopardy. Olsen inquired what these convictions were and the following were mentioned.

One. He had pressed for a moderate and circumspect treatment of prisoners of war in opposition to a high military group (he was unwilling to identify them) who were disposed to exterminate them through ill-treatment and neglect. He added that he could say without exaggeration that the lives of "several hundred thousand" were saved through his efforts within high German circles. He stated that while prisoners of war had to work very hard, and certainly were not overfed, as a group they would compare well with the average German population.

Two. He had pressed vigorously against persecution of racial and other minority groups and believed his efforts had been helpful, at least within Germany.

Three.

105

-3- #032, March 9, midnight, from Stockholm.

Three. He had actively opposed the blitz on London as a major blunder in military strategy, almost at risk of his neck although later he was vindicated even in German military circles.

Hesser then swung into the first phase of his major points. He said that it was generally known in Berlin that Olsen could be approached on humanitarian problems and that he was prepared to say, even at the price of revealing strategic military information, that high German circles were becoming increasingly aware that they had pressing problems of their own of a similar nature. He went on to say that Allied bombing of Germany was exacting a fearful toll on civilian population and that certain key officials in German High Command were at present time most receptive to any broad agreement which would "humanize the war". Olsen asked for clarification on the term and Hesser supplied the following.

Allied bombing in recent months has been less and less effective from a military point of view, but, he said, to the rapid obliteration of military war agreement with the result that destruction of civilian life and property has become increasingly too heavy. He stated that at present 65% of the German population homeless and living

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-4- #932, March 9, midnight, from Stockholm.

living in utmost misery. He added that, while he was unsure of Russian or British attitude, he could not believe the United States would direct such wanton destruction against innocent civilians (children, women and old men it was added) as a toll for such limited military objectives. Olsen replied that the views of United States government on humane warfare are quite fully chronicled and that any of the Allies have a fairly obvious choice between dropping a bomb on a child or military depot but that aerial warfare, and the defense against it, necessarily spread the hazard. Hesser agreed in principle but mentioned certain recent Allied bombings. He stated that in addition to bombing Dresden, Allied planes strafed a wide area of temporary Red Cross quarters (plainly marked he said) which were housing refugee women and children and killed not less than ten thousand of them. He added that the recent raid on Sassnitz was nothing short of murder of a defenseless group. He stated that anybody knowing anything at all about targets in Germany would have known that this was a large Red Cross area for war wounded without a military installation within miles. He said that the only result, apart from a 24-hour interruption of a railway service

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-5- #932, March 9, midnight, from Stockholm.

without any military consequence whatever, was the slaughter of thousands of confined war invalids. He said that these were only a few examples of a senseless massacre of civilians which, he added, has already included thousands of Allied prisoners of war and he concluded by stating that if these incidents continue, he is fearful of the steps which might be taken both by German authorities and civilians.

Reverting to the 65% of civilian population homeless and displaced as a result of bombing action, Olsen asked Hesser if that result was not in itself of no small consequence considering the drag it must exert on the German war effort. Hesser replied this was entirely dependent on what type of long-range view one took of the war. He said practically every German including the High Command had no doubts that the war was lost. These same people, however, feel Allies are over-optimistic and not prepared to reckon their contracted striking power and reserves of war materials to make closing days of the war as expensive as possible.

Olsen then asked Hesser how it was possible that German civilian population could continue such a hopeless struggle

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-6- #932, March 9, midnight, from Stockholm.

struggle under terrible privation without internal revolt. Hesse replied it was in part the same military blunder made by Germans in their Blitz on London. Like the British, German civilians are fighting mad. In addition Hesse added, Allies have actually delivered completely to Nazi domination 65% of the German population (these people are living on day-to-day basis without food, clothing or shelter except that supplied by the Nazi Command. Whether they are bombed out of one city to another does not now make much difference, they are homeless anyhow, but the important item in their daily life is that their existence is supplied by the German authorities. Consequently their personal emergency of their day-to-day thinking provides no opportunity of organized revolt.

Reverting again to "humanized warfare", Olsen suggested to Hesse that he should be fairly convinced, or he would not be in Stockholm, that Americans did not wish to destroy innocent civilians during warfare, but that it would be difficult for Olsen to convince Americans that Hesse's superiors specifically Himmler, Ribbentrop, Goebbels and others had any serious inclinations in that direction. Hesse stated he could say with

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-7- #932, March 9, midnight, from Stockholm.

say with greatest assurance that these individuals were receptive to any suggestions, at least, he emphasized, at the present moment. Olsen inquired just what German High Command was proposing as step to "humanizing the war". Hesse said a quickly-instituted agreement, along lines of the Geneva Convention, for protection of civilian populations was desired. Olsen inquired what practical measures Germans could propose, giving full effect to the contracting German defense lines and the more or less inseparable intermingling of civilians and military personnel in legitimate combat areas. The reply was vague except Hesse's repeated assurance that any reasonable basis would be accepted, so Olsen inquired whether German High Command perhaps had in mind a limited series of demilitarized safety zones. This apparently found favor.

Olsen then inquired what steps German authorities were willing to take to "humanize the war". Hesse stated he could say without hesitation, and was already authorized to say, that Germans would permit all Jews to leave Germany, as soon as technical details could be worked out. He stated there were "several hundred thousand". In response to inquiry whether this included all Jews of all ages, he said it included every (repeat every) Jew in Germany. Olsen stated that while
United States

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-8- #932, March 9, midnight, from Stockholm.

United States public opinion is appalled at the massacre and persecution of Jews in Europe, there are also other groups to whom death is equally painful and objectionable particularly prisoners of war and civilian internees. Inquiry was made as to what steps Germans could take to provide these groups with protection certainly not less than that afforded German civilian noncombatants. Heas replied that while he had no authorized commitments on this point, he could personally guarantee that

(A) Prisoner of war exchange could be arranged immediately on largest scale possible consistent with whatever basis Allies themselves wish to propose.

(B) Remains to be removed to safety of some "demilitarized safety zone" provided for German civilians, under supervision of International Red Cross.

A secondary frequently injected phase of the conversation involved Heas's bitter comments regarding the Russians, which Olsen frequently interrupted with comment that they were not at all related to "this humanitarian discussion". However, Heas's comments may be interesting.

He stated British and Americans have very little time left to realize their fatal mistake in setting Russia up as ruler of Europe. He added that United States talk of world

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-9- #932, March 9, midnight, from Stockholm.

of world peace and international security organization was nonsense since Russia would not only destroy all hopes of peace and order in Europe for years to come perhaps centuries but would be a menace to world peace unparalleled in history. He referred to Germany's colossal mistake in underestimating Russian military potential and fact that even today Russians have within Europe greater military strength than rest of Allies have under arms. He stated it should be obvious that in event of future serious disturbance in Europe, which he forecast as inevitable and constant, no security organization whatever its size could cope with Russia. He then introduced the familiar argument that British and Americans were sealing their own future by destroying Germany and its civilian population.

Olsen suggested that if responsible circles in Germany shared Heas's views as to hopeless situation within Germany and Europe's dark future, it was rather remarkable that conclusion had not been reached that unconditional surrender was Germany's most hopeful immediate prospect. Heas replied there was not a single responsible official who entertained even the faintest thought of surrender and it was quite improbable that even further intensification of war strain would produce any change

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-10- #932, March 9, midnight, from Stockholm.

any change in present determination to continue war to the end. He added that civilian population had identical attitude, largely because Allied propaganda of unconditional surrender and peace terms had been enormous psychological misfire. He mentioned specifically the discussion of partition of Germany, destroying its technical skill, depriving it of self-government, sending ten million Germans to rebuild Russia (which he added the Russians destroyed themselves and boasted of it at the time) and punishing war criminals. The latter, he said, has been most seriously considered by civilian population and has been construed (supported by propaganda) to include any and all the thirty-five million Nazi party members. He stated most Germans felt like himself and that to support his Government in time of war, whether it was right or wrong, certainly was no war crime. Furthermore, he added the Germans had already found precedent in reports from Bulgaria, Rumania and Hungary as to what "punishment of war criminals" means when Russians have upper hand. It has been used by them, he said, simply as device to completely exterminate the middle and upper classes. He added that at least Allies supplied touch of comedy to these discussions and referred to proposals of dismantling

German

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-11- #932, March 9, midnight, from Stockholm.

German industry and delivering plant equipment as reparations. He said even a German child knew there no longer was any German industry. He added that except for a panic-stricken, homeless and hungry civilian population, entire Germany was a highly mobile war machine functioning largely on its reserves and that only thing left in Germany after the war would be a defeated and destroyed war machine. Hesse concluded by stating that to be perfectly frank, he considered the situation more or less hopeless, that there were no surrender terms which Germans could accept with any assurance and no possibility of Allies agreeing to negotiated peace. That is why, he added, he has come to Stockholm fully authorized to make strongest plea for some agreement to enable balance of war to be fought without further wholesale slaughter of innocent and defenseless noncombatants. He closed by stating that while he realized difficulties of getting prompt agreement among Allies of any such broad program, he hoped something could be worked out which could hardly fail to save perhaps millions of lives. He stated the Jews were not specifically advanced for bargaining purposes and were not pawns of whatever developed from the discussions. He added his assurance

based

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-12- #932, March 9, midnight, from Stockholm.

based on personal knowledge of current German policy that Germans had definitely abandoned any idea of mistreating Jews further and that they would be no worse nor better off than any other civilian group in Germany at present. He said he had no reason to believe there would be any change in such policy. I would appreciate urgent instructions in matter and whether it is desired Olsen pursue his conversation with Hesse. Department may wish to consider as safeguard against possibility of this discussion having been initiated for purposes of compromising us with Russians, bringing it to Russians' attention immediately. Olsen has impression he is somewhat under a cloud in certain Russian circles (Communist) locally because of past underground rescue operations in Baltic.

JOHNSON

LMS

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Mar. 12, 1945

TO : Secretary Morgenthau
FROM : Mr. Hesse
Subject: The Business Situation,
Week ending March 10, 1945

Summary

Stock market: Stock prices in the latter part of last week suffered the sharpest decline since 1943, and despite a moderate rally on Saturday the Dow-Jones average of 65 stocks closed 2 percent lower than in the previous week. A revival of reconversion fears in view of rapid war developments in Europe, together with uncertainties engendered by talk of higher margin requirements and heavier capital gains taxes, were important factors in the decline. Industrial stock prices in London last week were firm.

National income: Payments declined less than seasonally in January, and the annual rate of payments rose to a new high of \$162.1 billions from \$160.5 billions in the previous month. Disbursements for military pay showed a further rise, while both cash farm income and factory payrolls decreased less than seasonally.

Coal situation: Reflecting heavy industrial demands and severe weather conditions, soft coal consumption in January rose above 59 million tons to the highest level on record. In the face of heavy demands, soft coal production thus far in 1945 has run consistently below year-earlier levels, with cumulative output through the week ended March 3 falling 7 percent below the corresponding period of 1944.

Commodity prices: Futures prices broke sharply last Thursday on news of the crossing of the Rhine, but a rally at the end of the week recovered about one-third of the losses. Despite the weakness in futures prices, spot markets showed practically no change. Cash wheat prices have been strong at selling levels in recent weeks due to a tight supply situation caused by shortages of box cars.

Apple purchase program: An apple purchase program has been announced by the WPA as an outlet for the large supplies of less desirable apples in the record storage holdings in eastern states. The apples purchased will be distributed to school lunch programs, charitable institutions and other approved groups.

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Stock prices decline sharply

After moving up to new highs for the year earlier in the week, industrial stock prices on Thursday suffered the severest decline since November 1943. The crossing of the Rhine by U. S. troops revived fears over reconversion problems, while threats of higher margin requirements and heavier capital gains taxes created additional market uncertainty. Commodity futures and second-grade bond prices also joined in the decline. Further sharp losses occurred in securities prices on Friday, while the commodity markets steadied.

Stock prices rallied moderately on Saturday but at the close the industrial and railroad stock averages were about 2 percent and 3 percent, respectively, below week-earlier levels. (See Chart 1.) The Dow-Jones average of 65 stocks showed a net decline of 2 percent during the week. In sharp contrast to the unsettlement in New York, industrial stock prices in London at the close of the week were fractionally higher than a week earlier.

WPS organized to handle outbacks in war contracts

As the Allied armies move further into Germany, concern undoubtedly will increase over outbacks in war contracts and economic dislocations expected to follow the end of the war in Europe. In this connection the WPS has outlined a program, effective immediately, for handling outbacks in war contracts. A Production Readjustment Committee, made up of representatives of the military services, WPS, WMC and other war agencies, has been set up to handle all major cases of outbacks, and it is intended that all members of this committee be provided with copies of outbacks contemplated by the military services.

The military procurement agencies are expected under the terms of this program to give war plants at least 7 days notice before the cut off date in all contracts involving more than \$100,000 per month. Moreover, every effort is to be made to direct new war orders into plants where facilities and labor have been released by outbacks. Management, labor and the WMC are to be consulted where large layoffs are involved. As part of the program, a new reporting service of idle manufacturing facilities has been set up and an "open capacity list" of plant facilities will be issued on a bi-monthly basis.

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The probable extent of cuts in war production at the end of the war in Europe has been the subject of considerable conjecture in recent months, but, on the basis of a statement from the WPS early last week, any definite figures on outbacks at V-E day which have thus far appeared would appear to be premature. Hiland G. Batcheller, Chief of Operations of the WPS, commented on probable outbacks in part as follows: "I have not yet seen the Army's military requirements for the period after the German war ends, and I doubt that Mr. Krug has seen them in their final form. Until those requirements are laid out on a table and screened, I don't see how anybody can guess at the extent of possible war production outbacks."

Annual rate of income payments shows further gain

Due largely to the usual December to January drop in interest and dividend disbursements, total income payments declined in January. However, the decrease in total payments was less than seasonal and the annual rate of payments rose to a new high of \$162.1 billions from \$160.5 billions in the previous month. (See Chart 2.) Disbursements for military pay during January showed a further rise, while factory payrolls and cash farm income declined less than seasonally.

Total income payments in January were 6 percent above year-earlier levels, with all major income components showing gains except payments for salaries and wages in commodity producing industries (chiefly manufacturing). (Refer to Chart 2.) Payments for Government salaries and wages (including military pay) were 14 percent higher than in January 1944, and accounted for 19 percent of total income payments during the month.

Standards for fringe pay increases established

In view of the avowed intention of the WLB to maintain the "Little Steel" wage formula for basic wage rates, concessions to workers in recent wage disputes to an increasing extent have been in the nature of fringe awards. Since former Stabilization Director Vinson had shown a tendency to be less lenient than the WLB in granting these awards, some observers have interpreted the appointment of Director W. H. Davis as foreshadowing a more liberal wage policy. While it remains to be seen whether this interpretation is correct, it should be noted that before retiring as Stabilization Director last week, Mr. Vinson issued an order establishing certain standards for fringe pay adjustments.

- 4 -

The adjustments covered by the order relate to vacation provisions, shift differentials, merit increases and job reclassifications. While the order failed to grant the WLB as much latitude in making fringe awards as the Board desired, at the same time it represented a relaxation of Mr. Vinson's previous stand against fringe pay awards.

Coal output below year-earlier levels

Meanwhile, wage negotiations continue between the United Mine Workers Union and the coal operators, with consumers showing concern over the possibility of a work stoppage at the mines. Due to severe weather conditions and heavy industrial demands, soft coal consumption in January rose above 59 million tons. This was an increase of 4 million tons above the previous month and the highest monthly consumption on record. Soft coal stocks at the beginning of March totaled 49.7 million tons as compared to 57.2 million tons a month earlier.

In the face of heavy demands, and declining stocks, soft coal production thus far in 1945 has fallen consistently below year-earlier levels, with cumulative output through the week ended March 3 showing a decline of 7 percent from the corresponding period in 1944. (See Chart 3.)

War news depresses commodity futures

The crossing of the Rhine by American forces last week touched off heavy selling in commodity futures, but spot markets continued generally firm. The Dow-Jones futures index last Thursday dropped 1 percent, the sharpest single day's decline in more than three years, but a rally at the end of the week cancelled some of the loss. The index at the close of the week showed a net loss of 0.7 percent. (See Chart 4.)

In addition to favorable war news, another factor tending to depress futures prices was a statement by the president of the American Farm Bureau Federation that that organization had decided against seeking legislation to revise the parity formula "because of the danger of opening the door to inflationary demands by other groups." Moreover, Food Administrator Jones' testimony before a Senate committee last week, in which he indicated a preference for supporting agricultural prices with government loans rather than outright buying and selling

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- 5 -

of commodities by the Government, had a weakening influence on distant cotton futures. (The current cotton purchase program is due to expire June 30 of this year.)

With a tight supply position holding most commodity prices at ceiling levels, spot markets showed little change last week despite the weakness of the futures markets. The ELS index of 28 basic commodities receded a trifle from the peak reached in the previous week. (See Chart 5.) Prices quoted for wheat, corn, and cotton showed slight declines.

The ELS general index of wholesale prices in the week ended March 3 recovered the small decline of the preceding week, rising 0.2 percent to equal its wartime peak. A sharp upturn in the markets for fresh fruits and vegetables, together with higher prices for livestock, was largely responsible for the rise. At 105.0 percent of the 1926 average, the index is 1.5 percent higher than a year ago and is 40 percent above the pre-war August 1939 average.

Wheat prices held at ceiling levels by tight supply situation

Cash wheat prices have been at or close to ceiling levels for the last four weeks due to a tight supply situation resulting from box car shortages to move the grain. Cash prices in the Chicago and Kansas City markets have been largely nominal. Buyers have turned to the nearby May futures, which have been bid up almost 9 cents per bushel (5.2 percent) in the last four weeks.

Mills are reported to be having difficulty in obtaining wheat, and in some instances have had to shut down for short periods due to the lack of supplies. Complicating the transportation problem, the Army was reported last week to have begun a program to ship between 120 million and 140 million bushels for overseas uses in the next five or six months. In this connection the CCC notified its regional offices on February 23 to take over farm-stored loan wheat and warehouse stocks to put wheat in export position on the Atlantic Coast, Pacific Coast and at Gulf ports.

Tightening lard supply a potential threat to bread price structure

The possible effect of the tightening supplies of lard and other fats on the baking industry and the bread

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- 6 -

price structure has been causing some concern in recent weeks. While production costs of bakeries have continued to rise during the past three years, no general increase in bread prices has occurred since the second half of 1941. The increased costs of production have been offset to some extent by lower distribution costs resulting from increased volume and from the elimination of certain selling practices. Moreover, price increases have been permitted for cakes, and profits derived from this business have helped to maintain bakery earnings.

If lard supplies should be reduced substantially, the bakers' volume of business would very likely be curtailed, particularly in the more profitable cake lines. If profits should fall below those of the base years 1936-39, the OPA would be required to take action to rectify the situation. This might take the form either of price increases or a subsidy. The OPA is reported to be investigating the problem, but nothing is likely to be done until the effects of the smaller lard supplies on bakers' volume and profit margins become more apparent.

RFC food subsidies for fiscal 1946
approved by Senate Committee

The continuation of the meat, butter and flour subsidies, as well as rubber and metal subsidies by the RFC, in fiscal year 1946 was authorized in a bill approved by the Senate Banking and Currency Committee last week. (The Price Stabilization Extension Act of 1944 renamed food subsidies of the consumer type after June 30, 1945 unless specifically authorized by Congress.) Subsidy authorizations contained in the bill amount to \$1,430 millions, including the following: meat, \$560 millions; butter, \$100 millions; flour \$190 millions; petroleum and products, \$290 millions; copper, lead and zinc, \$88 millions; rubber, \$60 millions; and materials or commodities other than rubber produced outside of the United States, \$80 millions.

Uncertainty concerning the continuation of the flour subsidy has tended to disrupt flour sales in recent weeks. Mills have been refusing to accept orders which they cannot grind out before the current subsidy expires June 30. Unless this uncertainty is resolved, flour production may be affected. Failure to extend the flour subsidy would probably necessitate an upward revision in ceiling prices for both flour and bread.

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Apple purchase program announced by the WFA

An apple purchase program was announced by the WFA early this month as a means of supporting prices and of facilitating the disposal of smaller and less desirable apples from the record stocks in eastern states. The apples purchased will be distributed to school lunch programs, charitable institutions and other approved groups. Purchases will be made by WFA state field offices in all the eastern states from Virginia northward, and in other states if conditions warrant. Practically all varieties of winter apples normally in storage at this time of year will be included in the program.

The WFA will purchase U. S. No. 1 apples, 2 to 2 1/2 inches in diameter, at \$1.50 per bushel, and combination U. S. No. 1 and U. S. Utility (or better), 2 1/2 inches minimum diameter, at \$1.75 per bushel, both prices on an f.o.b. cars or trucks basis. The apples must be generally firm ripe and packed fairly tightly in new or secondhand containers. A small allowance will be made for slight scald and decay provided that no single package contains more than 4 percent.

While the apple crop last year was only slightly larger than average, the number of apples placed in storage was exceptionally large. Cold storage holdings in the New England, Middle and South Atlantic states on February 1 totaled 12,101,000 bushels, the largest on record for that date and more than double that of a year ago. The 1934-43 average for that date was only 4,810,000 bushels. An unusually large part of the stocks this year is of the smaller sizes, the result of last summer's drought.

The response to the program thus far appears to have been quite heavy. Department of Agriculture officials said last week that more apples will probably be offered for sale than the program can absorb. While the program can probably handle no more than about 1,000 cars, they indicated, it is expected to remove from the market most of the smaller and less marketable apples.

Railroads hampered by severe operating conditions and manpower shortage

As an aftermath of the winter traffic tie-ups, the railroads last week imposed a 5-day embargo on LCL freight

- 8 -

shipments destined to points in the East, South and Middle West. All traffic moving on Government bills of lading, as well as drugs and medicines, were exempted from the embargo, which was imposed to enable carriers to work off an accumulation of LCL freight. While it was estimated early last week that the railroads were about 5 days behind on LCL shipments in most yards, officials of the American Association of Railroads asserted that the large backlog of freight shipments which resulted from the heavy winter storms was being steadily diminished.

In addition to the swollen freight traffic volume, the railroads in 1944 had by far the largest passenger traffic volume in history. In this connection, an official of the CDT forecast last week that railroad passenger traffic will grow heavier rather than lighter for several months after the end of the war in Europe. Among other features of the wartime railroad traffic boom, it may be noted that the taxes imposed on transportation of property and persons have provided very substantial revenues to the Government. In the calendar year 1944 the tax on transportation of property yielded \$221 millions, while the tax on transportation of persons yielded \$202 millions. This latter figure would have been \$223 millions had the current tax rate been in effect throughout the entire year.

According to figures released last week, total operating revenues of Class I railroads in January ran 1 percent above year-earlier levels, but adverse operating conditions and increased costs pushed operating expenses 5 percent above those of the corresponding month in 1944. As a result, net railway operating income (earnings after taxes but before charges) dropped 14 percent below the income in January 1944. (See Chart 6.) Net income after fixed charges is estimated to show a 12 percent decline.

Chart 3



2000-01

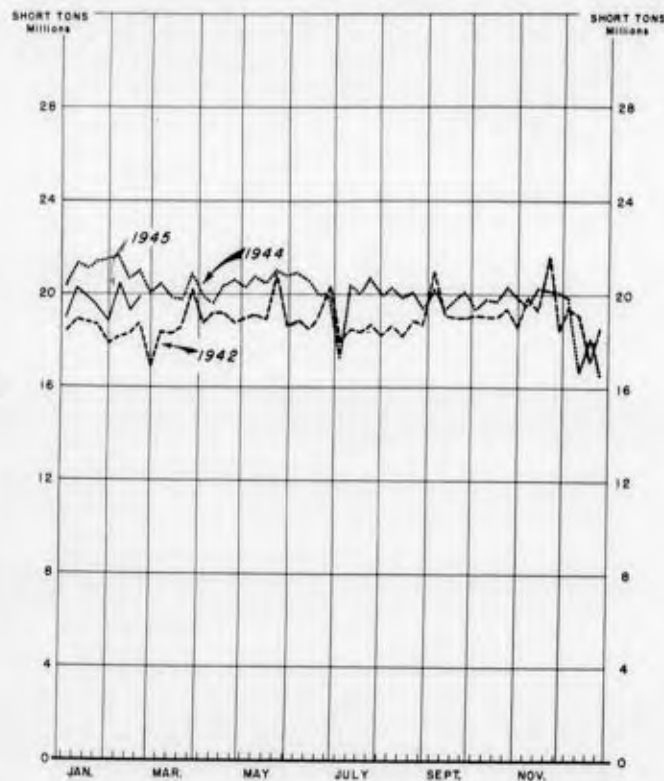


Source: Department of Commerce.

五、一、二、三、四、五

Chart 3 125

BITUMINOUS COAL PRODUCTION



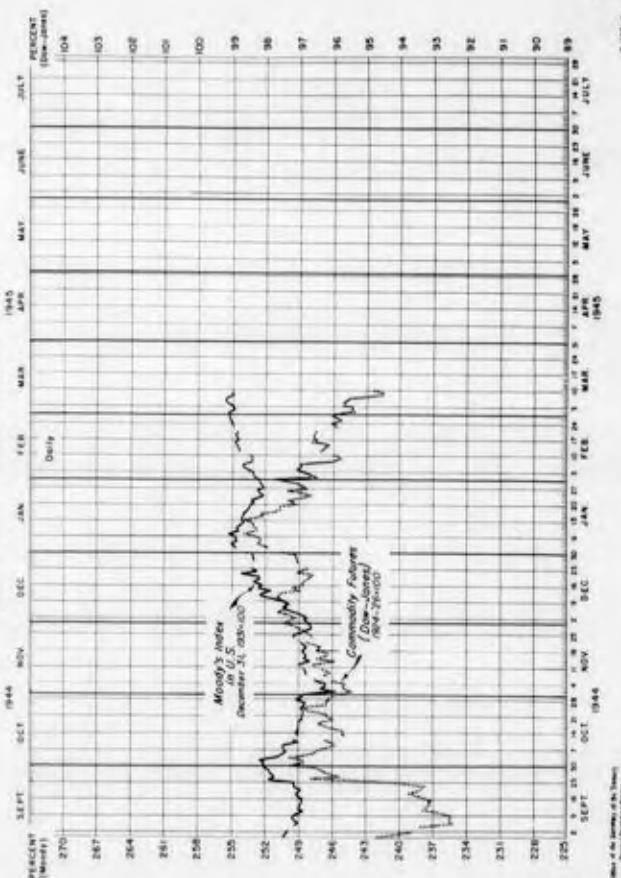
Source: Bureau of Mines

Office of the Secretary of the Treasury
Division of Economic Analysis

C-464-B

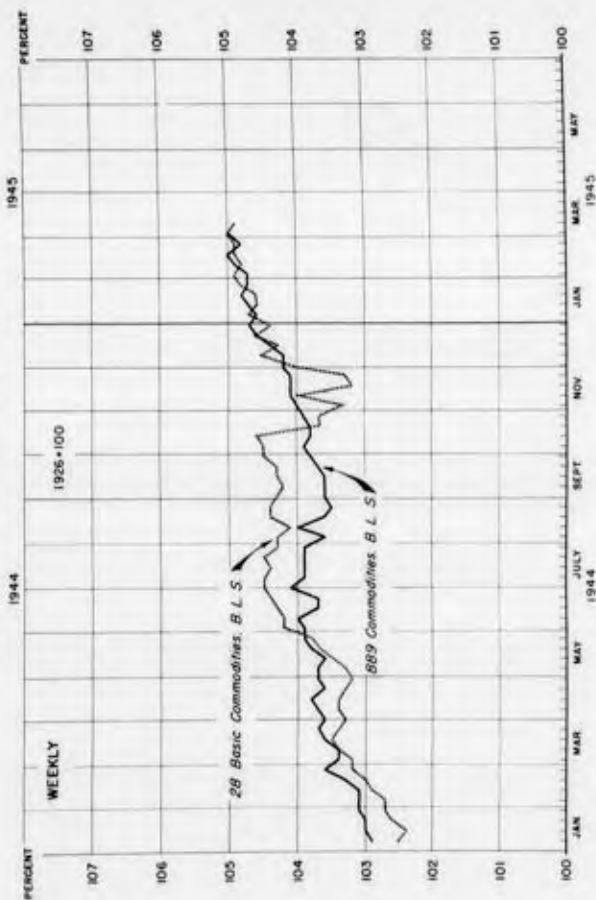
Chart 4 126

COMMODITY PRICE INDEXES IN U.S.



Office of the Secretary of the Treasury
Division of Economic Analysis

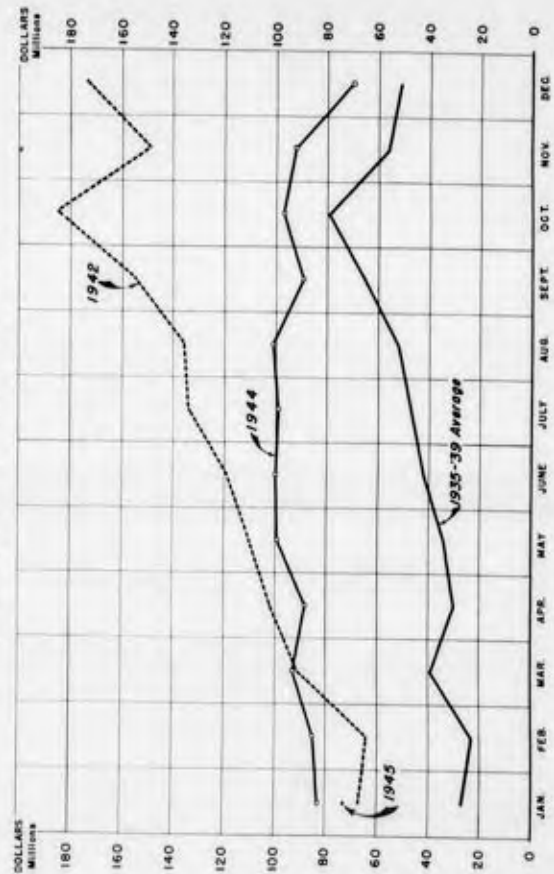
WHOLESALE COMMODITY PRICES



Price of the Standard, 1936=100

RAILROAD EARNINGS

Net Railway Operating Income, Class I Railroads



Office of the Secretary of the Treasury

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



TREASURY DEPARTMENT

WASHINGTON 25

March 12, 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 February 24, 1945:

Surplus Property:

A spot sale of construction equipment at Kearney, Nebraska, resulted in the disposal of 1,189 units for a total of \$486,000. The sale was attended by approximately 1,500 persons, representing 327 regular dealers in construction equipment. Additional spot sales of construction equipment have been scheduled for February, March and the first part of April.

The Army has advised us of its intention to withdraw five million of the small Carlisle bandages, which were the subject of considerable publicity when offered for sale as surplus.

An analysis of the bids for the surplus Carlisle dressings discloses that one high bidder will, if an award is made to it, be purchasing more than a million dollars' worth in terms of the Government's original acquisition cost. Consequently it will be necessary to submit the transaction to the Attorney General for his approval under Section 20 of the Surplus Property Act. An appropriate report is being prepared.

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Medical and surgical supplies totaling 116,000 separate items, surplus from World War I, are being offered for sale.

UNRRA is considering acquiring 300 ambulance bodies from surplus stocks.

The Monarch Coin Machine Company of Chicago has purchased 606 electric training machine guns at \$124.50 each. These guns will be converted presumably to use in amusement centers.

A sales program is being developed with respect to 8,276 portable electric lighting chests which are designed to hold insulators, pole brackets and similar equipment.

In view of the inadvisability of mixing consumers and dealers at the same sale, we requested the Rural Electrification Administration to advise its cooperatives not to send representatives to spot sales of construction machinery. Arrangements have been made, however, with the Rural Electrification Administration to supply its cooperatives with certain of their needs by negotiation.

We have asked Mr. Irey to institute an investigation of Panco Corporation, Los Angeles, California, whose representatives are alleged to be asserting that their company is the Treasury's agent for the disposal of surplus property. Allegations of such assertions have come from all parts of the country.

The Army has declared as surplus automotive equipment which it had lent to the Civil Air Patrol in Nevada. The Army Air Forces are not in a position to replace such equipment and Army Ordnance is apparently not willing to do so. At the request of Senator McCarran of Nevada, which request has some support of the Air Corps, we are considering whether we can make the necessary equipment available to the Civil Air Patrol on a loan or similar basis.

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- 3 -

We are collaborating with the Surplus Property Board in the formulation of the Board's regulation with respect to priorities to Federal, state and local agencies, and the designation of disposal agencies for particular areas and types of property.

A sales program is being developed for surplus text books.

A study is being made to determine what agency or agencies should bear the responsibility of determining policies with respect to the sale of surplus property to exporters or for export. In this connection it might be noted that the Norwegian Embassy has indicated an interest in purchasing certain types of property listed in the Surplus Reporter, and which is not transferred to Lend-Lease.

We assisted representatives of "Business Week" in the preparation of an article on surplus property disposal.

A study is being made to determine whether existing statutes are adequate to protect the surplus property disposal program against false advertising, as surplus property which is not surplus, and of false representations that particular concerns are acting as agents for government instrumentalities in the disposal of surplus.

Procurement:

Total purchases for the week amounted to \$20,061,510.47, including \$23,000,000 for Lend-Lease (schedule attached) and \$261,510.47 for regular purchases.

Carloadings of Lend-Lease material for the week totaled 3,174 cars.

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Unusual requisitions for the week included 180 locomotives, valued at \$10,300,000 for civilian relief in liberated areas by USSR; 10,414,500 razor blades, valued at \$25,000 for Australia; 250,000 fish hooks to be used on Moroccan commercial fishing boats; 44 tons of lithium hydroxide for France; and 250 long tons of metallic sodium for Russia, to be used in the manufacture of metals, hydrogen, and sodium cyanide.

Unusual purchases for the week included 352 medical text books for use by U. S. personnel in Chungking medical training centers, and 4,400,000 cigarettes for Polish prisoners of war to be distributed by the Red Cross. The latter were originally intended for a Swiss company but were held up in Lissabon by the Germans in 1943. Subsequently returned to the United States, these cigarettes were held in bond by the Foreign Economic Administration. The exporter failed to take action within a given time and the shipment was abandoned to Customs. The Foreign Economic Administration granted an extension of one year to the exporter, providing the cigarettes were sold to Treasury Procurement.

The Price Adjustment Board disposed of four 1943 cases and one 1944 case. Excessive profits amounting to \$1,200,000 were recovered.

After consultation with Foreign Economic Administration representatives, we are preparing to submit a proposal to the owners of patents necessary to the Russian refinery project to secure better terms for the current plan than were secured for earlier ones.

We are continuing the study of the proposed allocation by the Potomac Electric Power Company of the reduction in rates required by the Public Utilities Commission.

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At our request, Mr. Irey has instituted an investigation of Clothing Reclamation Services, Inc., which is under contract with us for the rehabilitation of used clothing.

The Department of Justice believes that the mandatory orders for shipping for the British Middle East requirements should be handled under the Second War Powers Act, and War Production Board has stated its willingness to proceed promptly with the issuance of any necessary directives if we wish to do so. Accordingly, a letter was transmitted to the Attorney General seeking his assurance that the Department of Justice will proceed promptly with any necessary enforcement action if orders are placed under the Second War Powers Act.

Administration:

Strenuous efforts are being made to secure adequate space in Philadelphia for the new headquarters of Region 3.



FEB 26 1945

LEND-LEASE
TREASURY DEPARTMENT, PROCUREMENT DIVISION
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
AS OF FEBRUARY 24, 1945
(In Millions of Dollars)

	Total	U. K.	Russia	China	Administrative Expenses	Miscellaneous & Undistributed
Allocations	\$5957.2 (5957.0)	\$2828.0 (2828.0)	\$2457.4 (2457.4)	\$ 172.8 (172.8)	\$17.4 (17.4)	\$681.6 (681.4)
Requisitions in Purchase	\$ 127.3 (126.9)	\$ 21.8 (22.4)	\$ 21.5 (21.8)	\$.2 (.3)	-	\$ 88.8 (112.1)
Requisitions not Cleared by W.P.B.	\$ 116.1 (116.9)	\$ 22.7 (25.5)	\$ 39.1 (37.8)	\$.7 (.7)	-	\$ 55.6 (52.9)
Obligations (Purchases)	\$4700.5 (4671.7)	\$2067.4 (2083.8)	\$2062.8 (2044.3)	\$ 104.8 (104.3)	\$16.8 (16.7)	\$428.1 (422.6)
Deliveries to Foreign Governments at U. S. Ports*	\$2291.1 (2288.6)	\$1618.3 (1608.9)	\$1291.4 (1274.7)	\$ 26.4 (26.4)	-	\$ 60.0 (58.6)

*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 February 17, 1945.

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No. 21,635
BY AIR POUCH

London, March 12, 1945

Economic Warfare (Black List) Series: No. 696

Subject: Ministry of Economic Warfare's letter
to Dutch Government concerning proposal
to ransom Dutch Jews.

Confidential - For VT

The Honorable
The Secretary of State
Washington, D. C.

Sir:

I have the honor to refer to this Embassy's
telegram 1403 of February 8, 1945 concerning a pro-
posal to ransom 1600 Jews of Dutch origin in Germany
and the Department's telegram 1593 of March 7, and
to transmit herewith for the information of the
Department a copy of the Ministry's letter of March
8, to the Dutch Government on this proposal.

Respectfully yours,
For the Ambassador:

Donald S. Calder
Third Secretary of Embassy
Economic Warfare Division

Enclosure:

1. Copy, letter as noted above.

(Forwarded in original and hectograph)

Suggested Distribution:
War Refugee Board.

711.3
ANA:KCT

136

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

March 12, 1945

6 p.m.

AMINATION

RECEIVED
1028

The following for McClelland is WBR 446.

Re your 1354, March 2. UNRWA here informs us that
correspondents in this country are addressing their mail
to the category F (repeat F) group exchanges at Philippe-
ville as follows:

c/o Jean d'Arc Refugee Camp
Philippeville
Algeria

List of those exchanges who actually arrived at Philippe-
ville will reach you via airgram.

SYTTINIUS
(OLW)

12"

MS-417

PLAIN

Lisbon

Dated March 12, 1945

Rec'd 7:30 a.m., 13th

Secretary of State

Washington

536, Twelfth

WHS 354 FOR REAS 423 LAFAYETTE STREET NEW YORK
FROM DAVID SCHWITZMAN HICEM

Complying with numerous demands relatives America and England on our request office Bucharest will now transmit full addressee inquirers Roumania instead of general address care of Zingher. Only reason preventing before office Bucharest doing so was economy.

Inform Eugene Gerstmann, 205 West 88 Street, New York Maurice Thal ~~informal in help and telegraphic permission~~ ~~ask financial help and telegraphic permission~~ using one room his flat. Ours January 26 Rose Hirschmann your February 19 Frederick Passy identical case inasmuch Hirschmanns address Frederic Passy Street Plaza New York Nice ask Moses Axelrood 9 Vesta Road, Dorchester 24 Massachusetts send parcel food and financial help Marine Axelrood six cite Condorcet Paris. Inform Princess Kira Kotehoubey PMS Centralia Illinois father Vladimir Bulacheff healthy nine Avenue Aime Martin nine request financial help and secure USA visa.

CROCKER

WPS

par.2 lines 2 and 3

York Maurice Thal 10 Quentin Bauchard Street Paris healthy. Asks financial help and telegraphic permission

Miss Chauncey (for the Sec'y), Akkin, Cohn, DuBois, Gaston, Hodel, Hutchison, McCormack, O'Dwyer, Piles

137

138

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

March 12, 1945

11 p.m.

War Refugee Board

AMEMBASSY

LONDON
1905

The following for Mann is WHS 56.

Reference is made to Polish War Relief project. Labor groups here have requested information concerning status of the \$150,000 remitted to London in two installments of \$75,000 each. Please advise urgently whether any part of this amount has been released to Polish trustees in London and obtain from the trustees as soon as possible their proposals for the use of those funds still available to the trustees in London for this project.

For your information, replies to the foregoing inquiries are needed immediately in connection with efforts of the labor groups to obtain an additional allocation from the National War Fund for their very successful Norwegian project which now faces termination because of lack of funds.

STETTINUS
(OLW)

PARAPHRASE OF TELETYPE SENT

FROM: Secretary of State, Washington
TO: American Political Adviser, Caserta
DATED: March 12, 1945
NUMBER: 210

SUBJECT

In reference to your 719, February 27 and 751 of February 28, the War Refugee Board is not represented by Jackson. The Department has not approved his entry into Hungary.

The validity of Jackson's passport includes Portugal, Spain, and Turkey and does not include other continental European countries.

STANTINIUS

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

Reference is made to Polish War Relief project. Labor groups here have requested information concerning status of the \$150,000 remitted to London in two installments of \$75,000 each. Please advise urgently whether any part of this amount has been released to Polish trustees in London and obtain from the trustees as soon as possible their proposals for the use of those funds still available to the trustees in London for this project.

For your information, replies to the foregoing inquiries are needed immediately in connection with efforts of the labor groups to obtain an additional allocation from the National War Fund for their very successful Norwegian project which now faces termination because of lack of funds.

THIS IS 228 LONDON CABLE NO. 56

11:00 a.m.
March 12, 1945

PHhd 3/10/45

141

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

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

QUOTE WE RECEIVED FOLLOWING CABLE FROM MOSCOW INTERQUOTE: TWO HUNDRED FIFTY THOUSAND POLISH JEWISH EVACUEES NOW LIVING IN SOVIET UNION. PLEASE ISSUE OFFICIAL ORDER TO DETAIN IN USSR FOR OUR COMMITTEE APPROPRIATE PART OF SHIPMENT SENT FOR POLISH JEWS. ORGANIZATIONAL COMMITTEE OF POLISH JEWS IN USSR MOSCOW FUCHSHEIMAYA 5 120 FINKELSTEIN HANZI TRAJSTMAN MOSES BROTHMAN BAR MARK IDA KAHNUSA DOCTOR DAVID SPARD DOCTOR JACOB ZIMMERMAN HANZI ELCHONON SCHOCKER JUSZKIEWICZ GENERAL SECRETARY UNION POLISH PATRIOTS FIND INTERQUOTE OUR POSITION DETERMINATION OF AMOUNT SUPPLIES TO BE LEFT FOR DISTRIBUTION SOVIET UNION SHOULD BE DETERMINED BY EMIL SOMMERSTEIN AND ABOVE COMMITTEE. WILL YOU ADVISE SOMMERSTEIN AND MOSCOW COMMITTEE ACCORDINGLY AND REQUEST THAT WE BE KEPT ADVISED REGARDING PROGRAM AND DISTRIBUTION. ASSURE YOU WILL ADVISE PASSMAN. UNQUOTE

2:45 p. m.
March 12, 1945

RHM: 3/12/45

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

Please deliver the following message to Arthur Greenleigh from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE WE HAVE NO RECORD ANY AMOUNT OWING HEREIN BARFIELD. NO INFORMATION POLISH CLAIMS RECEIVED AFTER FEBRUARY 1940. UNQUOTE

2:45 p. m.
March 12, 1945

RHM: 3/12/45

NS-816

PIATH

Liston

Dated March 12, 1945

Rec'd 7:28 a.m., 13th

Secretary of State

Washington

535, Twelfth

THIS 353 JDC FOR LEAVITT FROM HAROLD THOMAS

Wish advise Galy Mayer paid account George Deberall

350,000 Swiss francs account SS TORIN passages making

total paid from special fund 1,518,500 Swiss francs.

CROCKEN

WFS

NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

OPTEL No. 81

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

NAVAL

1. MEDITERRANEAN. 9th/10th (night). Coastal forces sank escorted ship of 2,500 tons west of Istris.
2. ANTI-SUBMARINE OPERATIONS. 11th. U.S. Liberator sank U-boat west of Scillies from which survivors picked up. Promising attack made by 10th Escort Group off Beachy Head. Midget submarine sunk off North Foreland by one of H.M. Frigates who took two prisoners.

MILITARY

3. WESTERN FRONT.
South Central Sector: Clearing of area north of River Moselle and west of River Rhine continues while further north Remagen bridgehead now expanded to breadth 9 miles and depth 3 miles.
Northern Sector: Resistance in Westwall bridgehead ceased on 10th when U.S. and British troops made contact opposite Wesel on west bank of Rhine. Allied troops now hold west bank of Rhine from its junction with Moselle to opposite Tiel (20 miles west Nijmegen), with exception of some 3 miles Andernach.

4. EASTERN FRONT.
Central Sector: On northern flank advances made on east bank of Vistula to within 19 miles S.E. Danzig, while to west progress also made and troops within 11 miles of city. Further west Germans claim to have prevented expansion of Russian bridgehead over River Oder, South Kustrin with exception of slight penetrations.
Southern Sector: In Hungary Germans claim further penetrations both sides Lake Balaton while Russians claim hard fighting this area, particularly at N.E. end of lake where large tank and infantry forces engaged. Further south Germans claim to have held against strong counter attacks bridgehead which they had previously gained over Lower Drava.

5. BURMA.
Central Sector: Myiotha captured by troops from Myinmu bridgehead, while further north leading elements in Mandalay have reached Fort Dufferin.
Northern Sector: Our troops have captured Mong Mit.

AIR

6. WESTERN FRONT. 1053 Bomber Command aircraft (3 missing) attacked Essen (4738 tons) through cloud 11th. U.S. heavy bombers 1220 (1 missing) attacked oil refineries Hamburg (1107 tons) and U-boat building yards (1692 tons) at Bremen and Kiel. No enemy fighter seen.

SHAFF (Air). 840 medium bombers (2 missing) dropped 1300 tons communication targets and airfields mainly central Sector, with unobserved results, while fighters and fighter bombers flew 1140 sorties for less 6 aircraft over whole battle front in poor visibility. Coastal Command Mosquitoes attacked navigational aids Norderoog coast.

11th/12th (night). 123 Bomber Command aircraft despatched including 90 Mosquitoes Berlin.

7. MEDITERRANEAN. 9th/10th (night) and during following day heavy bombers attacked railway bridge 4 miles N.W. Verona (642 tons) where several probable hits reported, while 978 tactical aircraft attacked enemy communications and other targets.

8. BURMA. 9th. Liberators dropped 243 tons on bridges and dumps Southern Burma while 300 other aircraft attacked targets central area.

HOME SECURITY

9. ROCKETS. 11th. Two further incidents reported. 11th/12th (night). 11 incidents reported.

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March 13, 1945
12:13 p.m.

HMJr: Hello.
Bob Hannegan: Hello.
HMJr: Good morning, Bob.
H: Yes, sir, Mr. Secretary.
HMJr: We had a good meeting out in Minneapolis.
H: I read about it.
HMJr: I saw our old friend -- is his name Bremer?
H: Yeah, Otto Bremer.
HMJr: He said it's the first time in seven years he's come out to a meeting.
H: Uh huh.
HMJr: He's a nice old fellow.
H: Oh, he certainly is.
HMJr: Yeah. It's the first time in seven years.
H: He's been a good -- he's been a pretty good Roosevelt man, too.
HMJr: Yeah. They stopped selling tickets at ten o'clock yesterday morning.
H: Uh huh.
HMJr: It was a sell out.
H: Well, that's great.
HMJr: And I think we'll get all the papers there for us.
H: Uh huh.
HMJr: That is, the Ridder's and the Cowles'.
H: Uh huh.
HMJr: The reason I'm calling you is this: oh, ten days ago, going up on the train with the President,

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HMJr: Cont'd.
as a matter of courtesy, I gave him a memorandum about the Fiscal Assistant Secretary, which was created about four years ago for Dan Bell. It's a Civil Service appointment. Now, I could appoint the person just as much as I could appoint an Administrative Assistant. You see?
H: Yes, sir.
HMJr: But as a matter of courtesy, I just didn't want the President or you to pick up the papers and see I'd appointed an Assistant Secretary.
H: Uh huh.
HMJr: Now, the thing is I'm putting Eddie Bartelt in there with the understanding that if and when I ever get out of here, he'll go back to his job, and that job was created by Congress for Dan Bell. See?
H: Yes, sir.
HMJr: Now, the reason -- I haven't got the exact language, but you'll have to take my word for it.
H: Uh huh.
HMJr: I mean, I have just as much as you had over there to appoint one of your assistants when you were with the -- you know.
H: Yes, sir.
HMJr: And it has to be within Civil Service. Well, the President referred it to Jim Barnes.
H: Uh huh.
HMJr: And Barnes just called me up and said he wanted to sit down and talk to me about it. And I said, "Well, what is there to talk about? It's a Civil Service appointment."
H: Uh huh.
HMJr: See? I mean, it's wholly -- it's just the same as appointing Charlie Bell as my Administrative Assistant.
H: Yes.

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HMJr: He doesn't have to be confirmed. It isn't a Presidential appointment.

H: Yes.

HMJr: The law says "... to be appointed by me."

H: Yes, sir.

HMJr: I wanted you to know about it.

H: That's fine.

HMJr: And I -- I -- as I

H: I'll call that Jim Barnes right away.

HMJr: Call up Jim -- I mean, I

H: Oh, he's a little daffy anyway.

HMJr: A little what?

H: (Laughs)

HMJr: Well, he said, "Come on over; I want to talk to you." I said, "Well, Mr. Barnes, what would you like to talk to me about?" I was very polite to him. See?

H: Uh huh.

HMJr: So he said, "All right, I'll just tell the President."

H: Oh.

HMJr: Well, that's no way, you know.

H: No, hell.

HMJr: What?

H: No, I'll call him.

HMJr: That's no way. I mean -- go back and tell teacher right away.

H: That's right.

HMJr: What?

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H: I will call him right away.

HMJr: Will you do that?

H: Yes, sir.

HMJr: Because if it was a political appointment or had to be confirmed or anything else, believe me I'd go to you.

H: Oh, sure.

HMJr: And I only went to the President as a matter of courtesy.

H: Yes, sir. Say, I got a favorable note from the President this morning about going ahead with -- with this Conference of Governors.

HMJr: Oh, fine.

H: A very nice letter.

HMJr: Fine.

H: And suggested that -- you know this fellow from up here in Maryland, I think he was -- I think he was chairman of the Governor's Conferences, and I'll try to get -- he's close by -- I'll try to get him to come down here, and maybe we can talk with him.

HMJr: And you know -- this is just between us -- that the day after I saw Iokes...

H: Uh huh.

HMJr: when -- after I'd come to your meeting.

H: Yes.

HMJr: He practically wouldn't talk to me because I'd come over there. He was so mad at me.

H: He was?

HMJr: Yeah.

H: Well, why?

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HMJr: And if there are any leaks about that meeting, you can be sure where it comes from.

H: Oh, yes.

HMJr: Yeah.

H: Well, I'm going over to see him....

HMJr: Yeah.

H: just as soon as I can, and -- and talk with him because I want to try to -- I think he has an obligation the same as the rest of us.

HMJr: Yeah.

H: And I want to tell him so.

HMJr: Well, as I say it's -- he

H: Well, he had Abe Fortas over there.

HMJr: I know he did, but I just -- I thought he was acting -- I thought he was acting like a child. You see?

H: Well, he got himself all mixed up. I tried to be helpful to him, and I told you about that appointment that he tried to get the President to make in a hurry before he left, on Congressman Jed Johnson.

HMJr: Yes.

H: And he just irritated all those fellows in Congress.

HMJr: The girl has just brought in -- it's an excerpt from a message from the President of the United States, transmitting a reorganization plan No. 111, April 2, 1940, which reads as follows: "To assure continued effective management of this highly important technical phase of the Treasury functions, I am placing the fiscal service under the supervision of a career official. The plan, therefore, provides that the Fiscal Assistant Secretary will be appointed by the Secretary of the Treasury in accordance with the Civil Service laws, and will perform his duties under the general direction of the Secretary."

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H: That's fine.

HMJr: See?

H: Yes, sir.

HMJr: So this is a matter of courtesy to you and the President.

H: Thanks a lot.

HMJr: And if you'll just say something to Barnes....

H: I will do it right this second.

HMJr: And I get along fine with you. You know, I've never met the fellow.

H: Uh huh.

HMJr: Barnes.

H: Yes.

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

H: Uh huh.

HMJr: See?

H: I'm going to call him right when I hang up here.

HMJr: Thank you.

H: Hello. Hello.

HMJr: Yes.

H: I hope that before long we'll get that report through with that fellow Pawley.

HMJr: I know. I haven't forgotten it, and

H: It seems that -- I'm sure getting myself murdered because of that.

HMJr: Well, Bob, I haven't forgotten.

H: No, but you see what they're doing with the guy -- he's paid a lot of money to get lawyers to be sure

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H:
Cont'd. that his tax was all correct, and now he -- he has to go back and get his records out from 1932, and he said it cost him \$10,000 to go ahead and do that.

HMJr: Yeah.

H: And -- well, I talked with -- I had a talk with the President last week about a number of things, and I told him -- I mentioned this one, and he said, well, he would probably get the report from -- from you pretty soon.

HMJr: Yeah, well, we've got it and we're doing the best we can under the circumstances.

H: Okay. Thank you very much.

HMJr: All right.

H: Bye.

March 13, 1945¹⁵²
12:22 p.m.

HMJr: Hello, Ted.

Ted
Gamble: How are you, sir.

HMJr: Everything went off beautifully.

G: Well, that's fine.

HMJr: They turned people away from ten o'clock on yesterday.

G: Yes.

HMJr: And your fellow Arnold couldn't have been more attentive.

G: He's a very sweet fellow.

HMJr: And

G: He's a very considerate fellow, and I think will do you a lot of good out there.

HMJr: There was only one thing that -- that wasn't right and I know it would displease you. It had nothing to do with me.

G: Yes.

HMJr: I want you to get it directly from George Little.

G: Yes.

HMJr: They had a meeting staged there for people -- for 500 or more people

G: Yes.

HMJr: Uh -- payroll deduction.

G: Uh huh.

HMJr: And they had Olrich address them.

G: Yes.

HMJr: Well, he talked to them just as though these people were so many slaves.

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G: Uh huh.

HMJr: And the whole attitude was wrong. Now, in the first place, no women were there, and I happened to bring Mrs. Morgenthau and Mrs. who is a very nice lady.

G: Yes.

HMJr: After all, fifty percent of the payroll people are women. There were no labor people there.

G: Oh - oh.

HMJr: And they just talked like a lot of hard boiled N.A.M.s -- "You fellows have got the business and you've got to make 'em produce, and you've got to make 'em come across, and God damn it, it's up to you to just make these fellows buy the bonds."

G: Uh huh.

HMJr: Well, now, that isn't what we want.

G: Well, that's a curious thing because we've had such a

HMJr: And Herbert Gaston was there, and he was very much shocked, and it seems that there's a fellow there by the name of Pack.

G: Robert Pack.

HMJr: Yes.

G: He's a Northern States Power man.

HMJr: Yeah, and who evidently has very good labor relations.

G: Yes.

HMJr: And Olrich went out of his way to take a couple of dirty cracks at him. See?

G: Yes.

HMJr: Now, I don't know the background, but I think maybe if you'd talk to Herbert rather than Little -- see?

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G: Yes, I will talk to Herbert.

HMJr: But I know it's what you and I don't want.

G: Well, it's what we have not had either, Mr. Secretary.

HMJr: Well

G: Practically every

HMJr: it was just like cracking -- cracking the whip over a lot of slaves in a galley boat.

G: Well, I went to a labor meeting Saturday in Philadelphia, and had just the opposite. I talked to them myself, and we had

HMJr: It -- I'll tell you, Ted, it's something that you and I have personally got to watch all the time.

G: Well, I'm amazed at Olrich.

HMJr: Olrich is terrible.

G: I would have thought that his short stay down here would have -- at least have broadened his views a little.

HMJr: I'm sorry to say his contact with me had no good effect.

G: Had no good effect on him. (Laughs)

HMJr: But the rest of the arrangements -- I mean, this had nothing -- this meeting was arranged irrespective of my coming.

G: Yes, that's right. It had already been scheduled.

HMJr: And I talked a little after him and I was very quiet. I realized it was a tough spot, and all I said to them was this, "Gentlemen, I've been around the country a lot where there are good labor relations with management, and management gets along with labor. You don't have to worry about war bonds."

G: Or production either.

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HMJr: Well, I didn't say that -- which is the same thing as the set-up there -- and I was very quiet, and they liked it. I sat next to the head of General Mills and they liked what I said. I said, "You've got to have this relationship between management and labor, and then you can sell war bonds. If you don't have it, you can't." And I said it very quietly, you see?

G: Well, their only excuse for using Olrich, really, was that they thought he would have more of our point of view. It's a shame.

HMJr: Well, I'm -- I want you to talk to Herbert.

G: Well, I will talk to him.

HMJr: Because when this thing comes up, it has to be handled; but as to my own trip, it was 100% successful, and I can't say enough nice things about George Little.

G: Well, that's fine.

HMJr: Now, one other little thing: if you will dictate a letter for me to write to Vice President Truman

G: Yes.

HMJr: I will send it up to him myself.

G: Fine.

HMJr: If you will send it over this afternoon.

G: Fine. Now, you have seen the memo that I sent over

HMJr: Yes.

G: on the Truman matter?

HMJr: That's why I'm asking

G: I'll follow that up with a letter.

HMJr: If you would.

G: All right, sir.

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HMJr: But everything else out there was swell, including the grandchild.

G: Well, that's good. I was going to ask you that.

HMJr: Well, it couldn't have been a more successful meeting.

G: Well, I'm glad to hear it.

HMJr: And we got both papers -- we got both the Ridder's and the Cowles' are going to be with us.

G: Well, that's awfully good.

HMJr: Yeah.

G: Because that's an influence through that whole country.

HMJr: Well, both the Cowles' and the Ridder's are for us.

G: And these fellows won't vote against them, I don't think.

HMJr: So the meeting in general was most successful.

G: Well, that's good news.

HMJr: Thank you so much.

G: All right, sir. Bye.

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March 13, 1945
1:00 p.m.

HMJr: Lux, this is important. I just called up Jesse Wolcott just to ask how things were going. You see?

Ansel Luxford: Yep.

HMJr: And he said things were going fine, and he said Harry was keeping his temper, and everything was fine, but he said they called a meeting for 1:30 this afternoon of the committee.

L: Yeah.

HMJr: He says it's a mistake. It's irritated the Republicans. They want to get this Lend-Lease thing out of the way, and once it's out of the way, it will be helpful to Bretton Woods.

L: Yeah.

HMJr: And he said he wishes that we could tactfully get word to Spence not to call the committee together at 1:30.

L: Today?

HMJr: Today. Hello?

L: Yeah, I've got it.

HMJr: So that they can finish Lend-Lease on the floor? He said the Republicans won't come. They just -- Harry won't have a -- people there to listen to him.

L: Uh huh.

HMJr: And he said it's just irritating them. If we could call off the 1:30 meeting, he would appreciate it, and it would be in the interest of good will.

L: Could I use -- could I use Wolcott's name in connection with this, Mr. Secretary? If I can, I can get Spence to do it, I believe.

HMJr: Well, use your own judgment.

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L: All right.

HMJr: But definitely get this 1:30 meeting called off.

L: I'll do my best.

HMJr: Well, we have to do it.

L: I'll do my best, Mr. Secretary.

HMJr: Well, I know, but I mean, you can use my name and Wolcott's. Tell him I recommend it.

L: All right, I shall.

HMJr: See?

L: You bet.

HMJr: I don't think you'll have any trouble.

L: I don't either. I don't envision

HMJr: Well, I want you -- I tried to get O'Connell. I tried -- White's down in the restaurant. O'Connell's over at the other place.

L: All right, sir, I'll take care of it.

HMJr: I'm sure you will.

L: Right away.

HMJr: Thank you.

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March 13, 1945
2:45 p.m.

BARUCH'S VISIT

Present: Mr. D. W. Bell
Mr. Luxford
Mr. C. S. Bell
Mr. O'Connell
Mr. DuBois
Mr. Coe
Mrs. Klotz

H.M.JR: Charles, I am glad to have you stay. This doesn't particularly concern you, but if you are interested, you can stay.

MR. C.S. BELL: Yes, sir.

H.M.JR: And I wanted the people it did concern to be here. It's wholly a matter of foreign affairs.

MR. C.S. BELL: I have some other things I can do.

H.M.JR: You are not going to be able to do it. I do it backwards. I mean, I don't need--I did invite Blough or Gamble.

MR. C. S. BELL: I understand.

H.M.JR: So, this doesn't concern you.

MR. C.S. BELL: Do you want me to go?

H.M.JR: No, you can stay.

MR. C.S. BELL: I would love to stay.

MR. LUXFORD: Just to see the boss.

H.M.JR: If you want to go, raise your right hand. You can always stay. You are always invited. Am I talking too loud?

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MR. C.S. BELL: A little bit today.

H.M.JR: This is super-duper confidential and I am terribly worried and I just don't know how to handle it, but for God's sake, no leaks! Baruch has been here for about an hour and three-quarters, and he claims that he has been asked by the President of the United States to go abroad on the reparations question. I have no question that he has been asked that. He said he has been to see Stettinius, but he doesn't want to go unless he gets plenty of kudos and an invitation from Churchill. From the question he asked me, I don't think that he has been told everything, but from a little I am picking up here and there, there is no question in my mind that--of those who are here, who has seen Taylor's letter?

MR. DuBOIS: I have.

MR. COE: Yes.

H.M.JR: Well, it's available through your (Coe's) office. On the reparations question, the question of treating criminals and the economic treatment of Germany, I am beginning to piece together that there was no settlement. What?

MR. COE: That's right.

H.M.JR: Now, I don't think that Baruch knew it all because he was trying to fish with me, but there is no question about his being asked. He gave me a document to read which is his presentation, and he said he tried to show it to the President but the President wouldn't give him a chance on the German question, and the gist of his thing is we must not build up Germany industrially in order to pay reparations. So far, so good, but he gets off on complete tangents. He doesn't know whether he shouldn't let the English have some of the Ruhr coal because they can mine it cheaper to meet world competition. I find the man's mind wanders. He doesn't concentrate. He had great difficulty in hearing. He thinks it is a great mistake about Lubin. I agree with him to the extent of Lubin heading the whole thing. I

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Don't think--I think Lubin is a good statistician. I wouldn't say he is a great statistician, but he's a good one, because I have seen him and he is good. But he's correct. If we put a man like Lubin in, other governments will put men in at the same level.

MR. INXFORD: He won't fit, Mr. Secretary.

H.M.JR: And he said to have Lubin there--he isn't going to go unless he can really supersede Lubin. The move is on. Lubin asked him to help him get Henderson to go as his assistant, and he hates Henderson, and he said on the Hill it would be terrible. No one noticed that it was he--this is in the room here--that kept Henderson from speaking during the campaign for Roosevelt. It's awful. He keeps going off and you have to keep getting him back to the thing. It's very trying. Now, he sent word here about ten days ago that he wanted everything I had on Germany and did nothing about it. He said that if he goes, he wants the President's plane because he gets seasick. That's a good reason to have his plane. He is taking his little trained nurse, his valet, and a man by the name of Lubell.

MR. O'CONNELL: The same Lubell?

H.M.JR: He wants something from over here to find out what we got, see? Now, what I think he is trying to do is build himself up, and I gave him DuBois' name. You have to kind of feel your way. I wouldn't suddenly unburden myself. On the other hand, I told him about Taylor and Bernstein and if he went--Joe, if he took a liking to you, I would let you go with him, because this is important.

MR. DuBOIS: That's right, this is very important.

H.M.JR: This is very important and if you could sell yourself to Sam Lubell, I would encourage you to go with him because you see he calls it the "Morgenthau Plan" and will be calling it the "Baruch Plan" pretty soon.

(Mr. D. W. Bell enters the conference.)

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H.M.JR: Hello, Dan. I'm sorry I can't back-track, but--

MR. D.W. BELL: That's all right. I'm sorry I was late.

H.M.JR: Joe Dubois will tell you what I said before.

MR. DuBOIS: Yes.

H.M.JR: The man we are talking about is Baruch, and this is extremely confidential. He is all right on this German business. I sent Chermell up to see him and Chermell is all right on this, and he is counting greatly on seeing Chermell. Of course, he is great friends with Churchill, and Churchill has asked him to go over there and make a speech. Another thing he said when they attacked Churchill so on the Greek business, he got on the telephone and called the publishers and editors all over the country in order to get them to stop attacking Churchill, and Harry Hopkins thanked him for the great job he did.

Now, I can't tell. As soon as I see Stettinius, I will find out what the low-down is, because he has been to see Stettinius and was frank enough to say before Stettinius would talk to him, Stettinius called the President, and there is a lot of--he has gone to the President and recommended that State, War, Navy and Treasury head--I couldn't quite get the overall committee on this business with Jimmy Byrnes, but Jimmy Byrnes is holding back because he wants to preside and he is afraid Byrnes is going to preside.

MR. D.W. BELL: Who is holding back?

H.M.JR: Byrnes, because he wants to preside instead of Stettinius. He said he didn't know just where he would fit into this picture, and he wants Sam Rosenman as General Counsel to this committee, and he said he asked the President if it would be all right to talk to me, because he felt that in the final analysis the Treasury would play the most

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important part in this thing. He said in the long run we inherit all of this stuff anyway, and the President said, "Yes." He talked to the President about the "Morrenthau Plan" and he said, "Well, Henry was right, but he was a little bit too previous." But just what this Committee was to do, I couldn't quite understand, except that it would sort of be an over-all Committee. Sam Rosenman was to be General Counsel, and I gather Baruch was to be the guiding spirit. That's about the way I got it. It wasn't too clear, and the man's mind wanders, but fundamentally he's all right. You don't have to begin to sell him.

Sunday he saw Stimson and he called him the Bishop Crowd. He said what's his name--Churchill--has trouble with the Bishops and Stimson is one of them. He thought he made some headway with Stimson and he claims--he said he was going to send me a copy of it. You might ask him that. He proceeded to tell me he went to the State Department and addressed the whole group on Germany with a written memo. He said he would let me have a copy, and he said the only fellow that asked him some questions is the White Russian over there.

MR. LUXFORD: Pasvolsky.

H.M.Jr.: He said that I am making a great mistake to try to push Bretton Woods before reparations is settled, because he said reparations should come first, and he wouldn't be completely frank with me if he didn't tell me, because he said the whole economic welfare of this country and England and everything depends on reparations, and that has to come first. So, I told him that I didn't agree with him. He said, "Well, you are wrong." I said, "We are going to let it go through the House." He said, "You see, that question is going to come up in the House very soon." Of course, he is putting it--and he said, "You will see that." I said, "Well, you might say, 'why not let's wait until the tariff question is settled?'" I said, "Why not let's wait until something else is settled? If you wait until all these things are settled, you are not going to get anything." While the man's mind wanders, he is one of the cleverest operators there is. He can get the trip

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to Europe. That I can understand. He won't go to Moscow. Somehow or other he knew about Bernstein. He didn't know about Taylor. He said he thought Sam Rosenman's trip was a great mistake. He cut across a lot of people. He said that Sam Rosenman is crazy to be General Counsel to this Cabinet Committee of five--that's what he would like. I asked if he would talk to Walter George for me on Bretton Woods, and he didn't answer me. He said he hadn't seen him for a long time. He got that in. To sum up, I don't think this Committee is very important yet, but on the reparations thing he made up his mind that that is more important than anything else, and he will work through his avenues to see that everything is held back, if he can. He said, "Can you set Krock on it?" I said, "For once I agree with Krock, in regard to his article about Crowley, pyramid on pyramid." I want you to tell me about it sometime. So he said, "Did you see that little piece about Lubin at the bottom? I gave Lubin my documents. Lubin said he met Krock on the street, and off the record, showed it to him on the street. That's where Krock got it from." (Laughter)

But, I think, Joe, that you are smart enough. I hope you are--

MR. LUXFORD: That's a good way to put it. He is dumb if he doesn't.

H.M.Jr.:...that you could take this fellow, you see--I would kind of feed him. You don't have to feed him industrialization, and as I told Baruch, we could feed sixty million people, see? Just start him on that. I wouldn't give him the works, but I would start him on that. So much for that. I am confused because the man would talk about ten different things, and really wouldn't complete any thought, and the only thought I really got out of it was that reparations is more important and everything else has to wait. Do I leave you people confused?

MR. LUXFORD: Yes, sir.

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MR. COE: I wonder if we could--

MR. DuBOIS: I don't quite understand the nature of his trip. You say he is not going to Moscow?

H.M.JR: I don't either. He didn't know about the European Advisory Committee. All he is going to do is see Churchill.

MR. LUXFORD: Can we make a horse trade with him? We will play along with reparations a little if he will start batting around on Bretton Woods.

H.M.JR: He won't trade. He told me three times--he said, "I wouldn't be frank with you if I didn't tell you that everything has to wait for reparations." You can't budge him.

MR. COE: Mr. Secretary, if you break this thing down, I think you will find the group in general agreement on the importance of the reparations business, but it would look to me from what you said that Baruch on his trip will hit the reparations thing through the British, and maybe indirectly will gum up anything that Lubin is trying to do or may have instructions to do. It would still seem to me that the main place where the reparations thing would be settled in the next period would be Moscow.

H.M.JR: But this to me makes as much sense as Rosenman's trip does.

MR. DuBOIS: I was hoping that somebody, of course, thinking of myself among others, could get to Moscow where the real work will be done. Now, that's the place, and if he is trying to by-step that, there is going to be trouble.

H.M.JR: Well, listen, this is a very powerful fellow, and he just runs circles around Lubin, see, and he comes to me and says he will send me a fish--you know, shad. (Laughter) I never got a shad from him in all my life. He said, "I will--I'll send you one under one condition, that your wife can make gefuhite fish. If she can, I will

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send you another one." I said, "She can't, but come to dinner anyway."

Well, anyway, I have to keep in touch with him. He will send this fellow Lubell--is that his name?

MR. O'CONNELL: Sam Lubell.

H.M.JR: He will send him over to see you. I am going to get that story in the Saturday Evening Post.

MR. O'CONNELL: He wrote the rubber report. He has been working for Baruch ever since.

MR. COE: He wrote Baruch's report.

H.M.JR: And let's just see where we are, and don't you get the Moscow itch either.

MRS. KLOTE: He has had it for some time.

MR. LUXFORD: Have priorities been established on Moscow?

MR. DuBOIS: I think in all seriousness it is awfully important that Moscow's condition--

H.M.JR: We will see, but let's see what Mr. Baruch is going to do. He said in just so many words that he isn't going to go over unless he practically dominates the situation. Where that leaves Lubin, I don't know.

MR. D.W. BELL: Is he going now?

H.M.JR: I think he is waiting for an invitation from Churchill, which he hasn't gotten yet. And of course, I think if Stettinius--it's all crazy. He gets all your lines. He complains how badly the Government is organized, and then all these things all mixed up--well, anyway, I got this Rabbi Korff outside again, DuBois' chum, and I'll send you to Korff. (Laughter)

Did you get held of Spence?

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MR. LUXFORD: It's all fixed up.

H.M.JR: I got this message--

MR. LUXFORD: He said one thing--

H.M.JR: I tried to get you and tried to get Harry.

MR. LUXFORD: The lend-lease thing is very hot. According to him, they are going to argue on the twenty billion we are going to have for reconstruction on lend-lease--there is no reason for Bretton Woods. That's got to be cleared up, but I told him Crowley was going to testify and saw no reason why Crowley couldn't handle that.

MR. ODE: They have accepted an amendment to the Act.

MR. O'CONNELL: Lend-lease?

H.M.JR: That's all right. But if--this is what Mr. Wolcott told me, that everything was going fine and that White was doing a good job. He felt encouraged, but he said this was just a little irritating--this one-thirty business this afternoon--and if they could get that straightened out, he thought it would be helpful to Bretton Woods, and if they met at one-thirty, none of the Republicans would come.

MR. O'CONNELL: Jesse wasn't there for recess this morning, but there were four Republicans, none of whom made any objections to one-thirty.

H.M.JR: Well, anyway, I thought I would call Jesse up. Yes, it's a nice thing, it's a nice gesture.

MR. O'CONNELL: Sure.

MR. LUXFORD: That's right.

H.M.JR: I just wanted to bring you fellows up to date. I'll have to excuse myself now. We will have staff tomorrow. Unless I see Stettinius, we will have a regular staff meeting tomorrow morning.

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MR. DuBOIS: Do I wait on Lubell?

H.M.JR: You sit. Who is going to help me on this thing with Korff?

MR. DuBOIS: I wasn't suggesting myself.

H.M.JR: You wouldn't be so good.

MR. DuBOIS: I think it is generally on war refugee.

MRS. KLOTZ: I thought it was Jabotinsky. That's what the letter said.

MR. DuBOIS: It did. He called me this morning.

March 13, 1945
4:09 p.m.

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HMJr: Henry talking.
 Bob
 Hannegan: Yes, sir.
 HMJr: Is there any reason why you should -- know why I shouldn't go ahead with this appointment of Bartelt's?
 H: No, sir.
 HMJr: It's all right?
 H: No, sir, I called up Barnes within a minute after I talked to you.
 HMJr: Yeah. Well, then I think we'll go ahead with it.
 H: Yeah.
 HMJr: Thank you so much.
 H: Okay, sir.



THE SECRETARY OF THE TREASURY
WASHINGTON

My dear Mr. President:

Thank you for letting me read the letter from the Prime Minister to yourself concerning Article VII and desirable international agreements in the trade field. (The documents are attached for your file)

I am sorry that it was not possible for you to discuss this at your recent meeting, for this is one of the major economic fronts on which we must make progress in the next period. I am in thorough agreement with the points made in the memorandum that there must be an international code of rules in the trade field, in order to go away with the jungle of trade restrictions, cartel practices and restrictive commodity agreements, all of which serve to reduce trade and promote international friction. The problem is similar to that which we tackled in the Bretton Woods agreements in the monetary field, and that experience indicates that the United States can get international agreement, if it wants to.

I wonder whether this would not be a good range of subjects to throw into your Cabinet committee on Foreign Economic Policy. That committee, as you will remember, will include Stettinius, Wallace, Ickes and myself. I have been holding the order which you approved for the committee while you and Stettinius were out of the country.

Faithfully yours,

The President

The White House

Enclosures



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THE WHITE HOUSE
WASHINGTON

March 6, 1945.

MEMORANDUM FOR

THE SECRETARY OF STATE
AND THE SECRETARY OF THE
TREASURY:

TO READ AND RETURN FOR MY
PERSONAL FILE.

F.D.R.

COPY

169-C

DEBASTOPOL:

13 Downing Street,
Whitehall
14 February, 1945.

My dear Franklin:

I have to thank you for your letter of February 13 about Article VII of the Lend-Lease agreement. I enabled this home to the Cabinet and have now had a full reply from them. It appears that during the past six weeks there has been a regular series of discussions in London between a group of high British officials and three American officials led by Hawkins, who was head of the division in the State Department which deals with Commercial Policy and is now attached to the American Embassy. You may remember that discussions took place in this form at the suggestion of the State Department and were designed to ascertain informally, without of course committing either Government, where both countries now stood as a result of consideration since the talks in Washington rather more than a year ago. Although Commercial Policy was the main subject, the talks covered the whole range of Article VII and seemed to our people to have let light into many obscure corners.

Mr. Hawkins went back a week ago to Washington to report and is due to return to London at the beginning of next month to tell us the Washington reaction to the talks. We

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shall then be able to consider with all practicable speed whether such differences as may be found to remain between the United States and the United Kingdom can be bridged and if so, what should be lines of procedure for consideration of policy by other United Nations.

1. The War Cabinet do not wish to commit themselves at this stage of the war to sending a high-powered delegation to Washington. This must involve bringing other countries into the discussions, notably France, at an early stage and of course the present mood of the Dominions must be ascertained before we go further on general policy.

2. In view of the above, would it not be better to wait till we have both returned home and have been able to review the progress made in the informal discussions? I shall be very glad to talk this over with you when we meet.

Yours sincerely,

W/ WINSTON S. CHURCHILL

The President
of the United States of America.

COPY

169-E

MEMORANDUM ON ARTICLE VII

(Prepared by Ambassador Winant with the assistance of Mr. Hawkins and Mr. Penrose.)

1) The period between the wars was one of international trade warfare. Each country, by raising tariffs, imposing quota restrictions, negotiating preferential arrangements, instituting restrictive and discriminatory exchange controls, and by subsidizing exports tried to take care of its own producers at the expense of those in other countries. In consequence international trade was in large part destroyed. Since all countries are in varying degree dependent upon it for their prosperity, all suffered. The international economic policy of nations became a struggle for a shrinking world trade, and the very policies whereby each sought to save itself caused world trade to shrink still further.

2) The economic strength of the United States is greater than that of any other country. Its production and consumption is a large part of the production and consumption of the entire world. It is the greatest creditor nation. The policies it pursues and advocates will be decisive in determining whether mutual impoverishment or mutual prosperity will characterize economic policies in the postwar world.

3) The opportunity to do something about this is unparalleled but fleeting. When the war is over production and trade will be disorganized. Production in the United Nations must be converted from wartime to peacetime purposes. We speak of reconstruction but it would be a tragic mistake if we and other countries merely went back to what we had before the war. If each country again sought to produce what it consumes without regard to the fact that it might now economically support some of its requirements from other countries and thus benefit itself and the countries from which it buys. The trade policies which nations adopt when the war is over will determine to a large extent the pattern of production which will develop throughout the world as production once again gives way to production for peace. Trade and costs as this war has been it has for the time being destroyed much that is good. The fact that the world economy is in a state of flux gives us the opportunity to create a new and better pattern. But it is an opportunity which we will have only for a relatively brief time. If things are allowed to develop as they are, production and trade will tend to revert to what they were and will reflect into the postwar pattern that Secretary Hull and the present Administration sought so persistently but found so difficult to change because of the resistance of vested interests.

4) We should seek now international agreement on a code of rules to govern trade relations. The code should outlaw high pre-war tariffs; prohibit quota systems; rule out discriminatory trade arrangements; forbid subsidies whereby Governments throw their financial strength behind their own producers to crush the competition of those in other countries; prevent private interests through cartel arrangements from frustrating the efforts of governments to stimulate international trade.

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at the same time agreement should be sought on the principles to govern arrangements for stabilizing the position of primary producers who have suffered so seriously from the wide swings and erratic behavior of staple commodity prices and at the same time permit countries access to be sufficiently served. An international trade organization should be established to harmonize trade policies of nations and to study the technique whereby trade policies can be made mutually helpful rather than mutually destructive, and to formulate and supervise the operation of intergovernmental arrangements having these ends in view.

6) To have had extensive discussions of an exploratory sort with British officials on these questions and find a large measure of agreement on what needs to be done. They recognize that a solution of the problems of trade relations is essential; that the mutually destructive nature of the war created friction and ill-feeling and that if this continues in the future, it will do much to destroy the spirit of cooperation on which success in creating a peaceful world must rest. But the difficulty of the problems presented is also recognized: these problems have defied solution in the past.

7) The following steps are suggested for consideration:

(a) Complete our discussions with the British with a view to reaching agreement in detail on the principles that should govern post-war international trade relations; the kind of measures which nations should adopt and the arrangements they should make to implement these principles; and the kind of world trade organization that should be set up to coordinate and supervise the application of these principles and the acceptance of these arrangements.

(b) Message by the President to Congress advocating the adoption of the foregoing as the policy the U.S. should seek to implement. The fact of agreement having been reached with the British should not be stated although reference might be made to the fact that extensive exploratory discussions with them and other countries indicated the desirability that there is good prospect of wide acceptance of what is suggested.

(c) The U.S. should then set forward to other countries a statement of principles on commercial policy to serve as the basis for a United Nations conference the aim of which would be:

- (i) to secure general adoption of a fairly detailed set of principles on commercial policy;
- (ii) to establish at once an International Trade Organization, or at least an Interim Trade Organization which would soon be replaced by a permanent organization;
- (iii) to direct the Trade Organization to translate these principles into a detailed multilateral convention to which all United and Associated Nations would be invited to adhere.

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7) If the President of the United States should take the lead in advocating well thought out policies and concrete proposals in the field of international trade policy, public opinion throughout the world might well fall in behind him, and plans for reconversion to peacetime production might in large measure be made in the light of the principles and policies enunciated by him.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
March 13, 1945TO Secretary Morgenthau (for information)
FROM Mr. Coo *FC*

Subject: Lend-Lease Exports to Russia

1. In December, 1944, United States lend-lease exports to Russia totaled approximately \$286 million as compared with about \$300 million in November, 1944.

2. Among the principal non-military items were:

Motor Trucks (all sizes) (\$25 million)
Steam Locomotives (\$12 million)
Dried Eggs (\$10 million)
Lard (\$8 million)
Canned Meat (excluding chicken) (\$5 million)
Canned Sausage (\$5 million)
Wool Cloth and Dress Goods (\$4 million)

3. Among the munitions sent were:

2169 unarmored scout cars
1145 universal ordnance carriers
831 motorcycles
526 railway freight cars
274 medium tanks
183 P-53 1-eng. pursuit fighters
79 ordnance combat vehicles
80 M25 2-eng. medium bombers
31 37mm aircraft guns
30 C-47 2-eng. medium transports
11 motor torpedo boats

4. Shipments to Eastern Russia, presumably on Russian boats via Vladivostok or some other Siberian port, accounted for about \$105 million of the total of approximately \$286 million exported during the month under review.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE
March 13, 1945TO Secretary Morgenthau - For Your ActionFROM Mr. Coo *FC*

Subject: Exports from Occupied Germany.

The policy to be pursued concerning exports from Germany during period of military operations is now under discussion.

The British have suggested an ad hoc committee be established consisting of U.K., U.S., France, Belgium, Luxembourg, and Netherlands, under the chairmanship of SHAFF. This committee would be given instructions that (1) U.K. and U.S. have absolute priority, and (2) no action be taken "which might seriously affect the future structure of German economy."

War Department is asking for our concurrence on this position:

- (a) Russia should be represented on Committee which should be formed by the new Moscow Reparations Commission;
- (b) Until Committee is formed, exports should be restricted to military needs and should be under the authority of SHAFF;
- (c) Border and neutral trade should be specifically approved by C.I.C.

Unless otherwise instructed by you, we shall concur with the War Department proposal.

The British proposal is interesting as a possible indication of future policy. It involves (1) non-inclusion of Soviet Union during the interim period, (2) granting to the U.K. a virtual monopoly on German exports, (3) and at the same time, protecting German industry from the demands of liberated areas for machinery and equipment.

*Seeig paid to tell
Mr. Coo off
3/14/45
Told Mr. Coo*

WAR DEPARTMENT GENERAL STAFF

MEMO ROUTING SLIP

TO: Mr. Hoover	DATE: 1945
FROM: Treasury Dept.	RE: 5439
ATTENTION:	
2.	4.
3.	5.

REMARKS

Harold, I amed appropriate
your comments on this
at your earliest convenience.
Mr. McCloy is not anxious
to dispute an appropriate
reply as far as possible.

Thawes
Ernest Brown
Major GSC

SECRET

FROM: NAME	OFFICE
PHONE: 71721	ROOM

BRAZIL

Dear General Macready:

I have your letter of 2 March 1945, concerning the problem of exports from Germany, in which you were good enough to inclose copies of a cable from London on this subject (ROD 619). The draft reply to SCAP 196 and SCAP 199, which was circulated as CCAC 162/2, has now been discussed by the United States side of the Combined Civil Affairs Committee in the light of ROD 619. The following you may take as representing the views of the U.S. side of the CCAC:

1. While the U.S. members perceive no objection to the establishment of an ad hoc committee, as suggested in paragraph 4 of the London cable, three questions arise in connection with the establishment of such a committee:

a. The conference at Yalta agreed upon the establishment of a Reparations Commission, whose headquarters are to be in the U.S.S.R. It was thought that the first order of business of the Commission might well be the establishment of an ad hoc group, which presumably would function within appropriate terms of reference prior to the full functioning of the parent Commission. The membership of such an ad hoc committee would undoubtedly be determined by the parent committee, which of course includes the U.S.S.R. among its members. Hence, a problem arises with respect to London's suggestion in paragraph 4 of ROD 619, which does not include U.S.S.R. among the representatives on the proposed ad hoc committee.

b. The U.S. members of the Combined Civil Affairs Committee do not believe that an ad hoc committee of the sort ROD 619 proposes should be under the chairmanship of a representative of BRANF. In

DRAFT

SCAF 196, SCARF suggests that the question of export of goods, other than those indicated in paragraph 1 of SCAF 196, should be handled by an intergovernmental committee, which might well provide a small staff near BRAEF's headquarters to advise him during the SHARP period. It is our view that export problems of the type envisaged in paragraph 1 of SCAF 196 should be dealt with by SCARF as a matter of military necessity. The advisory body, or ad hoc committee, would deal with export problems outside the scope of questions arising under paragraph 1 of SCAF 196.

2. In accordance with the views expressed in paragraph (h) above, the terms of reference for the ad hoc committee proposed in MOD 219 would have to be revised, since in their present form they assume that the committee's functions would include problems envisaged by paragraph 1 of SCAF 196.

3. With respect to the question of exports to neutrals, the United States view is that any such exports, even in the course of border trade, should require previous specific approval from the Combined Chiefs of Staff.

4. It is our view that the reply to SCARF 196 and SCAF 199 should be amended so as to make SCARF current concerning the decision taken at Yalta looking toward the establishment of a Reparations Commission.

The United States members of the Combined Civil Affairs Committee will of course be glad to discuss the foregoing problems at an informal meeting with you at your convenience.

Sincerely yours,

JOHN J. MAGLOV
Assistant Secretary of War

DRAFT

PLEASE RETURN THIS CABLE TO:

MAJOR ERNEST A. GROSS
Civil Affairs Division, War Dept.
Room 3E 679 The Pentagon.

Ext. 71721

COPY NO. _____

From: War Cabinet Office
To: Joint Staff Mission
Dated: 2nd March, 1945.

O.T.P.SECRETMOD 619

Reference DCM 527 of 3rd February, Control of Exports from Germany.

Similar representations have been received from the French Government through the diplomatic channel. Questions raised in SCAF 195 and 199 have been discussed on official level and our preliminary views are set out below. Please discuss them on the same level with the Americans and report their reactions. We shall then seek the views of Ministers.

2. Before the surrender of Germany the allied forces on German territory will, from the legal standpoint, only have the rights of an occupying power and this means that, apart from requisitions effected by the occupying forces themselves, the right to seize and remove German stocks would be confined to such cases as could be brought within the terms of Article 53 of the final act of the Second Peace Conference held at the Hague in 1907. (See Manual of Military Law page 384.) From a legal point of view therefore the position is not going to be very clear-cut. Some of the things which the French want to do could almost certainly be justified, even on a strict interpretation of Article 53; others would be border-line cases, and only the former will be clearly outside the powers of an occupant under the Land War Regulations. As regards the last class, we think it important on grounds of practical necessity to comply with the French request. If we do so we have a clear case for action on the ground of reprisals. We would however

prefer not to make any public announcement of our intention to take reprisals; we would merely justify our action thus if the Germans complained.

3. So far as requisitioning is concerned SHAEF is the only body with the necessary authority to carry this out. We agree, however that it will be necessary to establish some mechanism to co-ordinate the allied demands for essential materials from Germany and to advise SHAEF on the principles to be adopted in determining allocations. Probably an inter-governmental body will eventually be set up, as part of the machinery for allocating reparation goods from Germany, or otherwise, but this will not be settled at least until after the forthcoming discussions in Moscow. Meanwhile we consider that action must be taken to deal with the immediate problem, which is of much smaller dimensions, and that this can be done without prejudice to reparation issues.

4. Although difficulties of transport etc. seem likely in the initial stage at any rate to limit to comparatively small amounts the quantity of goods which could be supplied in this way, we recognize that SHAEF may well require guidance from allied civilian authorities on priority among possible recipients. We think, therefore, that at the outset the most practical arrangement would be forthwith to establish near SHAEF an ad hoc committee consisting of representatives of the governments of the United Kingdom, United States of America, France, Belgium, Luxembourg and the Netherlands under the chairmanship of a representative of SHAEF. Its functions would be:

- (a) To advise SHAEF of the nature and quantities of the various governments' requirements;
- (b) Where more than one government represented has laid claims to recommend having regard to transport and other relevant factors, allocations of goods which SHAEF finds he could make available from Germany.

5. The representatives of His Majesty's Government and the United States Government on the committee would be enabled to put in bids for what might be available but their position should be recognized as differing from that of other governments represented there in the following respects:

(a) Should supplies become available which were of high and essential value to the war effort of the British Commonwealth or of the United States of America their requirements would enjoy first priority. It should prove possible for the representatives of the United Kingdom Government to keep in touch through the existing supply machinery with the Dominion Governments.

(b) It will be the special responsibility of the United Kingdom and United States representatives to dissuade the committee from sponsoring action likely to prejudice issues of policy, e.g. over reparations.

6. SCAEF should retain the ultimate power of decision whether any exports from Germany should be permitted for such purposes and in exercising his discretion would bear in mind the necessity of taking no action which might seriously affect the future structure of German economy without prior reference to C.C.S. Similarly no export would be permitted of any large surplus which might become available without prior reference to C.C.S. Such major questions would fall for solution between the two governments in the light of policies then prevailing.

7. Before being permitted to take delivery of any goods the government concerned would be required to accept the following conditions:-

- (a) To be responsible for accounting for them in due course;
- (b) In so far as the goods might be subject to a claim to restitution to accept accountability for them to the restitution commission (See E.A.C. papers (4) 23 and (45) 5.)

(c) In so far as transport equipment and coal are concerned to recognise that its allocation for use should ultimately fall within the competence of the proposed E.C.I.T.O., and E.C.C. respectively when set up.

8. Account would equally be taken of any goods moved from the countries concerned into Germany under the authority of SHAEF.

9. SCAEF for his part, would keep quantitative records of goods delivered and obtain through the intermediary of the committee receipts from the governments or their agencies for such deliveries. All allocations and deliveries would be reported to the appropriate four-party committee and where necessary to the combined boards who would thus be enabled to effect any necessary adjustment in overseas import programmes.

10. It is not considered necessary at this stage to make general provision for the export, apart from limited border trade as authorised, of any German surpluses to neutral countries with the possible exception of coal. If circumstances make it necessary, however, specific requirements of neutral countries would have to be considered on an ad hoc basis. In the event of any coal being available the London Coal Committee pending the setting up of E.C.C. would be notified and if they decide that coal should be made available to a European neutral the question of payment would have to be cleared with the appropriate authority before the transaction was closed.

11. The arrangements proposed in this telegram would be recognised as being purely temporary and without prejudice to future arrangements. They would require reconsideration in the event of any large enemy industrial area being uncovered since the disposal of any surpluses on this scale would raise major questions of reparation and supply policy.

12. With regard to the subject matter of SCAP 199, any long-term arrangements would have to be made in the light of the proposal to establish a restitution commission. For the present we would be content with the ad hoc procedure explained in the telegram under reference.

T.O.O. 021915Z

DOM. DISTRIBUTION

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MAR 13 1945

Dear Mr. McElroy:

This is in reply to your letter of March 5, 1945
enclosing a revised draft of the Financial Directive
Appendix "B" of JCS 1007, dated February 12, 1945.
This revised draft meets with the approval of the
Treasury Department.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. John J. McElroy,
Assistant Secretary of War.

JWC:lrn, 3/7/45

TOP SECRETWAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D. C.

5 March 1946

The Honorable

The Secretary of the Treasury

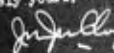
Dear Mr. Secretary:

I refer to your letter of 7 February 1946 inclosing a copy of draft revision, dated 31 January 1946, of Financial Directive, Appendix "B" of JCS 1067, which you state meets with the approval of the Treasury Department.

Since the receipt of your letter, certain changes in the above-mentioned draft directive have been suggested. These changes have been cleared informally with members of your Department's Division of Monetary Research, and are incorporated in draft, dated 12 February 1946, attached hereto.

Your approval of this later draft, or your comments thereon, will be appreciated.

Sincerely yours,

JOHN J. MCCLOY
Assistant Secretary of WarAttn
as above**TOP SECRET**

TOP SECRET

13 February 1946

ATTACH "A" TO APPENDIX "A"

APPENDIX "B"

FINANCIAL DIRECTIVE

1. You will regulate and control currency circulation within your zone in accordance with the following provisions, and subject to any agreed policies of the Control Council.

a. United States forces and other Allied forces within your zone will use Allied Military marks and Reichsmark currency or coins in their possession. Allied Military marks and Reichsmark currency and coins now in circulation in Germany will be legal tender without distinction and will be interchangeable at the rate of 1 Allied Military mark for 1 Reichsmark. Reichsgeldtheasmaschine and other German military currency will not be legal tender in Germany.

b. You will receive separate instructions relative to the currency which you will use in the event that for any reason adequate supplies of Allied Military marks and Reichsmarks are not available.

c. You will not announce or establish in your zone, until receipt of further instructions, any general rate of exchange between the Reichsmark on one hand and the U.S. dollar and other currencies on the other. However, a rate of exchange to be used exclusively for pay of troops and military accounting purposes in your zone will be communicated separately to you.

2. Subject to any agreed policies of the Control Council, you are authorized to take the following steps and to put into effect such further financial measures as you may deem necessary to accomplish the purposes of your occupation.

a. To permit or require the Reichsbank, the Rentenbank or any other bank or agency to issue bank notes and currency which will be legal tender; without such authorization no governmental or private bank or agency will be permitted to issue bank notes or currency.

b. To require the German authorities to make available Reichsmark currency or bank credits free of cost and in amounts sufficient to meet all the expenses of the forces of occupation, including the cost of Allied Military Government.

TOP SECRET**TOP SECRET**

c. To prohibit, or to prescribe regulations regarding, transfer or other dealings in private or public securities or real estate or other property.

d. To close banks, but only for a period long enough for you to introduce satisfactory control, to remove Nazi and other undesirable personnel, and to issue instructions for the determination of accounts to be blocked under sub-paragraph dd below.

e. To close stock exchanges, insurance companies, and similar financial institutions for such periods as you deem appropriate.

f. To establish a general or limited moratorium or moratoria only to the extent clearly necessary to carry out the objectives of Allied Military Government.

3. Subject to any agreed policies of the Control Council, you will take financial measures with a view to preventing or restraining so far as is practicable such disturbances or developments in the monetary and financial field as in your judgment threaten to disrupt the production or distribution of critically needed supplies. You should regard as critically needed supplies those essential to forestall or alleviate disease and disorder such as might endanger the forces of occupation or hamper the accomplishment of their mission. Except for the purposes specified above, you shall be guided throughout by the general rule that no steps shall be taken by you (a) looking toward the financial rehabilitation of Germany, nor (b) designed to maintain or strengthen German finances.

4. Subject to any agreed policies of the Control Council

a. You will prohibit the payment of military pensions or other emoluments, but this will not preclude the payment by the German authorities of compensation at the rate of military pensions therefor for physical disability acquired in the military service, limiting the recipient's ability to work.

b. You will prohibit the payment of pensions or other emoluments by reason of membership in or services to the former Nazi party or its affiliated organizations.

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g. You will take such action as may be necessary to insure that all laws and practices relating to taxation or other fields of finance, which discriminate for or against any persons because of race, color, creed or political opinion, will be amended, suspended, or abrogated to the extent necessary to eliminate such discrimination. The German authorities will be held responsible for taking such measures in the field of taxation and other fields of public finance as will further the accomplishment of the objectives of Allied Military Government.

h. You will impound or block all gold, silver, currencies, securities, accounts in financial institutions, credits, valuable papers, and all other assets falling within the following categories:

- (1) Property owned or controlled directly or indirectly, in whole or in part, by any of the following:
 - (a) The German Reich, or any of the Lander, Gaus or provinces, any Kreis, Municipality or other similar local subdivisions; or any agency or instrumentality of any of them including all utilities, undertakings, public corporations or monopolies under the control of any of the above;
 - (b) Governments, nationals or residents of other nations, including those of territories occupied by them, at war with any of the United Nations at any time since 1 September 1939;
 - (c) The Nazi Party, all offices, departments, agencies and organizations forming part of it, attached to, or controlled by it; its officials, leading members and supporters;
 - (d) All organizations, clubs or other associations prohibited or dissolved by military government;
 - (e) Absentee owners, including United Nations and neutral governments or their nationals;
 - (f) Any institution dedicated to public worship, charity, education or the arts and sciences which has been used

TOP SECRET**TOP SECRET**

by the Nazi Party to further its interests or to cloak its activities.

- (2) Persons placed under detention or other types of custody by you, and all other persons specified by military government to be included in lists or otherwise; and
- (3) Property which has been the subject of arrest, wrongful acts of confiscation, disposition or spoliation, whether pursuant to legislation or by procedure purporting to follow forms or law or otherwise;
- (4) Works of art or cultural material of value or importance, regardless of the ownership thereof.

You will take such action as will insure that any impounded or blocked assets will be dealt with only as permitted under licenses or other instructions which you may issue. In the case particularly of property blocked under (2) (a) above, you will proceed to adopt licensing measures which while maintaining such property under surveillance would permit its use in consonance with the objectives of the occupation.

5. Subject to any agreed policies of the Control Council, you will prohibit, except as you may permit by regulation or license, all dealings in gold, silver, foreign exchange, and all foreign financial and foreign trade transactions of any kind. You will not, however, until receipt of further instructions, authorize any outlay of German foreign exchange assets upon imports, including those from neutral countries, and will not authorize payment in Germany's foreign exchange for any other purposes, except where clearly and urgently needed to further the agreed objectives of the Allied Military Government. In imposing the controls herein described

a. You will reduce to the possession and control of custodians or agencies designated by you all German foreign exchange assets of every kind and description;

b. You will establish effective controls with respect to all foreign exchange transactions, including

- (1) Transactions as to property between persons inside Germany and persons outside Germany;

TOP SECRET

12"

TOP SECRET

- (2) Transactions involving obligations owed by or to become due from any person in Germany to any person outside Germany; and
- (3) Transactions involving the importation into or exportation from Germany of any foreign exchange asset or other form of property.

6. It is not anticipated that you will make credits available to the Reichsbank or any other bank, or to any public or private institution. If in your opinion such action becomes essential, you may take such emergency action as you may deem proper and in any event you will report the facts to the Control Council.

7. In addition to the provisions of Article 8a of Appendix A, you will eliminate other undesirable personnel and influences from the Reich Ministry of Finance and from all public and private financial institutions, agencies and organizations.

8. You will maintain such accounts and records as may be necessary to reflect the financial operations of the military government in your zone and you will provide the Control Council with such information as it may require, including information in connection with the use of currency by your forces, any governmental settlements, occupation costs, and other expenditures arising out of operations or activities involving participation of your forces.

TOP SECRET

The New York Times
Times Square

ARTHUR HAYS SULZBERGER
PUBLISHER

March 13, 1945

Dear Henry:

I am sorry that your plans
took you away from Washington and that
I was unable to have a chat with you.
Here's hoping for better luck next
time!

Yours,

Arthur

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

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE MAR 13 1945

TO Secretary *W. A. Ruggles*
FROM Mr. *Harbo*
Subject: Outlook Situation

We have been keeping in touch with Mr. Fox at WPB regarding changes in the munitions production schedules both with and without the defeat of Germany. The situation continues cloudy, inasmuch as the Army is in the process of reviewing its plans. Tentative schedules assuming Germany stays in the war throughout the rest of this year have been worked out and indicate that the dollar value of production will show a slight increase over the next several months.

The plans for carrying on a one-front war after the German defeat are still being worked on by the Army. A review of the latest plans is now being conducted at General Somervell's level with the help of a three-man board, according to Mr. Fox, but there is no indication as to when the data will be provided to WPB. Mr. Fox said it was his guess that it would be at least another week or ten days before even preliminary figures would be received. At present he thinks that the general outlook is about the same as he and Mr. Krug reported to us a few weeks ago, namely, that outlooks after the German defeat will be slow and not very sharp, and in the aggregate they will not come anywhere near the 40 percent level which was talked about last fall.

MAR 13 1945

Dear Senator McCarran:

Mr. Crowley, Administrator of Foreign Economic Administration, has forwarded to me a copy of your letter regarding the use to which lend-lease silver is put by the Government of India. Mr. Crowley suggested that the Treasury Department may have information which would be of interest to you.

I believe that you may find of interest the attached table giving prices of silver in the Bombay market during 1943, 1944 and the latest figures available for 1945.

It will be noted that the price of silver did not decline appreciably after August, 1944, the month in which the Reserve Bank of India began to sell silver. The price of silver has continued to be around \$1.00 per ounce or about the same level as prevailed during 1943. This is in accord with the assurances which we received from the Government of India that silver would be sold for stabilization purposes and not to break the price of silver in India.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable Pat McCarran,
United States Senate.

ISF/eis 3/5/45

Prices of Bar Silver in Bombay Market

(In U.S. dollars per ounce)

Date	High	Low
1943		
January	.82	.80
February	.86	.81
March	.90	.86
April	1.04	.88
May	1.09	.97
June	1.02	.96
July	.97	.82
August	.90	.86
September	.98	.93
October	1.02	.99
November	.99	.97
December	.98	.92
1944		
January	.97	.94
February	1.02	.98
March	1.11	1.00
April	1.14	1.06
May	1.12	1.06
June	1.06	1.01
July	1.11	1.06
August	1.06	1.03
September	1.06	.97
October	.99	.97
November	.99	.91
December	1.06	.97
1945		
January	1.05	.97
February	1.02	.98

FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR
WASHINGTON 25, D. C.

MAR 3 - 1945

Dear Mr. Secretary:

I am enclosing a copy of a letter which I received from Senator McCarran regarding the use to which lend-lease silver is put by the Government of India.

I believe that the Treasury Department may have information with respect to the market price of silver in India and other information which may be of interest to Senator McCarran.

Sincerely yours,

Leo T. Crowley
Administrator

The Honorable
The Secretary of Treasury
Washington, D. C.

Enclosure:

C
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P
Y
FOREIGN ECONOMIC ADMINISTRATION
OFFICE OF THE ADMINISTRATOR

March 3, 1945

Dear Senator McCarran:

I have the following information for you with respect to the questions raised in your letter of January 19, 1945 regarding the lend-lease of silver to the Government of India.

The requisition for 20 million ounces of silver for coinage for India referred to in my letter of January 1, 1945 brings to a total of 40 million ounces the quantity of silver approved for transfer under lend-lease to the Government of India for essential coinage purposes only. The earlier 20 million ounce transaction together with the agreement by the Government of India pertaining to the return of the silver was brought to your attention at the time in accordance with our custom of keeping you advised of all lend-lease silver transactions.

In addition, however, you will recall that 100 million ounces of silver were lend-leased to the Government of India for coinage purposes and for the purpose of stabilizing prices in India in the interest of this country and India in the joint war effort. Secretary Morgenthau and Secretary Stettinius, who was then the Lend-Lease Administrator, discussed this transaction in advance with the Senate Special Silver Committee and explained that the silver would be used by India to stabilize the price of silver in order to help prevent inflationary prices in India which would interfere with the prosecution of the war in that important base of allied military operations. They explained further that the silver would be returned to the United States Treasury after the end of the war and would not be dumped on the silver market so as to depress the price of silver. A copy of the agreement dated June 8, 1944 between the United States and India with respect to this silver transaction was sent to you.

The 100 million ounces of silver transferred to the Government of India pursuant to the agreement of June 8, 1944, was therefore not intended for essential coinage purposes alone, but was also intended for use for stabilization purposes.

I have taken the liberty of sending a copy of your letter of January 19 to Secretary Morgenthau in order that he may provide you with any further information available to the Treasury Department on this subject which may be of interest to you.

Sincerely yours,

(signed)

Leo T. Crowley
Administrator

Honorable Pat McCarran
United States Senate
Washington, D. C.

March 8, 1945.

Dear Judge Patterson:

I enclose a copy of a letter I have received from Mr. W. H. Wood, head of the United Kingdom Treasury Delegation in Washington, pertaining to the question of take-outs of British-owned capital facilities which has long been pending between us.

You will recall that on January 8, 1943, I wrote you a letter with enclosures setting forth the fact that the British had, during the Stage II discussions, presented a formal claim for \$38 million representing their estimate of the remaining value of facilities which we had agreed to take over, and requesting that you investigate the present status of the proposed transactions "with a view to accelerating them as originally contemplated." I pointed out the nature of our commitment in this matter, which was first given over two years ago and was reiterated informally during the Stage II discussions, and stated that I was anxious that this commitment be fulfilled.

I was aware of the fact, stated in your letter of January 26, that the British had been asked about a year ago to turn these facilities over to us as reciprocal aid and that they had replied that they preferred to leave the question in abeyance. The Treasury had made the same proposal and received the same answer. I had assumed, however, that by their action in presenting the claim at the time of the recent lend-lease discussions, they had indicated their willingness to entertain the reciprocal aid proposal.

When we learned that you thought it inadvisable to make arrangements for cash settlement until the British formally refused to provide the facilities as reciprocal aid, we dismissed the question with them and suggested that they undertake to supply you with a statement of their position.

The enclosed letter from Mr. Wood is their statement. I hope that you will now find it possible to proceed with whatever arrangements are necessary to effect the early completion of these transactions.

Sincerely yours,

Robert H. Patterson, Jr.

Honorable Robert H. Patterson,

Under Secretary of War.

Enclosure.

RHP:GRI -3/13/45

Dear Mr. Secretary:

I am afraid I have to invoke your aid in a matter arising out of the Stage II negotiations when Lord Keynes was here, and out of certain action then taken by the American members of the Combined Committee, of which you were Chairman.

I refer to the claim which was contained in paragraph 10 (ii) of Chapter III of the U. K. statement of Requirements for Stage II, in respect of what is known as the balance of the "take outs" of capital facilities. This claim, the amount of which was tentatively put at \$38 million, was in respect of items listed in your letter of the 28th September 1942 to Sir Frederick Phillips, in respect of which no payment had been made by the U. S. Government.

During the Stage II discussions we were informed that this claim was accepted in principle, subject to a review of the arrangements previously made, a valuation of the facilities, and due availability of funds - see paragraph 2 of the Agreed Minutes of the 7th Meeting of the Combined Committee held on the 17th November, 1944, and item 3 (e) of Annex "C" to those minutes.

We understand that in pursuance of the decision taken during the Stage II discussions you sent a letter to the War Department, on behalf of the American members of the Combined Committee, asking for the War Department to implement the decision by making payment to the U. K. Government of the sum found to be due under this claim. Since then we have had no further information. I believe, however, that the War Department have now intimated that they are unable to proceed with a settlement unless they can have, for the purposes of the record, a statement from us indicating that the U. S. Government is not prepared to make the facilities available to the U. S. Government on the basis of Reciprocal Aid. The suggestion that Reciprocal Aid should be granted was put forward in a letter dated 6th December, 1943, addressed by Mr. Patterson to Sir Walter Vennings, the Director General of the British Ministry of Supply Mission. In a letter of the 1st February, 1944, to Mr. Patterson, Sir Walter Vennings stated that the U. K. Government had reached the conclusion that the method of settlement in regard to the balance of these facilities should be left over for future consideration as they did not feel justified in agreeing to the proposal that they should be made available on the basis of Reciprocal Aid.

As I have indicated above, the U. K. Government put forward a proposal, in its Stage II Case, that having regard to the difficulties of the U. K. dollar position, the U. S. Government should now implement the arrangements contemplated in 1942 by taking over the balance of the facilities against a dollar payment. That proposal was accepted in principle but awaits implementation. It follows that the U. K. Government have in fact

- 2 -

by this action already confirmed that they do not see their way to make the facilities in question available to the U. S. Government on the basis of Reciprocal Aid.

May I suggest therefore that you should send a copy of this letter to Mr. Patterson in order that he may have on record the statement by the U. K. Government which he asks for. I also trust that when this has been done it will then be possible for the War Department to implement the decision taken by the main Morgenthau Committee: The British Ministry of Supply Mission remains of course ready to discuss any details which may still require clarification. I should be grateful for any assistance which you, as Chairman of the Combined Committee, can give in securing an early settlement of this matter, to which my Government attach considerable importance.

Yours sincerely,

H. H. Brand.

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

MAR 13 1945

Dear Mr. Brand:

Thank you for your letter of March 8, 1945 setting forth your position on the long-pending question of the take-outs of capital facilities. As you requested, I have sent to the Under Secretary of War, Robert F. Patterson, a copy of your letter and expressed the hope that its contents will enable him to make whatever arrangements are necessary to effect the early completion of these transactions.

Enclosed for your information is a copy of my letter to Under Secretary Patterson, transmitting to him a copy of your letter to me.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. H. H. Brand,
United Kingdom Treasury Delegation,
P. O. Box 690,
Washington, D. C.

Enclosure.

DDC:Dr1 -3/10/45

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UNITED KINGDOM TREASURY DELEGATION

BOX 682
BENJAMIN FRANKLIN STATION
WASHINGTON, D.C.

March 8, 1945.

TELEPHONE EXECUTIVE 6828

Dear Mr. Secretary:

I am afraid I have to invoke your aid in a matter arising out of the Stage II negotiations when Lord Keynes was here, and out of certain action then taken by the American members of the Combined Committee, of which you were Chairman.

I refer to the claim which was contained in paragraph 10(ii) of Chapter III of the U.K. Statement of Requirements for Stage II, in respect of what is known as the balance of the "take outs" of capital facilities. This claim, the amount of which was tentatively put at \$38 million, was in respect of items listed in your letter of the 26th September 1942 to Sir Frederick Phillips, in respect of which no payment had been made by the U.S. Government.

During the Stage II discussions we were informed that this claim was accepted in principle, subject to a review of the arrangements previously made, a valuation of the facilities, and due availability of funds - see paragraph 2 of the Agreed Minutes of the 7th Meeting of the Combined Committee held on the 17th November, 1944, and item 3(a) of Annex "C" to those minutes.

We understand that in pursuance of the decision taken during the Stage II discussions you sent a letter to the War Department, on behalf of the American members of the Combined Committee, asking for the War Department to implement the decision by making payment to the U.K. Government of the sum found to be due under this claim. Since then we have had no further information. I believe, however, that the War Department have now indicated that they are unable to proceed with a settlement unless they can have, for the purposes of the record, a statement from us indicating that the U.K. Government is not prepared to make the facilities available to the U.S. Government on the basis of Reciprocal Aid. The suggestion that Reciprocal Aid should be granted was put forward in a letter dated 6th December, 1943, addressed by Mr. Patterson to Sir Walter Vanning, the Director General of the British Ministry of Supply Missions. In a letter of the 1st February, 1944, to Mr. Patterson, Sir Walter Vanning stated that the U.K. Government had reached the conclusion that the method of settlement in regard to the balance of these facilities should be left over for future consideration as they did not feel justified in agreeing to the proposal that they should be made available on the basis of Reciprocal Aid.

As I have indicated above, the U.K. Government put forward a proposal, in its Stage II Case, that having regard to the difficulties of the U.K. dollar position, the U.S. Government should now implement the arrangements contemplated in 1942 by taking over the balance of the facilities against a dollar payment. That proposal was accepted in principle but

united/

Mr. Secretary

-2-

March 8, 1945.

await implementation. It follows that the U.K. Government have in fact by this action already confirmed that they do not see their way to the facilities in question available to the U.S. Government on the basis of Reciprocal Aid.

May I suggest therefore that you should send a copy of this letter to Mr. Patterson in order that he may have on record the statement by the U.K. Government which he asks for. I also trust that when this has been done it will then be possible for the War Department to implement the decision taken by the main Morgenthau Committee. The British Ministry of Supply Mission remains of course ready to discuss any details which may still require clarification. I should be grateful for any assistance which you, as Chairman of the Combined Committee, can give in securing an early settlement of this matter, to which my Government attach considerable importance.

Yours sincerely,


R.H. Brand.

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

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MAR 13 1945

Dear Mr. Claytons:

Thank you for sending me copies of the documents comprising the Lend-Lease Agreement with the Provisional Government of the French Republic. When the printed documents are ready, we would like ten copies for our use, if that is convenient.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable William L. Clayton,
Assistant Secretary of State,
Washington, D.C.

FOIrl 3/23/45



DEPARTMENT OF STATE
WASHINGTON

March 10, 1945

My dear Mr. Secretary:

Enclosed are copies of the documents comprising the Lend-Lease Agreement signed with the Provisional Government of the French Republic on February 28, 1945. As soon as the formal documents have been printed we shall be glad to provide such additional copies as you may require.

Sincerely yours,

For the Acting Secretary of State:

W. Clayton

Assistant Secretary

Enclosures:

Master Lend-Lease Agreement between the United States and Provisional Government of France
Agreement between the United States and Provisional Government of France
Reciprocal Aid Offer from the French Government
Reciprocal Aid Acceptance by Department of State
Memorandum from Department of State to French Government
Copy of letter dated February 28, 1945 from Mr. Monnet to Mr. Grew with attached statement
Copy of letter dated February 28, 1945 to Mr. Monnet from Mr. Grew
Copy of letter dated February 28, 1945 from Mr. Monnet to Mr. Grew regarding troop pay
Copy of letter dated February 28, 1945 to Mr. Monnet from Mr. Grew regarding troop pay.

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



PRINCIPLES APPLYING TO MUTUAL AID IN THE PROSECUTION OF THE WAR AGAINST AGGRESSION

Preliminary Agreement between the United States of America and the Provisional Government of the French Republic.

Whereas the Government of the United States of America and the Provisional Government of the French Republic declare that they are engaged in a cooperative undertaking, together with every other nation or people of like mind, to the end of laying the bases of a just and enduring world peace securing order under law to themselves and all nations;

And whereas the Government of the United States of America and the Provisional Government of the French Republic, as signatories of the Declaration by United Nations of January 1, 1942, have subscribed to a common program of purposes and principles embodied in the Joint Declaration, known as the Atlantic Charter, made on August 14, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom of Great Britain and Northern Ireland;

And whereas the President of the United States of America has determined, pursuant to the Act of Congress of March 11, 1941, that the defense of any French territory not under the control of the Axis is vital to the defense of the United States of America;

And whereas the United States of America has extended and is continuing to extend to the Provisional Government of the French Republic aid in resisting aggression:

And whereas it is expedient that the final determination of the terms and conditions upon which the Provisional Government of the French Republic receives such aid and of the benefits to be received by the United States of America in return therefor

should be deferred until the extent of the defense aid is known and until the progress of events makes clearer the final terms and conditions and benefits which will be in the mutual interests of the United States of America and France and will promote the establishment and maintenance of world peace;

And whereas the Government of the United States of America and the Provisional Government of the French Republic are mutually desirous of concluding now a preliminary agreement in regard to the provisions of defense aid and in regard to certain considerations which shall be taken into account in determining such terms and conditions and the making of such an agreement has been in all respects duly authorized, and all acts, conditions and formalities which it may have been necessary to perform, fulfill or execute prior to the making of such an agreement in conformity with the laws either of the United States of America or of France have been performed, fulfilled or executed as required;

The undersigned, being duly authorized by their respective Governments for that purpose, have agreed as follows:

Article I

The Government of the United States of America will continue to supply the Provisional Government of the French Republic with such defense articles, defense services, and defense information as the President of the United States of America shall authorize to be transferred or provided.

Article II

The Provisional Government of the French Republic will continue to contribute to the defense of the United States of America and the strengthening thereof and will provide such

articles, services, facilities or information as it may be in a position to supply.

Article III

The Provisional Government of the French Republic will not without the consent of the President of the United States of America transfer title to, or possession of, any defense article or defense information transferred to it under the Act of March 11, 1941 of the Congress of the United States of America or permit the use thereof by anyone not an officer, employee, or agent of the Provisional Government of the French Republic.

Article IV

If, as a result of the transfer to the Provisional Government of the French Republic of any defense article or defense information, it becomes necessary for that Government to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States of America who has patent rights in and to any such defense article or information, the Provisional Government of the French Republic will take such action or make such payment when requested to do so by the President of the United States of America.

Article V

The Provisional Government of the French Republic will return to the United States of America at the end of the present emergency, as determined by the President of the United States of America, such defense articles transferred under this Agreement as shall not have been destroyed, lost or consumed and as shall be determined by the President to be useful in the defense of the United States of America or of the Western Hemisphere or to be otherwise of use to the United States of America.

Article VI

In the final determination of the benefits to be provided to the United States of America by the Provisional Government of the French Republic full cognizance shall be taken of all property, services, information, facilities, or other benefits or considerations provided by the Provisional Government of the French Republic subsequent to March 11, 1941, and accepted or acknowledged by the President on behalf of the United States of America.

Article VII

In the final determination of the benefits to be provided to the United States of America by the Provisional Government of the French Republic in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the two countries, but to promote mutually advantageous economic relations between them and the betterment of worldwide economic relations. To that end, they shall include provision for agreed action by the United States of America and France, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 14, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments.

Article VIII

This Agreement shall take effect as from this day's date. It shall continue in force until a date to be agreed upon by the two Governments.

Signed at Washington in duplicate this 28th day of February, 1945.

FOR THE GOVERNMENT OF THE UNITED STATES OF AMERICA:

FOR THE PROVISIONAL GOVERNMENT OF THE FRENCH REPUBLIC:

AGREEMENT
Between the United States of America and
the Provisional Government of the French Republic

As parties signatory to the United Nations Declaration of January 1, 1942, the Government of the United States of America and the Provisional Government of the French Republic have pledged themselves to employ their full resources, military and economic, against those nations with which they are at war. In the preliminary agreement of February 28, 1945 between the Government of the United States of America and the Provisional Government of the French Republic, on the principles applying to mutual aid, each contracting government undertakes to provide the other with such articles, services, facilities and information useful in the prosecution of their common war undertaking as each may be in a position to supply.

The Government of the United States of America and the Provisional Government of the French Republic desire to insure the continuing provision of such articles, services, facilities or information without interruption owing to any uncertainty as to the date when the military resistance of the common enemy may cease; and desire to insure further that such articles, services, facilities or information as shall be agreed to be furnished by the United States for the purpose of providing war aid to the Provisional Government of the French Republic shall be disposed of and transferred, following a determination

by the

such of the articles and services set forth in Schedule 1 annexed hereto, to the Provisional Government of the French Republic.

By the President that such aid is no longer necessary to the prosecution of the war, in an orderly manner which will best promote their mutual interests.

For the purpose of attaining the above-stated objectives, the Government of the United States of America and the Provisional Government of the French Republic agree as follows:

ARTICLE I

All aid undertaken to be provided by the United States of America under this agreement shall be for Continental France and shall be made available under the authority and subject to the terms and conditions of the Act of Congress of March 11, 1941, as amended and any appropriation acts thereunder.

ARTICLE II

The United States of America will transfer or render such of the articles and services set forth in Schedule 1 annexed hereto, to the Provisional Government of the French Republic, as the President of the United States of America may authorize to be provided prior to a determination by the President that such articles and services are no longer necessary to the prosecution of the war. Any articles and services set forth in Schedule 1 transferred or rendered to the Provisional Government of the French Republic prior to such determination shall be provided upon terms the final determination of which shall be deferred until the extent of lend-lease aid provided by the United States of America and of reciprocal aid provided by the

AGREEMENT
Between the United States of America and
the Provisional Government of the French Republic

As parties signatory to the United Nations Declaration of January 1, 1942, the Government of the United States of America and the Provisional Government of the French Republic have pledged themselves to employ their full resources, military and economic, against those nations with which they are at war. In the preliminary agreement of February 28, 1945 between the Government of the United States of America and the Provisional Government of the French Republic, on the principles applying to mutual aid, each contracting government undertakes to provide the other with such articles, services, facilities and information useful in the prosecution of their common war undertaking as each may be in a position to supply.

The Government of the United States of America and the Provisional Government of the French Republic desire to insure the continuing provision of such articles, services, facilities or information without interruption owing to any uncertainty as to the date when the military resistance of the common enemy may cease; and desire to insure further that such articles, services, facilities, or information, as shall be agreed to be furnished by the United States for the purpose of providing war aid to the Provisional Government of the French Republic shall be disposed of and transferred, following a determination by the

such of the articles and services set forth in Schedule 1 annexed hereto, to the Provisional Government of the French Republic.

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All aid undertaken to be provided by the United States of America under this agreement shall be for Continental France and shall be made available under the authority and subject to the terms and conditions of the Act of Congress of March 11, 1941, as amended and any appropriation acts thereunder.

ARTICLE II

The United States of America will transfer or render such of the articles and services set forth in Schedule 1 annexed hereto, to the Provisional Government of the French Republic, as the President of the United States of America may authorize to be provided prior to a determination by the President that such articles and services are no longer necessary to the prosecution of the war. Any articles and services set forth in Schedule 1 transferred or rendered to the Provisional Government of the French Republic prior to such determination shall be provided upon terms the final determination of which shall be deferred until the extent of lend-lease aid provided by the United States of America and of reciprocal aid provided by the

-3-

by the Provisional Government of the French Republic is known and until the progress of events makes clearer the final terms, conditions and benefits which will be in the mutual interests of the United States of America and France, in accordance with the terms of the preliminary agreement of February 28, 1948, and which will promote the establishment and maintenance of world peace.

ARTICLE III

After a determination by the President of the United States of America that any of the articles and services set forth in Schedule 1 are no longer necessary to the prosecution of the war, the United States of America will transfer or render, within such periods of time as may be authorized by law, and the Provisional Government of the French Republic will accept, such articles and services as shall not have been transferred or rendered to the Provisional Government of the French Republic prior to said determination.

The Provisional Government of the French Republic undertakes to pay the United States of America in dollars for the articles and services transferred or rendered under the provisions of this Article in accordance with the terms and conditions prescribed in Schedule 1 annexed hereto.

ARTICLE IV

The United States of America undertakes to transfer to the Provisional Government of the French Republic,
within

-4-

within such periods of time as may be authorized by law, and the Provisional Government of the French Republic agrees to accept, the defense articles set forth in Schedule 2, annexed hereto. The Provisional Government of the French Republic undertakes to pay the United States of America in dollars for the articles transferred under the provisions of this Article in accordance with the terms and conditions prescribed in said Schedule 2.

ARTICLE V

Changes may be made from time to time in the items set forth in Schedules 1 and 2 annexed hereto, by mutual agreement between the United States of America and the Provisional Government of the French Republic.

The Provisional Government of the French Republic shall be released from its obligation to accept articles or services, under Article III and Article IV above, upon payment to the Government of the United States of America of any net losses to the Government of the United States of America including contract cancellation charges resulting from the determination of the Provisional Government of the French Republic not to accept such articles or services.

Delivery of any articles or services, under the provisions of Article III and Article IV, may be withheld by the Government of the United States of America without cost to the Provisional Government of the French Republic whenever the President determines that such action is in the national interest.

ARTICLE VI

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ARTICLE VI

Any amounts paid to the Government of the United States of America pursuant to the terms of this agreement shall be deemed to be among the benefits or considerations provided by the Provisional Government of the French Republic pursuant to Article VI of the preliminary agreement of February 28, 1945.

SCHEDULE I

The terms and conditions upon which the articles and services listed below are to be transferred by the United States of America to the Provisional Government of the French Republic after the determination by the President of the United States that such aid is no longer necessary in the prosecution of the war, in accordance with Article III hereof, are as follows:

A. Unless otherwise provided by mutual agreements, transfers of articles shall take place, and title and risk of loss shall pass to the Provisional Government of the French Republic, immediately upon loading of the articles on board ocean vessel in a United States port, provided, that those articles which, prior to the end of the periods authorized by law, shall have been contracted for by the United States Government and shall not have been transferred to the Provisional Government of the French Republic as above set forth, shall be deemed to be transferred, and title and risk of loss shall pass to the Provisional Government of the French Republic, upon the last day of such periods.

B. The amount which the Provisional Government of the French Republic shall pay to the United States of America for articles transferred under the provisions of Article III of this Agreement, shall be the total purchase price, which shall be the sum of the following items, as determined by the President of the United States, or an officer of the United States Government designated by him:

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1. The price of the articles, which shall be determined as follows:

(a) In the case of standard supplies the price shall be the current sale price or the adjusted contract price, whichever is lower; provided, that in the event the current sale price is not determined, the price shall be the adjusted contract price less five per cent of such adjusted contract price.

In the case of non-standard supplies which shall have been delivered to the United States by the contractor prior to thirty days following the date of a determination by the President that such articles are no longer necessary in the prosecution of the war, the price shall be the current sale price or the adjusted contract price, whichever is lower; provided, that in the event the current sale price is not determined, the price shall be the adjusted contract price less five per cent of such adjusted contract price. In the case of non-standard supplies which shall have been delivered to the United States by the contractor subsequent to thirty days following the aforesaid date of the determination by the President, the price shall be the adjusted contract price.

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(b) The determination of the said price of supplies by the President, or an officer of the United States Government designated by him, shall be made in accordance with the following definitions:

The term "standard supplies" shall mean those supplies which have been contracted for by the United States Government in accordance with standard United States specifications. The term "non-standard supplies" shall mean those supplies which have been contracted for by the United States Government in accordance with non-standard United States specifications. It is understood that those supplies which are standard except for minor non-standard features, attachments or adjustments shall be deemed to be standard supplies.

The term "adjusted contract price" shall mean the contract purchase price f.o.b. point of origin paid by the United States Government to the contractor, less five per cent of such contract purchase price, or, if such contract purchase price cannot be determined for the particular supplies transferred, the estimated average contract purchase price f.o.b. point of origin paid by the United States Government for similar supplies during a period of three months preceding the aforesaid date of the determination by the

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President of the United States, less five per cent of such average contract purchase price.

The term "current sale price" of particular standard or non-standard supplies transferred to the Provisional Government of the French Republic shall mean the price at which similar standard supplies of comparable quality and in comparable quantity have been sold by the United States Government, at or about the time of transfer of the particular supplies to the Provisional Government of the French Republic, to any foreign or domestic buyer. It is understood that "foreign or domestic buyer" shall be deemed to exclude United States Government agencies, States and political sub-divisions thereof, United States public, charitable, or educational institutions, relief organizations, and any persons or organizations which may purchase supplies on special financial terms provided by law.

B. The sum of any costs for inland transportation, storage, insurance and other charges incidental to delivery of the articles at shipside, incurred by the United States, as determined by the President of the United States or an officer designated by him. The United States will inform the Provisional Government of the French Republic from time to time of the amounts of such costs incurred and the bases on which they have been determined.

C. Payment of the total purchase price for all articles transferred under the provisions of Article III

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of this Agreement, shall be made by the Provisional Government of the French Republic within a period of thirty years after the execution of this agreement.

1. Payment of the total purchase price of any article so transferred shall be made in equal annual installments the first of which shall become due and payable on July 1, 1946, or on the first of July next following the day on which such article shall have been transferred, whichever is later.

2. Nothing herein shall be construed to prevent the Provisional Government of the French Republic from anticipating the payment of any of such installments or any part thereof.

3. If, by agreement of the United States of America and the Provisional Government of the French Republic, it is determined that, because of extraordinary and adverse economic conditions arising during the course of payment, the payment of a due installment would not be in the joint interest of the United States and the Provisional Government of the French Republic, payment may be postponed for an agreed upon period.

D. Interest on the unpaid balances of the total purchase price determined under paragraph B above for any article so transferred, shall be paid by the Provisional Government of the French Republic at the fixed rate of two and three-eighths per cent per annum, accruing from the first day of July, 1946 or from the first day of July next following the day on which such article shall have been transferred, whichever is later. Interest shall be

transferred, whichever is later. Interest shall be payable annually, the first payment to be made on the first day of July next following the first day of July on which such interest began to accrue.

H. The Provisional Government of the French Republic shall pay to the United States the cost of the services listed in this schedule to the extent that such services shall be rendered to the Provisional Government of the French Republic following the determination by the President that such services are no longer necessary to the prosecution of the war. The cost of such services, so rendered, shall be determined by the President of the United States and shall be paid by the Provisional Government of the French Republic in accordance with the same terms as provided for the payment of the total purchase price of the articles provided hereunder, as set forth in Section C above. Interest shall be paid on the unpaid balances of the cost of such services in accordance with the terms of section D hereof.

The total purchase price value of all the articles and services in this schedule I shall not exceed \$1,675,000,000. Such articles and services and their estimated cost to the Government of the United States are as follows:

New Materials For War Use and Essential Civilian Supply (Cotton, Metals, Steel Chemicals, Synthetic Rubber, Drugs, Medical Supplies, etc.)	\$ 840,000,000
Food (Milk, Pulses, Edible Oils, Oil Seed, Seeds)	185,000,000
Petroleum Supplies	132,000,000
French Prisoner-of-war Supplies	48,000,000

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(continued)

Short Life Manufacturing Equipment for War Production	280,000,000
Freight Charges (Rental and Charter of Vessels)	220,000,000
	\$1,675,000,000

SCHEDULE 2

The terms and conditions upon which the supplies listed below are to be transferred by the Government of the United States of America to the Provisional Government of the French Republic under the provisions of Article IV of this agreement are as follows:

1. Transfers of articles shall take place, and title and risk of loss shall pass to the Provisional Government of the French Republic, upon the same terms as are set out in Schedule 1 annexed to this agreement.

2. The Provisional Government of the French Republic shall pay to the United States of America, upon transfer, an amount equivalent to twenty (20) per cent of the total purchase price, as defined in Schedule 1 above, of the articles transferred to the Provisional Government of the French Republic under the terms of Article IV of this agreement.

3. The Provisional Government of the French Republic shall pay the United States of America the balance of the total purchase price of the articles transferred under Article IV of this agreement on or before the last day of the thirtieth year following the day upon which this agreement is executed. Payment of the balance of the total purchase price with regard to each article so transferred shall be made in equal annual installments, the

first of which shall become due and payable on July 1, 1946 or on the first of July next following the day on which such article shall have been transferred, whichever is later.

4. Nothing herein shall be construed to prevent the Provisional Government of the French Republic from anticipating the payment of any of such installments, or of any part thereof.

5. If by agreement of both Governments it is determined that because of extraordinary adverse economic conditions arising during the course of payment the payment of a due installment could not be in the joint interest of the United States of America and the Provisional Government of the French Republic payment may be postponed for an agreed-upon period.

6. The cost or expenses for overseas transportation of any of the articles listed in this Schedule 2 are included in the item "Freight Charges" listed in Schedule 1 and shall be paid by the Provisional Government of the French Republic on the terms specified in that Schedule. Such cost or expenses shall be limited to "Freight Charges" on United States vessels.

7. Interest on any unpaid portion of the balance of the total purchase price, above specified, of any article so transferred shall be paid by the Provisional Government of the French Republic at a fixed rate of 3 3/8 per cent per annum accruing from the first day of July, 1946 or from the first day of July next following the day on which such article shall have been transferred, whichever is

later. Interest shall be payable annually, the first payment to be made on the first day of July next following the first day of July on which such interest began to accrue.

8. The total purchase price value of the articles in this Schedule 2 shall not exceed a total of \$900,000,000. The articles in this Schedule 2 and their estimated cost to the Government of the United States of America are as follows:

Locomotives	\$200,000,000
Railroad Cars	120,000,000
Merchant Marines	140,000,000
Harbor Watercraft	32,000,000
Fishing Fleet	8,000,000
Inland Watercraft (Barges)	50,000,000
Metal Working Machinery	100,000,000
Industrial Equipment	150,000,000
Machinery for Mines, Arsenals, etc.	100,000,000

	\$900,000,000

Signed at Washington in duplicate this 28th day of February, 1945.

For the Provisional Government of the French Republic:

For the Government of the United States of America:

AGREEMENT
Between the Provisional Government of the
French Republic and the United States of America

As parties signatory to the United Nations Declaration of January 1, 1942, the Provisional Government of the French Republic and the Government of the United States of America have pledged themselves to employ their full resources, military and economic, against those nations with which they are at war. In the preliminary agreement of February 23, 1945, between the Provisional Government of the French Republic and the Government of the United States of America, on the principles applying to mutual aid, each contracting government undertakes to provide the other with such articles, services, facilities and information useful in the prosecution of their common war undertaking as each may be in a position to supply.

The Provisional Government of the French Republic and the Government of the United States of America desire to insure the continuing provision of such articles, services, facilities or information without interruption owing to any uncertainty as to the date when the military resistance of the common enemy may cease; and desire to insure further that such articles, services, facilities or information as shall be agreed to be furnished by the United States for the purpose of providing war aid to the Provisional Government of the French Republic shall

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shall be disposed of and transferred, following a determination by the President that such aid is no longer necessary to the prosecution of the war, in an orderly manner which will best promote their mutual interests.

For the purpose of attaining the above-stated objectives, the Provisional Government of the French Republic and the Government of the United States of America agree as follows:

ARTICLE I

All aid undertaken to be provided by the United States of America under this agreement shall be for Continental France and shall be made available under the authority and subject to the terms and conditions of the Act of Congress of March 11, 1941, as amended and any appropriation acts thereunder.

ARTICLE II

The United States of America will transfer or render such of the articles and services set forth in Schedule I annexed hereto, to the Provisional Government of the French Republic, as the President of the United States of America may authorize to be provided prior to a determination by the President that such articles and services are no longer necessary to the prosecution of the war. Any articles and services set forth in Schedule I transferred or rendered to the Provisional Government of the French Republic prior to such determination shall be provided upon terms the final determination of which shall be deferred until the extent

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extent of lend-lease aid provided by the United States of America and of reciprocal aid provided by the Provisional Government of the French Republic is known and until the progress of events makes clearer the final terms, conditions and benefits which will be in the mutual interests of the United States of America and France, in accordance with the terms of the preliminary agreement of February 20, 1945, and which will promote the establishment and maintenance of world peace.

ARTICLE III

After a determination by the President of the United States of America that any of the articles and services set forth in Schedule I are no longer necessary to the prosecution of the war, the United States of America will transfer or render, within such periods of time as may be authorized by law, and the Provisional Government of the French Republic will accept, such articles and services as shall not have been transferred or rendered to the Provisional Government of the French Republic prior to said determination.

The Provisional Government of the French Republic undertakes to pay the United States of America in dollars for the articles and services transferred or rendered under the provisions of this Article in accordance with the terms and conditions prescribed in Schedule I annexed hereto.

ARTICLE IV

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ARTICLE IV

The United States of America undertakes to transfer to the Provisional Government of the French Republic, within such periods of time as may be authorized by law, and the Provisional Government of the French Republic agrees to accept, the defense articles set forth in Schedule 2, annexed hereto. The Provisional Government of the French Republic undertakes to pay the United States of America in dollars for the articles transferred under the provisions of this Article in accordance with the terms and conditions prescribed in said Schedule 2.

ARTICLE V

Changes may be made from time to time in the items set forth in Schedules 1 and 2 annexed hereto, by mutual agreement between the Provisional Government of the French Republic and the United States of America.

The Provisional Government of the French Republic shall be released from its obligation to accept articles or services, under Article III and Article IV above, upon payment to the Government of the United States of America of any net losses to the Government of the United States of America including contract cancellation charges resulting from the determination of the Provisional Government of the French Republic not to accept such articles or services.

Delivery of any articles or services, under the provisions of Article III and Article IV, may be withheld by the

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by the Government of the United States of America without cost to the Provisional Government of the French Republic whenever the President determines that such action is in the national interest.

ARTICLE VI

Any amounts paid to the Government of the United States of America pursuant to the terms of this agreement shall be deemed to be among the benefits or considerations provided by the Provisional Government of the French Republic pursuant to Article VI of the preliminary agreement of February 28, 1943.

SCHEDULE I

The terms and conditions upon which the articles and services listed below are to be transferred by the United States of America to the Provisional Government of the French Republic after the determination by the President of the United States that such aid is no longer necessary in the prosecution of the war, in accordance with Article III hereof, are as follows:

A. Unless otherwise provided by mutual agreements, transfers of articles shall take place, and title and risk of loss shall pass to the Provisional Government of the French Republic, immediately upon loading of the articles on board ocean vessel in a United States port, provided, that those articles which, prior to the end of the periods authorized by law, shall have been contracted for by the United States Government and shall not have been transferred to the Provisional Government of the French Republic as above set forth, shall be deemed to be transferred, and title and risk of loss shall pass to the Provisional Government of the French Republic, upon the last day of such periods.

B. The amount which the Provisional Government of the French Republic shall pay to the United States of America for articles transferred under the provisions of Article III of this Agreement shall be the total purchase price, which shall be the sum of the following items, as determined by the President of the United States, or an officer of the United States Government designated by him:

- 2 -

1. The price of the articles, which shall be determined as follows:

(a) In the case of standard supplies the price shall be the current sale price or the adjusted contract price, whichever is lower; provided, that in the event the current sale price is not determined, the price shall be the adjusted contract price less five per cent of such adjusted contract price.

In the case of non-standard supplies which shall have been delivered to the United States by the contractor prior to thirty days following the date of a determination by the President that such articles are no longer necessary in the prosecution of the war, the price shall be the current sale price or the adjusted contract price, whichever is lower; provided, that in the event the current sale price is not determined, the price shall be the adjusted contract price less five per cent of such adjusted contract price. In the case of non-standard supplies which shall have been delivered to the United States by the contractor subsequent to thirty days following the aforesaid date of the determination by the President, the price shall be the adjusted contract price.

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(b) The determination of the said price of supplies by the President, or an officer of the United States Government designated by him, shall be made in accordance with the following definitions:

The term "standard supplies" shall mean those supplies which have been contracted for by the United States Government in accordance with standard United States specifications. The term "non-standard supplies" shall mean those supplies which have been contracted for by the United States Government in accordance with non-standard United States specifications. It is understood that those supplies which are standard except for minor non-standard features, attachments or adjustments shall be deemed to be standard supplies.

The term "adjusted contract price" shall mean the contract purchase price f.o.b. point of origin paid by the United States Government to the contractor, less five per cent of such contract purchase price, or, if such contract purchase price cannot be determined for the particular supplies transferred, the estimated average contract purchase price f.o.b. point of origin paid by the United States Government for similar supplies during a period of three months preceding the aforesaid date of the determination by the

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President of the United States, less five per cent of such average contract purchase price.

The term "current sale price" of particular standard or non-standard supplies transferred to the Provisional Government of the French Republic shall mean the price at which similar standard supplies of comparable quality and in comparable quantity have been sold by the United States Government, at or about the time of transfer of the particular supplies to the Provisional Government of the French Republic, to any foreign or domestic buyer. It is understood that "foreign or domestic buyer" shall be deemed to exclude United States Government agencies, States and political sub-divisions thereof, United States public, charitable, or educational institutions, relief organizations, and any persons or organizations which may purchase supplies on special financial terms provided by law.

2. The sum of any costs for inland transportation, storage, insurance and other charges incidental to delivery of the articles at shipside, incurred by the United States, as determined by the President of the United States or an officer designated by him. The United States will inform the Provisional Government of the French Republic from time to time of the amounts of such costs incurred and the bases on which they have been determined.

C. Payment of the total purchase price for all articles transferred under the provisions of Article III

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of this Agreement, shall be made by the Provisional Government of the French Republic within a period of thirty years after the execution of this agreement.

1. Payment of the total purchase price of any article so transferred shall be made in equal annual installments the first of which shall become due and payable on July 1, 1946, or on the first of July next following the day on which such article shall have been transferred, whichever is later.

2. Nothing herein shall be construed to prevent the Provisional Government of the French Republic from anticipating the payment of any of such installments or any part thereof.

3. If, by agreement of the Provisional Government of the French Republic and of the United States of America, it is determined that, because of extraordinary and adverse economic conditions arising during the course of payment, the payment of a due installment would not be in the joint interest of the Provisional Government of the French Republic and the United States, payment may be postponed for an agreed upon period.

D. Interest on the unpaid balances of the total purchase price determined under paragraph B above for any article so transferred, shall be paid by the Provisional Government of the French Republic at the fixed rate of two and three-eighths per cent per annum, accruing from the first day of July, 1946 or from the first day of July next following the day on which such article shall have been transferred,

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payable annually, the first payment to be made on the first day of July next following the first day of July on which such interest began to accrue.

E. The Provisional Government of the French Republic shall pay to the United States the cost of the services listed in this schedule to the extent that such services shall be rendered to the Provisional Government of the French Republic following the determination by the President that such services are no longer necessary to the prosecution of the war. The cost of such services, so rendered, shall be determined by the President of the United States and shall be paid by the Provisional Government of the French Republic in accordance with the same terms as provided for the payment of the total purchase price of the articles provided hereunder, as set forth in Section C above. Interest shall be paid on the unpaid balances of the cost of such services in accordance with the terms of section D hereof.

The total purchase price value of all the articles and services in this schedule 1 shall not exceed \$1,075,000,000. Such articles and services and their estimated cost to the Government of the United States are as follows:

Raw Materials for War Use and Essential Civilian Supply, (Cotton, Metals, Steel, Chemicals, Synthetic Rubber, Drugs, Medical Supplies, etc.)	\$ 840,000,000
Food (Milk, Pulses, Edible Oils, Oil Seed, Seeds)	185,000,000
Petroleum Supplies	132,000,000
French Prisoner-of-war Supplies	48,000,000

(continued)

Short Life Manufacturing Equipment for Air Production	\$5,000,000
Freight Charges (Antilles, Charter of Vessels)	\$20,000,000
	\$1,075,000,000

SECTION C

The terms and conditions upon which the supplies listed below are to be transferred by the Government of the United States of America to the Provisional Government of the French Republic under the provisions of Article IV of this agreement are as follows:

1. Transfers of articles shall take place, and title and risk of loss shall pass to the Provisional Government of the French Republic, upon the same terms as are set out in Schedule 1 annexed to this agreement.

2. The Provisional Government of the French Republic shall pay to the United States of America, upon transfer, an amount equivalent to twenty (20) per cent of the total purchase price, as defined in Schedule 1 above, of the articles transferred to the Provisional Government of the French Republic under the terms of Article IV of this agreement.

3. The Provisional Government of the French Republic shall pay the United States of America the balance of the total purchase price of the articles transferred under Article IV of this agreement on or before the last day of the thirtieth year following the day upon which this agreement is executed. Payment of the balance of the total purchase price with regard to each article so transferred shall be made in equal annual installments, the

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payable annually, the first payment to be made on the first day of July next following the first day of July on which such interest began to accrue.

E. The Provisional Government of the French Republic shall pay to the United States the cost of the services listed in this schedule to the extent that such services shall be rendered to the Provisional Government of the French Republic following the determination by the President that such services are no longer necessary to the prosecution of the war. The cost of such services, as rendered, shall be determined by the President of the United States and shall be paid by the Provisional Government of the French Republic in accordance with the same terms as provided for the payment of the total purchase price of the articles provided hereunder, as set forth in Section C above. Interest shall be paid on the unpaid balance of the cost of such services in accordance with the terms of section B hereof.

The total purchase price value of all the articles and services in this schedule 1 shall not exceed \$1,075,000,000. Such articles and services and their estimated cost to the Government of the United States are as follows:

Raw Materials for War Use and Essential Civilian Supply. (Cotton, Metals, Steel Chemicals, Synthetic Rubber, Drugs, Medical Supplies, etc.)	\$ 840,000,000
Food (Milk, Pulses, Edible Oils, Oil Seed, Seeds)	185,000,000
Petroleum Supplies	132,000,000
French Prisoner-of-war Supplies	48,000,000

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(continued)

Short life manufacturing equipment for war production	\$50,000,000
Freight charges (including charter of tonnage)	\$50,000,000
	\$1,075,000,000

The terms and conditions upon which the supplies listed below are to be transferred by the Government of the United States of America to the Provisional Government of the French Republic under the provisions of article IV of this agreement are as follows:

1. Transfers of articles shall take place, and title and risk of loss shall pass to the Provisional Government of the French Republic, upon the same terms as are set out in schedule 1 annexed to this agreement.

2. The Provisional Government of the French Republic shall pay to the United States of America upon transfer, an amount equivalent to twenty (20) per cent of the total purchase price, as defined in Schedule 1 above, of the articles transferred to the Provisional Government of the French Republic under the terms of article IV of this agreement.

3. The Provisional Government of the French Republic shall pay the United States of America the balance of the total purchase price of the articles transferred under Article IV of this agreement on or before the last day of the thirtieth year following the day upon which this agreement is executed. Payment of the balance of the total purchase price with regard to each article so transferred shall be made in equal annual installments, the

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first of which shall become due and payable on July 1, 1946, or on the first of July next following the day on which such article shall have been transferred, whichever is later.

4. Nothing herein shall be construed to prevent the Provisional Government of the French Republic from anticipating the payment of any of such installments, or of any part thereof.

5. If by agreement of both governments it is determined that because of extraordinary adverse economic conditions arising during the course of payment, the payment of a due installment would not be in the joint interest of the Provisional Government of the French Republic and the United States of America, payment may be postponed for an agreed-upon period.

6. The cost or expenses for overseas transportation of any of the articles listed in this Schedule 2 are included in the item "Freight Charges" listed in Schedule 1 and shall be paid by the Provisional Government of the French Republic on the terms specified in that Schedule. Such cost or expenses shall be limited to "Freight Charges" on United States vessels.

7. Interest on any unpaid portion of the balance of the total purchase price, above specified, of any article so transferred shall be paid by the Provisional Government of the French Republic at a fixed rate of $2\frac{3}{8}$ per cent per annum accruing from the first day of July, 1946 or from the first day of July next following the day on which such article shall have been transferred, whichever is

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later. Interest shall be payable annually, the first payment to be made on the first day of July next following the first day of July on which such interest began to accrue.

8. The total purchase price value of the articles in this Schedule 2 shall not exceed a total of \$900,000,000. The articles in this Schedule 2 and their estimated cost to the Government of the United States of America are as follows:

Locomotives	\$200,000,000
Railroad Cars	120,000,000
Merchant Marines	140,000,000
Harbor Watercraft	32,000,000
Fishing Fleet	8,000,000
Inland Watercraft (Barges)	50,000,000
Metal Working Machinery	100,000,000
Industrial Equipment	150,000,000
Machinery for Mines, Aeronautics, etc.	100,000,000
	<hr/>
	\$900,000,000

Signed at Washington in duplicate this 28th day of February, 1946.

For the Government of the United States of America:

For the Provisional Government of the French Republic:

MINUTES, FEBRUARY 28, 1945.

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IN THE UNITED NATIONS' DECLARATION OF JANUARY 1, 1945, THE CONTRACTING GOVERNMENTS PLEDGED THEMSELVES TO EMPLOY THEIR FULL ECONOMIC, MILITARY OR ECONOMIC, AGAINST THOSE NATIONS WITH WHICH THEY WERE AT WAR; AND IN THE PRELIMINARY AGREEMENT OF FEBRUARY 28, 1945 BETWEEN THE GOVERNMENT OF THE UNITED STATES AND THE PROVISIONAL GOVERNMENT OF FRANCE ON THE PRINCIPLES APPLYING TO MUTUAL AID, EACH CONTRACTING GOVERNMENT UNDERTAKES TO PROVIDE THE OTHER WITH SUCH ARTICLES, SERVICES, FACILITIES, OR INFORMATION USEFUL IN THE PROSECUTION OF THEIR COMMON WAR EFFORT AS IT MIGHT BE IN A POSITION TO SUPPLY. IT IS THE UNDERSTANDING OF THE PROVISIONAL GOVERNMENT OF FRANCE THAT THE GENERAL PRINCIPLE TO BE FOLLOWED IN PROVIDING MUTUAL AID AS SET FORTH IN THE SAID AGREEMENT OF FEBRUARY 28, 1945 IS THAT THE WAR PRODUCTION AND THE WAR RESOURCES OF BOTH NATIONS SHOULD BE USED BY EACH IN WAYS WHICH MOST EFFECTIVELY UTILIZE THE AVAILABLE MATERIALS, MANPOWER, PRODUCTION FACILITIES, SHIPPING SPACE, AND OTHER RESOURCES.

WITH A VIEW, THEREFORE, TO SUPPLEMENTING THE SAID AGREEMENT OF FEBRUARY 28, 1945 AND THE MEMORANDUM RELATING TO LEND-LEASE AND RECIPROCAL AID AND THE MINUTES ATTACHED THERETO, AGREED AND EXCHANGED BY THE UNITED STATES AND FRENCH REPRESENTATIVES ON AUGUST 28, 1944, WE HAVE THE HONOR TO SET FORTH BELOW THE UNDERSTANDING OF THE PROVISIONAL GOVERNMENT OF FRANCE OF THE PRINCIPLES AND PROCEDURES APPLICABLE TO THE PROVISION OF AID BY THE PROVISIONAL GOVERNMENT OF FRANCE TO THE ARMED FORCES OF THE UNITED STATES AND THE MANNER IN WHICH SUCH AID WILL BE CORRELATED WITH THE MAINTENANCE OF THOSE FORCES BY THE UNITED STATES GOVERNMENT.

1. THE ...

THE HONORABLE JOSEPH C. GREY,
ACTING SECRETARY OF STATE,
U. S. DEPARTMENT OF STATE,
WASHINGTON, D.C.

1. THE PROVISIONAL GOVERNMENT OF FRANCE, RETAINING THE RIGHT OF FINAL DECISION, IN THE LIGHT OF ITS OWN POTENTIALITIES AND RESPONSIBILITIES, WILL PROVIDE THE UNITED STATES OF ITS ARMED FORCES WITH THE FOLLOWING TYPES OF AID: (A) TANGIBLE RECIPROCAL AID, SUCH AND TO THE EXTENT THAT IT IS FOUND THAT THEY CAN MOST EFFECTIVELY BE PROCURED IN CONTINENTAL FRANCE.

- (A) MILITARY EQUIPMENT, MUNITION, AND MILITARY AND NAVAL STORES;
- (B) OTHER SUPPLIES, MATERIALS, FACILITIES, SERVICES, OR INFORMATION FOR UNITED STATES FORCES, EXCEPT FOR THE PAY, ALLOWANCES, AND OTHER EMOLUMENTS OF SUCH FORCES AND THE ADMINISTRATIVE EXPENSES OF AMERICAN MISSIONS;
- (C) SUPPLIES, MATERIALS, FACILITIES, SERVICES, OR INFORMATION EXCEPT FOR THE WAGES AND SALARIES OF UNITED STATES CITIZENS, NEEDED IN THE CONSTRUCTION OF MILITARY PROJECTS, TASKS, AND SIMILAR CAPITAL WORKS REQUIRED IN THE COMMON WAR EFFORT;
- (D) SETTLEMENT AND PAYMENT OF APPROPRIATE CIVIL CLAIMS ARISING IN FRENCH TERRITORY AGAINST THE UNITED STATES AND ITS ARMED FORCES, EMPLOYEES, AND OFFICERS;
- (E) SHIP BALLAST, IN ORDER TO ASSIST IN OBTAINING MAXIMUM EFFICIENCY IN THE USE OF SHIPPING; PROVIDED, HOWEVER, THAT ANY NET PROCEEDS RESULTING FROM THE SALE OF SUCH BALLAST SHALL BE PAID TO THE PROVISIONAL GOVERNMENT OF FRANCE;
- (F) SUCH OTHER SUPPLIES, MATERIALS, FACILITIES OR SERVICES AS MAY BE AGREED UPON AS NECESSARY IN THE PROSECUTION OF THE WAR, INCLUDING MATERIALS FOR WAR PRODUCTION, REQUESTED BY THE UNITED STATES TO BE EXPORTED FROM CONTINENTAL FRANCE TO THE UNITED STATES OF AMERICA.

2. THE PRACTICAL APPLICATION OF THE PRINCIPLES FORMULATED IN THIS NOTE, INCLUDING THE PROCEDURE BY WHICH REQUESTS FOR AID BY EITHER GOVERNMENT ARE MADE AND ACTED UPON, SHALL BE WORKED OUT AS OCCASION MAY REQUIRE BY AGREEMENT BETWEEN THE TWO GOVERNMENTS, ACTING WHEN POSSIBLE THROUGH THEIR APPROPRIATE MILITARY OR CIVILIAN ADMINISTRATIVE AUTHORITIES. REQUESTS BY THE UNITED STATES GOVERNMENT FOR SUCH AID WILL BE PRESENTED BY DULY AUTHORIZED AUTHORITIES OF THE UNITED STATES TO OFFICIAL AGENCIES OF THE PROVISIONAL GOVERNMENT OF FRANCE WHICH WILL BE DESIGNATED OR ESTABLISHED AT CONVENIENT LOCATIONS FOR THE PURPOSE OF FACILITATING THE PROVISION OF RECIPROCAL AID.

3. IT IS THE UNDERSTANDING OF THE PROVISIONAL GOVERNMENT OF FRANCE THAT ALL SUCH AID, AS WELL AS OTHER AID, INCLUDING INFORMATION, RECEIVED UNDER ARTICLE VI OF THE PRELIMINARY AGREEMENT OF FEBRUARY 28, 1948, ACCEPTED BY THE PRESIDENT OF THE UNITED STATES OR HIS AUTHORIZED REPRESENTATIVES FROM THE PROVISIONAL GOVERNMENT OF FRANCE WILL BE RECEIVED AS A BENEFIT TO THE UNITED STATES UNDER THE ACT OF MARCH 11, 1941. INsofar AS CIRCUMSTANCES WILL PERMIT, APPROPRIATE RECORD OF AID RECEIVED UNDER THIS ARRANGEMENT WILL BE KEPT BY EACH GOVERNMENT.

IN ORDER TO FACILITATE THE PROCUREMENT OF THE SUPPLIES, MATERIALS, FACILITIES, INFORMATION AND SERVICES DESCRIBED IN SECTION 1 HEREOF BY PERMITTING THEIR DIRECT PURCHASE RATHER THAN THEIR PROCUREMENT BY THE METHODS CONTEMPLATED IN SECTION 2 HEREOF DURING THE PERIOD OF MILITARY OPERATION AND UNTIL SUCH TIME AS THE OFFICIAL AGENCIES OF THE PROVISIONAL GOVERNMENT OF FRANCE ARE ABLE TO PROVIDE SUCH RECIPROCAL AID IN THE MANNER CONTEMPLATED IN SECTION 2, THE PROVISIONAL GOVERNMENT OF FRANCE SHALL MAKE AVAILABLE TO DESIGNATED OFFICERS OF THE UNITED STATES GOVERNMENT SUCH FRENCH CURRENCY OR CREDITS AS MAY BE NEEDED FOR THE PURPOSE. THE NECESSARY ARRANGEMENTS WILL BE MADE BY THE APPROPRIATE AUTHORITIES OF THE GOVERNMENT OF THE UNITED STATES AND THE PROVISIONAL GOVERNMENT OF FRANCE.

IF THE GOVERNMENT OF THE UNITED STATES CONCURS IN THE FOREGOING, WE WOULD SUGGEST THAT THE PRESENT NOTE AND YOUR REPLY TO THAT EFFECT BE REGARDED AS PLACING ON RECORD THE UNDERSTANDING OF OUR TWO GOVERNMENTS IN THIS MATTER AND THAT FOR CLARITY AND CONVENIENCE OF ADMINISTRATION THIS UNDERSTANDING BE CONSIDERED TO BE EFFECTIVE AS FROM JUNE 6, 1944.

ACCEPT, SIR, THE RENEWED ASSURANCES OF OUR HIGHEST CONSIDERATION.

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MAR 11 1945

Dear Mr. Brand:

You inquired concerning our position on the release to the French of information concerning French private assets in the United States.

This question was raised with our representatives in Paris by M. Fleven. We have replied that we were not at present in a position to consider generally the question of making such information available and that we would object to any public statement at this time. However, we advised the French that we are prepared to supply in confidence information on the property of specific persons requested by the French in cases where this would appear to further our common objectives.

We will continue to consider the general problem. It would be helpful if you could give me a copy of the agreement between the Chancellor of the Exchequer and M. Fleven.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. M. R. Brand,
United Kingdom Treasury Delegation,
Box 600,
Benjamin Franklin Station,
Washington, D. C.

RMH:er 3/13/45

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March 15, 1945

MEMORANDUM FOR THE SECRETARY'S FILES:

The Secretary met with Rabbi Kalmanowitz, Kotler and Korff and Mr. Bunis at 3:15 p.m., March 15, 1945. General O'Dwyer and Miss Hodel of the War Refugee Board were also present.

Rabbi Korff opened the presentation for the rabbinical group stating that they had come to see the Secretary on three matters: (1) the problems involved in the restrictions imposed on the remittance of the \$937,000 to Isaac Sternbach; (2) the obtaining of transportation from Switzerland into Germany; and (3) the evacuation of refugees from Germany to Switzerland by means of transportation facilities provided from Switzerland.

The Secretary prefaced his remarks by stating that he would speak to the group very frankly as a government official and with deep and sincere sympathy for their work. He then explained that our Government's primary concern today is the winning of the war and the protection of American prisoners of war; that within this framework, the high officials of the Government responsible for War Refugee Board activities have been unrelenting in their efforts to accomplish the purposes for which the Board was created. He explained that the attention that has been given to War Refugee Board matters during the waging of a war has been amazing and that the accomplishments to date have been remarkable. The Secretary stated that, because of the primary concern of our Government to win the war, the only decision which could be reached in the Husy matter was the one made unanimously by the Board members at a special meeting called for the sole purpose of discussing that problem. This decision was that no payments for ransom to the Germans could be authorized by this Government. However, because of the possibility that the money in question might be needed for legitimate expenditures and because of the Board's concern over the saving of the lives of the persecuted minorities inside Germany, the remittance in question was approved with certain safeguards.

The Secretary then stated that the Jews in America could bring great harm to themselves and dangerous anti-Semitic publicity if it should ever be revealed that any American Jews were dealing directly with Himmler for the rescue of Jews from German-controlled territory.

Mr. Bunis, speaking for the rabbis, stated that they appreciated the views expressed by the Secretary but that they felt that the lives involved were so important that humanitarian considerations should prevail in this case and that the saving of more

lives might well be forestalled by the restrictions imposed upon the remittance in question. He then argued that the requirement in the license to refer back to Washington every request for the use of the money in question would involve delays and possibly endanger further rescue operations. He requested that with respect to the million Swiss francs already remitted under the license permission be granted to spend this amount for legitimate expenditures upon the authorization of Mr. McClelland, the Board's representative in Switzerland. The Secretary stated that the request to so modify the license was reasonable and General O'Dwyer and Miss Hodel concurred. The Secretary then stated that an appropriate cable would be drafted and cleared with Secretary Stimson and Secretary Stettinius.

With respect to the problem of transportation facilities from Switzerland to Germany, the Secretary explained that the Board was exploring every possibility of obtaining adequate trucking facilities for the delivery of relief through the International Red Cross to civilian detainees. He explained that the War Department had agreed last week to recommend to General Eisenhower that trucking facilities be made available from United States army stocks for this purpose and General O'Dwyer stated that at the same time McClelland is making every effort to obtain transportation equipment from private sources inside Switzerland. He added that the Swiss Minister had agreed to recommend to his government that Swiss Government transportation equipment be made available for this purpose. It was explained that transportation equipment must be obtained if any relief is to reach these people and if any of them are to be rescued to safety in Switzerland.

As to the third question, it was explained that the plan being developed by the War Refugee Board envisages the use of relief delivery trucks for the evacuation of physically unfit detainees from Germany to Switzerland. In addition, it was also explained that the president of the International Red Cross is now in Germany discussing with high German officials the possible use for such evacuations of trucks being used for the delivery of prisoner of war packages.

At the conclusion of the meeting, the Rabbi presented to the Secretary a written memorandum covering the points which they had made in their discussion.

Lucius Hodel

March 13, 1948

- 2 -

MEMORANDUM FOR THE SECRETARY'S FILES:

The Secretary met with Rabbi Salomonowitz, Kotler and Korff and Mr. Bunin at 3118 n.e., March 13, 1948. General O'Dwyer and Miss Hodel of the War Refugee Board were also present.

Rabbi Korff opened the presentation for the rabbinical group stating that they had come to see the Secretary on three matters: (1) the problems involved in the restrictions imposed on the remittance of the \$237,000 to lease Sternbach; (2) the obtaining of transportation from Switzerland into Germany; and (3) the evacuation of refugees from Germany to Switzerland by means of transportation facilities provided from Switzerland.

The Secretary prefaced his remarks by stating that he would speak to the group very frankly as a government official and with deep and sincere sympathy for their work. He then explained that our Government's primary concern today is the winning of the war and the protection of American prisoners of war; that within this framework, the high officials of the Government responsible for War Refugee Board activities have been unrelenting in their efforts to accomplish the purposes for which the Board was created. He explained that the attention that has been given to War Refugee Board matters during the waging of a war has been amazing and that the accomplishments to date have been remarkable. The Secretary stated that, because of the primary concern of our Government to win the war, the only decision which could be reached in the Mues matter was the one made unanimously by the Board members at a special meeting called for the sole purpose of discussing that problem. This decision was that no payments for ransom to the Germans could be authorized by this Government. However, because of the possibility that the money in question might be needed for legitimate expenditures and because of the Board's concern over the saving of the lives of the persecuted minorities inside Germany, the remittance in question was approved with certain safeguards.

The Secretary then stated that the Jews in America could bring great harm to themselves and dangerous anti-Semitic publicity if it should ever be revealed that any American Jews were dealing directly with Himmler for the rescue of Jews from German-controlled territory.

Mr. Bunin, speaking for the rabbis, stated that they appreciated the views expressed by the Secretary but that they felt that the lives involved were so important that humanitarian considerations should prevail in this case and that the saving of more

lives might well be forestalled by the restrictions imposed upon the remittance in question. He then argued that the requirement in the license to refer back to Washington every request for the use of the money in question would involve delays and possibly endanger further rescue operations. He requested that with respect to the million Swiss francs already remitted under the license permission be granted to spend this amount for legitimate expenditures upon the authorization of Mr. McClelland, the Board's representative in Switzerland. The Secretary stated that the request to so modify the license was reasonable and General O'Dwyer and Miss Hodel concurred. The Secretary then stated that an appropriate cable would be drafted and cleared with Secretary Stimson and Secretary Stettinius.

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As to the third question, it was explained that the plan being developed by the War Refugee Board envisaged the use of relief delivery trucks for the evacuation of physically unfit detainees from Germany to Switzerland. In addition, it was also explained that the president of the International Red Cross is now in Germany discussing with high German officials the possibility for such evacuations of trucks being used for the delivery of prisoner of war packages.

At the conclusion of the meeting, the rabbis presented to the Secretary a written memorandum covering the points which they had made in their discussion.

(Signed) Florence Hodel

FHM: 3/15/48

MEMORANDUM

March 13, 1945

We respectfully present these facts for your kind consideration:

Our representative, Isaac Sternbuch in Montreux, Switzerland, has engaged the services of the Swiss Federal Councillor Mussy in an attempt to rescue from the murderous hands of the Nazis as many Jews as can be saved from the concentration camps and brought to places of safety with the help and consent of the Swiss Government.

The War Refugee Board, has at all times encouraged this rescue work and has given our Committee aid and assistance, consistent with our humanitarian endeavors.

For years we here, Jews and non-Jews alike, cried, pleaded and protested against German cruelties, but no arresting hand could be found to stop the ruthless hands that starved, asphyxiated, cremated or buried alive five to six million innocent men, women and children of the Jewish faith.

Now the Mussy plan seems to meet with a measure of success. A transport of 1210 already arrived on February 7, 1945. Our representative advised us that similar transports would follow weekly. Newspaper reports emanating from Switzerland substantiated his statements. The Federal President of Switzerland has issued similar reports to the Swiss press. Since February 7, 1945 five weeks have passed and no new transports have arrived. Apparently some factors have presented themselves to block this rescue medium.

It cannot be the Swiss Government, for we have very distinct reports that the Federal President Von Steiger and the Swiss press received this transport cordially and extended their hospitality to an unlimited number to follow.

It cannot be public opinion here, for any newspaper that found this news worthy of reporting gave it a glad hand.

If our Allies offer an attitude of reluctance, we believe that they can readily understand that minor, insignificant

and apparent attractions offered to the henchmen really cannot matter or in any way affect the war effort or the postwar plan. So much can be accomplished with so little.

There are four positive steps that may be taken to help materialize and bring to fruition the Mussy plan.

1. The United States Embassy in Switzerland and the Swiss Government should be apprised that Washington is anxious for the realization of this rescue work, by means of further transports to Switzerland. They should be requested to take all possible steps to help its realization.

2. Financial means should be made available to Mussy to defray transportation costs, gratuities to petty officers, both in Switzerland and Germany and other incidental expenses. We respectfully submit that license number 2426 be so amended as to free this money to the discretion of Sternbuch. The time lost between the inquiries that McClelland may make from Washington and the receipt of an answer may cost thousands of human lives. Exchange of messages require at least a week in each specific instance, and each hour means so many more lives lost.

3. Transportation from Germany is inadequate, and the Jews cannot be transported into Switzerland. We respectfully submit that the U. S. representative in Switzerland be instructed to contact the International Red Cross with a request that the trucks which bring food and medication into Germany be made available when empty on their way back to Switzerland for this purpose; to seek other possible means available or created for that purpose, even to the extent of hiring trucks or chartering buses.

4. Since the Swiss economy may not be able to absorb more refugees, we respectfully submit that evacuation of some of the previous arrivals be made without delay to comparative places of safety and security to make room for additional arrivals.

The urgency of all the above is beyond description. The Nazis have murdered ruthlessly innocent men and women and have singled out for destruction those of the Jewish faith, in their frantic moments of despair before any retreat was made. 30,000 Jews were killed in Lodz, the last day before the Russians took over. Now that the position of the Nazis has become untenable, the fate of the several thousand remaining Jews in Nazi occupied countries is beyond sane contemplation.

12"


Executives'WAR
DIGEST

March 12, 1946

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

Dear Mr. Secretary:

You will be interested, I believe, in the references
to Bretton Woods in the attached copy of *EXECUTIVES'*
WAR DIGEST. I am sending it to you at the suggestion
of Randolph Feltus.

The *WAR DIGEST* has been requested by about twenty-five
thousand key business executives throughout the country.

We have included an item on the report of the Independent
Bankers' Association on Bretton Woods in the next issue
of the *WAR DIGEST*---currently on the press.

Cordially,


Jay Deiss, Managing Editor
EXECUTIVES' WAR DIGEST

JD:lg

Executives

WAR DIGEST

Issue 683

FIRST MARCH EDITION
1 2 3 4 5

Though Congressional attention swung sharply last fortnight from domestic problems to the Crimea conference, manpower has remained the No. 1 housefront issue.

An for the Yalta declaration---it released optimism very nearly unprecedented in war-worn Washington, and sent stock markets soaring in New York and London. Gist of Washington opinion: "Now we're getting down to business!"

After the happy interlude, the manpower headache refused to respond to any of the medicine thus far concocted by Army-Navy-Selective Service. The Senate continued stalling on the May-Railley bill, and management & labor continued to roar disapproval. Secretary of War Stimson, in appealing for the bill, spoke tartly of the "confusion of voices," and exclaimed, "We dare not delay longer." A little earlier, Under Secretary Robert Patterson ripped to shreds WMC's prize packages of priority referrals and employment ceilings: "No noticeable effect in releasing workers for war plants has been felt." Patterson also pooh-poohed the "Allentown plan," involving voluntary shift of workers from less essential to more essential plants.

More circumspect on the manpower issue was WPA chief Krug. His appeal stressed merely the need for "some kind" of manpower legislation. Promptly he was obliged by Senators Kilgore, Wagner, and Ferguson, who introduced a new measure designed, in their own words, "to promote the most effective utilization of manpower," rather than raise bogies of "compulsion versus non-compulsion."

Both labor and business rallied immediately to the new bill. Said the CIO: "This bill is a long step in the right direction." The AFL agreed. Said NAM President Iva Mahser: "...The most constructive yet offered." The U.S. Chamber of Commerce agreed. The Senate Military Affairs Committee indicated, 12-18, that they preferred it to the May-Railley measure---and by a vote of 12-6, pigeon-holed the latter.

Provisions of the Kilgore-Wagner-Ferguson offering explain its exceptional ability to win friends and influence people. In a nutshell, it: (1) Controls employment in both essential and non-essential industries. (2) Makes mandatory labor utilization surveys in private plants and in Army-Navy installations. (3) Provides paid transportation to essential jobs. (4) Safeguards seniority and other rights of workers on their previous jobs. (5) Utilizes, nationally and locally cooperative labor & management efforts, plus Government.



In one particular, the Kilgore-Wagner-Ferguson version of manpower legislation makes the May-Railley version look like weak soup. The new proposer: "...Every individual is obligated to serve the Nation in that capacity for which he or she is best qualified." May-Railley bill is limited to men, 18-45. K-W-F bill includes men and women, all ages.

Another significant difference places K-W-F under the working direction of Warman's Office of War Mobilization and Recovery, and cuts away the role of Selective Service as a controller of labor (a moot point since the May-Railley bill was first under discussion).

Meanwhile, the Army---impatient at legislative delays---has gone ahead with a "program" of manpower control over registrants under 38. Men not physically qualified for general military service, but who have left war jobs, are being inducted into the Army. They will be given 4 weeks basic training at a special camp, and then be given a "choice" of returning to war industry (at prevailing wages), or being assigned Army duty.

Incidentally, "a very limited number of men" in the age group 18 to 30 can be certified as essential, says Selective Service. Local boards should have details of new rulings; if not, write to Washington for latest changes.

Herald of the tremendous importance henceforth to be placed on international agreements, the Bretton Woods monetary plan was introduced into Congress last fortnight. The bill itself was drawn by Senators Wagner and Tobey, and Representatives Spence and Wolcott---a bi-partisan group. Secretary of the Treasury Morgenthau called it, "The first step in meeting the greatest challenge of all history---the challenge of a lasting peace."

"The Bretton Woods Agreements Act" would establish an International Bank for Reconstruction and Development, to make available long term credits to member nations. Equally important, an International Monetary Fund is proposed, to stabilize the value of all member currencies relative to each other. The basic purpose of the Fund, says Morgenthau, is to prevent the type of pre-war "competitive currency depreciation" which led to such explosive results. Though the American Bankers Association has questioned the need for the Fund (WAR DIGEST #82), or some 250 nationally prominent economists polled, 224 gave it whole-hearted approval.

The Administration has deferred to the authority of Congress on several strategic points related to the Agreements. Without Congressional approval, the par (gold) value of the dollar may not be changed, no amendments to the Fund may be accepted, nor may the Bank's capital stock be increased. Noted the 224 economists with deep solemnity: "If the present proposals are not ratified by the lending countries of the world, the outlook for genuine international collaboration in the economic field and even for world peace would be indeed gloomy."

If you should need copies of important international documents, write the State Department. Currently available, free, is a pamphlet called "War Documents," complete through June of 1944.

Executives

WAR DIGEST

WPA outlines the Administration's international legislative agenda pretty completely just before Bretton Woods was submitted to Congress. He called forth: (1) Establishment of a United Nations Food organization. (2) Reopening the Reciprocity Trade Agreement Act. (3) A new multi-national agreement to reduce tariff barriers. (4) Cartel control and orderly marketing of certain commodity surpluses. (5) Revision of the Export-Import Bank. (6) Repeal of the Johnson Act barring credits to certain nations (to be partially accomplished by the Bretton Woods agreement).

Note on the Wallace nomination: The House passed, 399 to 2, the George Bill to divorce the Federal Loan Agency from the Department of Commerce. Complicating amendments were all sidetracked, leaving the bill in a form palatable to FEA, and strengthening probability of Wallace's confirmation. Item: The bill provides that all Government corporations must henceforth be audited by the General Accounting Office....

The rumored new reconversion plan is as hush-hush as a military secret, though accounts have appeared in print. It is said to have been undertaken by WPA on Byrnes' order, and allegedly is not nearly so sweeping as plans prepared last summer by Donald Nelson.

Key points of the plan-to-be center around an inter-agency "Program Readjustment Committee" which would sift all outbacks. The spot authorization system would be more or less glorified, and reconversion would be on a semi-local basis with Area Production Urgency Committees in control. Though WPA would "review" munitions outbacks, Army-Navy would keep veto power over shifts to civilian production. Above resume is subject to change without notice---since WPA officials are in one of those "neither confirm nor deny" moods.

Definite is the fact that the Army has raised this year's output goal 18.9% over 1944 deliveries. Clear implication is---as WPA has said---reconversion at best will be slow. New stress is being laid on Pacific requirements.

TIP: A new manual for contract settlement training programs is off the press. Title is: "Contract Settlement Training Guide." It covers procedures for national and local training programs, and includes information on inventory and plant clearance, accounting, and similar subjects. Order from Office of Contract Settlement, Federal Reserve Building, Washington 25, D. C. Free.

The second annual report of the Director of Contract Settlement is also available now. It's called, "War Contract Terminations and Settlements." Contents include recent regulations, and a summary of activities to date. You're likely to find it useful if you want to get a comprehensive picture. Order as above. Free.

WPA, apparently nettled by recent sharp criticisms of its manpower control program, is now checking employers to see if they are complying with priority referrals, employment ceilings, and other regulations. Said McNutt soothingly, "We...feel that we owe the duty to complying employers to bring the others into line."



As for Governmental strike-bombs, Economic Stabilizer Vinson last fortnight wrote a new chapter in their history. With a stroke of the pen, he wiped out all war contracts and material priorities of a Brooklyn firm for failing to comply with a directive of the National War Labor Board. This is the first such case of its kind, seizure having been the Government's normal resource. "The better method," said Vinson, "would be a Congressional act which would provide for penalties enforceable by the judiciary...."

Vinson recently went to some pains to make clear that his office had "not changed" its policy on "fringe" wage increases. Such adjustments, said he, can be made "only if they will not affect adversely our price stabilization program." There has been talk in Washington that OPA, through its industry cost studies, holds whip hand on wage increases---leaving NLRB impotent to make final wage decisions. NLRB and Vinson are officially "conferring."

The U.S. Department of Labor has an Appendix to its useful "Guide to Labor Legislation." It is 82 pages, loose-leaf, and is especially designed for supervisors and shop stewards. Order Labor Dep't. Bulletin No. 86-A, from Dep't. of Documents, Washington 25, D. C. Price 25c.

The War Labor Board is no far behind with its games that Chairman Wm. H. Davis has opened to employers and unions to try to settle more disputes without turning to the Board. He especially urged that both parties get full information on the national wage stabilization policy before acting. NLRB is 20 weeks behind---with over 3,000 cases waiting settlement.

Have you made use of the "brain bank" at WPA's War Production Drive Headquarters? The Drive, currently going full blast under direction of Wm. F. Todd, has a pool of some 10,000 production ideas (devices and methods)---planned to aid labor-management committees. For details, write Awards Branch, War Production Drive, WPA, Washington 25, D. C.

The WP Drive has a considerable list of literature which it distributes, free, to war industry. One of the most helpful is a 27-page pamphlet, "Production Guide for Labor-Management Committees." It deals with ways of handling production problems. Write to War Production Drive, WPA, Washington.

Metropolitan Life's Policyholders Service Bureau has published a detailed and careful study called "Re-employment of War Veterans." It is a companion piece to "The Employment of the Handicapped Veterans" (DIGEST #90)---and is similarly packed full of specific helps. Though primarily for Metropolitan Group policyholders, free copies are available, by special arrangement with WAR DIGEST, from the Bureau, at One Madison Avenue, New York 10, N. Y.

V...- SAVE COAL! V...-

THOMAS A. EDISON INCORPORATED, WEST ORANGE, N. J.

249-8
Reading Copy

These last few weeks have been filled with tremendous events. Besides the stirring news from the fighting fronts, we are beginning to see the outlines of the postwar world. A program for peace is taking shape before our eyes.

Following the general acceptance of the Dumbarton Oaks proposals we have had the great news of the Yalta meeting and the increased Western Hemisphere unity portrayed at Mexico City. Now we look forward to the meeting which we hope may prove most fruitful, the conference of the United Nations in San Francisco next month.

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I have come here to talk about an essential segment of the peace program, prepared at another conference of the United Nations held at Bretton Woods, New Hampshire, last summer. There, representatives of 44 nations drew up agreements to establish an International Monetary Fund and an International Bank for Reconstruction and Development.

I have been in close touch with every stage of the progress of these agreements, through two years of preliminary work, through the conference itself and through the discussions since then. I can assure you that they are definitely good business for the United States.

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They are more than that.

Unless they are put into effect the strides toward peace and security at Dumbarton Oaks, at Mexico City and at Yalta, as well as the further steps that will be taken at San Francisco, may end only in frustration. Peace to be secure must rest on the firm foundation of thriving industry within nations and profitable and expanding commerce between them.

The Bretton Woods agreements deal with two great problems. One is the problem of providing capital to repair the devastation of war and for development purposes. The other is the problem of establishing a system of fair monetary practices that will promote trade instead of hindering it. The solution proposed is the creation of two institutions, the Fund and the Bank.

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- 4 -

Early in our discussions, we considered joining the functions of the Bank and the Fund in one establishment. We found good reasons for not doing that. I think you may want to know what these reasons were, now that the question has again been raised.

The two deal with entirely different problems. They will need staffs with entirely different training.

The Bank will be concerned exclusively with long-term investments for productive purposes - loans for twenty to thirty years, or even longer. Its staff will have to study the long-term debt positions of various countries, their places in world trade, the worth of the project for which the loan is intended. The Bank will have only investment problems.

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The Fund is not an investment institution at all. It will be concerned exclusively with fluctuations in the exchange markets, with seasonal and other factors affecting the exchanges.

Whether to join the Fund and the Bank in one institution is not a question of form. It goes to the very heart of the stabilization problem. Those who argue for one institution think of currency stabilization as a matter of making loans. That is not our conception of the problem at all. We think the issue goes much deeper. We believe the essential aspect of the Fund to be the setting of standards for fair dealing in our money rates. Giving help to some countries to maintain the standards, once they are set, is incidental to the attainment of this main objective.

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Long-term stabilization loans to a few countries would be a poor substitute for broad and constant cooperation in meeting international currency problems. That can be secured only through a Fund which is concerned exclusively with bringing all countries together to work for currency stability.

The fundamental reason for monetary disorder after the last war was failure to understand the necessity for international cooperation in dealing with this problem. Each country was left to its own devices. Before 1922, only 8 countries were on the gold standard. By 1928, through real sacrifices, about 45 had made a precarious return to gold - some with the help of stabilization loans. But the first serious pressure was too much for them.

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- 7 -

The wolf pack of exchange speculators was on the prowl, seeking out weak currencies to destroy, and adding immeasurably to the difficulties of the countries which sought individually to maintain currency stability. One by one countries were forced off the gold standard until by 1936 only 7 were left. The world was back where it had started 14 years before. 1/4

But that doesn't tell the whole story. This was an era of economic warfare. The weapons were currency manipulation and other forms of discrimination. The aim of each country was to save itself at the expense of others. The bilateral clearing agreement was the most destructive of these weapons, because it was in fact part of Germany's preparation for war.

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This is how it worked. In 1932, when every one found markets very scarce, Germany agreed for example with some Balkan countries to buy most of their wheat and raw materials at good prices in marks. But the Balkan merchant did not get marks. These were paid into the Reichsbank. The Balkan countries then had to buy goods in Germany to get the value of those marks. The Balkan importer paid into his central bank the price of the German goods, and only then could the seller of the wheat or other raw material get his money.

As a matter of policy, Germany bought much and sold little. She was generally a year behind in meeting clearing obligations, and then frequently forced the Balkans to take articles they didn't need or want simply so they could pay their own exporters. Too often they got harmonicas and aspirin when they needed locomotives and dynamoes.

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Through these agreements, Germany tied the economy of neighboring countries to the German war machine so that when she began her war she would have access to raw materials. In self defense, other nations were forced to adopt similar measures.

A tangle of discrimination and preference spread over Europe, and even to the Western Hemisphere, to the great cost of American exporters and the peace of the world. By 1938 Germany alone had 36 bilateral clearing agreements, Italy and Greece 28 each, Turkey 23 and so on. The only country in Europe that had none was ^{little} Albania.

The Fund through international cooperation will deal with the situation that led to this confusion. Each member country will define its currency in terms of gold and undertake to keep it stable.

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A country which runs into trouble will not have to act alone. It will not need to use devices that spread depression. It will be able to consult with others through the Fund and get help to maintain stability.

Pause

To sum up in simple terms: The Fund is a means of getting countries to work with each other and not against each other on currency problems. The Fund sets standards for foreign exchange practice and rules for fair dealing. You can see that essentially this is not the business of a lending agency.

Pause

Now I would like to talk to you about the Bank.

There is the same contrast between foreign loan operations under the Bank and those under the system in use before the war. In the past when countries needed foreign capital they too often had to give away some of their independence to get it. And they usually paid high interest rates in the bargain.

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- 11 -

For instance, a great many of you will remember Kreuger and Toli. Frequently when a European country was seeking foreign loans, Kreuger would turn up in the Finance Minister's office. He was glad to oblige with quite a large loan. All he asked was the country's match monopoly, and of course profitable rates, too. Kreuger then sold not only the bonds he took for the loan, but in some instances forged duplicate sets of them as well. Some of you in this audience may still hold Kreuger and Toli Securities. You know what they are worth.

Kreuger was not the only operator in those days. Undeveloped countries seeking foreign loans frequently secured from other sources loans that cost them too much and were often tainted with fraud.

249-L

- 12 -

Many of them were squandered on projects which could never pay off. There was little or no supervision to make sure the money was spent for productive purposes. In too many cases there was little prospect that the investor would get his money back.

That was the system under which Americans used to lend money abroad. By 1939, not counting the World War I loans, more than 40 cents of every dollar they had lent to foreign countries since 1919 had gone into default.

The International Bank will make it possible for countries to obtain capital for worth while, productive projects. The Bank will guarantee loans for such purposes so that they will be attractive to the private investor on reasonable terms.

- 13 -

249-M

And there will be no need for a country to give the lender a match monopoly or a salt monopoly, or to pledge its sovereignty in the form of an assignment of custom revenues. There will be no need for these methods because the Bank will undertake loans only where the project is productive, only where the charges are fair, and only where the borrower can service the loan.

There is urgent need for such productive investment. We cannot have a prompt restoration of the producing and consuming power of the world while Europe lies in ruins and great areas of the earth remain undeveloped.

Purpose
To sum up in simple terms: The Bank is a cooperative method of providing capital for productive purposes to countries that need capital for reconstruction and development. Its purpose is to safeguard the interests of the borrower and the investor. That's what the Bank is and what the Bank does.

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- 14 -

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And you can see that the Bank's business is lending, not monetary stabilization.

The Bretton Woods program offers currency stability to facilitate trade, and credit protection for sound international loans. Both will benefit the American people through an increased and more stable market for their products.

The experience of our generation has proved to us that a well balanced prosperity for our country depends on a vigorous foreign trade. Ten per cent of our jobs in agriculture and industry depend directly upon international commerce. That was true in the high employment years of 1929 and 1937, but the sharp decline in foreign trade in 1932 had much to do with the severity of the depression.

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Pause

Now let's see what discriminatory exchange regulations and fluctuating currency meant to the Twin Cities and the Northwest. Countries abroad found it impossible to buy your wheat and flour, and the same was true of exports of hardware and of machinery.

No major commodity lost so large a part of its foreign market as wheat. In the years 1925-1928 the United States exported \$239 million worth a year, which was 21 per cent of production. In 1931-34, the era of exchange discrimination, this had fallen to \$38 million, which was only 8 per cent of our production.

As a result, wheat growers were forced to dump their crops at any price. The farmer in the Red River Valley was being squeezed, as truly as if he had caught his hand in a threshing machine, by the exchange rates of the rupee and the yuan and the peso.

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249-D

- 16 -

The instability of foreign currencies was one of the chief reasons why No. 1 Dark Northern, which sold for \$1.64 a bushel in Minneapolis in May, 1928, brought 49 cents in December, 1932. It helps explain why flour sold here for \$8.68 a barrel in May, 1928, and \$4.02 in November, 1932.

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Of course, the Bretton Woods agreements by themselves are not going to restore our foreign markets for wheat or anything else. But they are a necessary first step toward getting and keeping those markets for thousands of American products. New exchange restrictions anywhere in the world can close them.

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- 17 -

We have all seen it happen. Our exports of commodities and of manufactured goods reached a high point between the two wars, but in the 30's our farmers and our manufacturers alike fought a losing and hopeless battle to restore their export sales in the face of depreciated currencies, quotas and other barriers set up against us. The men thrown out of jobs because of this lost trade became very poor customers for all the products of American industry and agriculture. All these restrictions had much to do with intensifying and prolonging the great depression.

Pause
To prevent this chain of disasters being repeated after this war is it not perfectly plain that the first thing we need is a sincere desire on the part of all governments to work together to prevent them?

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- 18 -

The Bretton Woods agreements are the expression of a unanimous will on the part of the 44 United Nations to work together to that end.

I wish it were possible to describe the manner in which that will was expressed at Bretton Woods by representatives of 44 nations covering the whole range of the world in size, stage of industrialism, customs and economic conditions. They succeeded in shaping a thoroughly workmanlike program because they knew that we must either create an orderly system now or sink back later into the chaos of individual expedients and devil-take-the-hindmost. They were animated by the new international spirit.

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- 19 -

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Let me give you perhaps the most dramatic example that occurred. In the list of subscriptions to the Bank, Russia had been put down for \$900 millions. This is a tremendous sum for a country whose richest area - bigger than any other country in Europe - has been ravaged with the utmost brutality by the Nazis. On the last day of the conference, after the subscriptions were closed and all countries had agreed on the allocation of subscriptions, Russia announced that she would increase her subscription to twelve hundred million dollars. Russia assumed that additional \$300 million obligation, not because there could be any direct advantage to the Soviet Union, but in order to create a stronger Bank with a larger capital, able to contribute that much more to the rebuilding of the world.

- 20 -

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This is a symbol of her determination to cooperate wholeheartedly with us and the other United Nations in the task of reconstruction and development.

The Bretton Woods agreements were conceived in the very practical spirit of cooperation. They represent the first ~~such~~ set of resolutions presented to our people for achievement of the ideals for which we are fighting. They can be an inspiration to all the other meetings of the United Nations and an example of how the most difficult problems can be overcome through mutual good will.

The legislation to carry out the Bretton Woods program is now before Congress.

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- 21 -

Its approval will show that the United States is thoroughly in earnest about joining with other nations to achieve international security.

At Bretton Woods we proved that delegates from the governments of most of the world could meet together and consider ways of helping each other. This is the international spirit of the United Nations, the ideal for which Americans are dying today. It is our task at home to live for that ideal.

It is because I feel deeply that the Bretton Woods agreements are so much a part of this new spirit, ~~and~~ ~~so essential to its development~~, that I have been urging their acceptance. We are called upon in these times to express and to act upon our faith in mankind.

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At Bretton Woods, we set our hands to a very real expression of our faith in the capacity of men to work together as partners in peace.

I believe the American people are determined for their part to do just that. Our generation has been given a new vision of the world. It is as though we were seeing the earth whole for the first time. Perhaps you remember how it was when you made your first long airplane trip. Soaring over our country, you got a new perspective of it, a new glimpse of its magnificence and the interdependence of its people. And it might have been that as the plane flew in from the West, you were in darkness, but ahead you could see the dawn.

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- 23 -

We of the United Nations know that although the night is still all around us, we will come out into the light of a new day with its new opportunities for creating a better and safer world.

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TREASURY DEPARTMENT
Washington

(The following address by Secretary Morgenthau before the Foreign Policy Association and the Minneapolis Civic and Commerce Association, at Nicollet Hotel, Minneapolis, is scheduled for delivery over Station WLOL of the Mutual Network at 9:45 P.M., EDT, Monday, March 12, 1945, and is for release at that time.)

These last few weeks have been filled with tremendous events. Besides the stirring news from the fighting fronts, we are beginning to see the outlines of the postwar world. A program for peace is taking shape before our eyes.

Following the general acceptance of the Dumbarton Oaks proposals we have had the great news of the Yalta meeting and the increased Western Hemisphere unity portrayed at Mexico City. Now we look forward to the meeting which we hope may prove most fruitful, the conference of the United Nations in San Francisco next month.

I have come here to talk about an essential segment of the peace program, prepared at another conference of the United Nations held at Bretton Woods, New Hampshire, last summer. There, representatives of 44 nations drew up agreements to establish an International Monetary Fund and an International Bank for Reconstruction and Development.

I have been in close touch with every stage of the progress of these agreements, through two years of preliminary work, through the conference itself and through the discussions since then. I can assure you that they are definitely good business for the United States.

They are more than that.

Unless they are put into effect the strides toward peace and security at Dumbarton Oaks, at Mexico City and at Yalta, as well as the further steps that will be taken at San Francisco, may end only in frustration. Peace to be secure must rest on the firm foundation of thriving industry within nations and profitable and expanding commerce between them.

The Bretton Woods agreements deal with two great problems. One is the problem of providing capital to repair the devastation of war and for development purposes. The other is the problem of establishing a system of fair

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- 3 -

off the gold standard until by 1936 only seven were left. The world was back where it had started 14 years before.

But that doesn't tell the whole story. This was an era of economic warfare. The weapons were currency manipulation and other forms of discrimination. The aim of each country was to save itself at the expense of others. The bilateral clearing agreement was the most destructive of these weapons, because it was in fact part of Germany's preparation for war.

This is how it worked. In 1932, when every one found markets very scarce, Germany agreed for example, with some Balkan countries to buy most of their wheat and raw materials at good prices in marks. But the Balkan merchant did not get marks. These were paid into the Reichsbank. The Balkan countries then had to buy goods in Germany to get the value of those marks. The Balkan importer paid into his central bank the price of the German goods, and only then could the seller of the wheat or other raw material get his money.

As a matter of policy, Germany bought much and sold little. She was generally a year behind in meeting clearing obligations, and then frequently forced the Balkans to take articles they didn't need or want simply so they could pay their own exporters. Too often they got harmonicas and aspirin when they needed locomotives and dynamite.

Through these agreements, Germany tied the economy of neighboring countries to the German war machine so that when she began her war she would have access to raw materials. In self defense, other nations were forced to adopt similar measures.

A tangle of discrimination and preference spread over Europe, and even to the Western Hemisphere, to the great cost of American exporters and the peace of the world. By 1938 Germany alone had 36 bilateral clearing agreements, Italy and Greece 25 each, Turkey 23 and so on. The only country in Europe that had none was Albania.

The Fund through international cooperation will deal with the situation that led to this confusion. Each member country will define its currency in terms of gold and undertake to keep it stable. A country which runs into trouble will not have to act alone. It will not need to use devices that spread depression. It will be able to consult with others through the Fund and get help to maintain stability.

- 2 -

monetary practices that will promote trade instead of hindering it. The solution proposed is the creation of two institutions, the Fund and the Bank. Early in our discussions, we considered joining the functions of the Bank and the Fund in one establishment. We found good reasons for not doing that. I think you may want to know what these reasons were, now that the question has again been raised.

The two deal with entirely different problems. They will need staffs with entirely different training.

The Bank will be concerned exclusively with long-term investments for productive purposes - loans for twenty to thirty years, or even longer. Its staff will have to study the long-term debt positions of various countries, their place in world trade, the worth of the project for which the loan is intended. The Bank will have only investment problems.

The Fund is not an investment institution at all. It will be concerned exclusively with fluctuations in the exchange markets, with seasonal and other factors affecting the exchanges.

Whether to join the Fund and the Bank in one institution is not a question of form. It goes to the very heart of the stabilization problem. Those who argue for one institution think of currency stabilization as a matter of making loans. That is not our conception of the problem at all. We think the issue goes much deeper. We believe the essential aspect of the Fund to be the setting of standards for fair dealing in our money rates. Giving help to some countries to maintain the standards once they are set is incidental to the attainment of this main objective. Long-term stabilization loans to a few countries would be a poor substitute for broad and constant cooperation in meeting international currency problems. That can be secured only through a Fund which is concerned exclusively with bringing all countries together to work for currency stability.

The fundamental reason for monetary disorder after the last war was failure to understand the necessity for international cooperation in dealing with this problem. Each country was left to its own devices. Before 1922, only eight countries were on the gold standard. By 1928, through real sacrifices, about 45 had made a precarious return to gold - some with the help of stabilization loans. But the first serious pressure was too much for them. The self pack of exchange speculators was on the prowl, seeking our weak currencies to destroy, and adding immeasurably to the difficulties of the countries which sought individually to maintain currency stability. One by one countries were forced

- 4 -

To sum up in simple terms: The Fund is a means of getting countries to work with each other and not against each other on currency problems. The Fund sets standards for exchange practice and rules for fair dealing. You can see that essentially this is not the business of a lending agency.

Now I want to talk to you about the Bank.

There is the same contrast between foreign loan operations under the Bank and those under the system in use before the war. In the past when countries needed foreign capital they too often had to give away some of their independence to get it. And they usually paid high interest rates in the bargain.

For instance, a great many of you will remember Krueger and Tell. Frequently when a European country was seeking foreign loans, Krueger would turn up in the Finance Minister's office. He was glad to oblige with quite a large loan. All he asked was the country's match monopoly, and of course profitable rates, too. Krueger then sold not only the bonds he took for the loan, but in some instances forged duplicate sets of them as well. Some of you in this audience may still hold Krueger and Tell securities. You know what they are worth.

Krueger was not the only operator in those days. Underdeveloped countries seeking foreign loans frequently secured them from other sources loans that cost them too much and were often tainted with fraud. Many of them were squandered on projects which could never pay off. There was little or no supervision to make sure the money was spent for productive purposes. In too many cases there was little prospect that the investor would get his money back.

That was the system under which Americans used to lend money abroad. By 1939, not counting the World War I loans, more than 40 cents of every dollar they had lent to foreign countries since 1919 had gone into default.

The International Bank will make it possible for countries to obtain capital for worth while, productive projects. The Bank will guarantee loans for such purposes so that they will be attractive to the private investor on reasonable terms. And there will be no need for a country to give the lender a match monopoly or a salt monopoly, or to pledge its sovereignty in the form of an assignment of custom revenues. There will be no need for these methods because the Bank will undertake loans only where the project is productive, only where the charges are fair, and only where the borrower can service the loan.

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- 5 -

There is urgent need for such productive investment. We cannot have a prompt restoration of the producing and consuming power of the world while Europe lies in ruins and great areas of the earth remain undeveloped.

To sum up in simple terms: The Bank is a cooperative method of providing capital for productive purposes to countries that need capital for reconstruction and development. Its purpose is to safeguard the interests of the borrower and the investor. That's what the Bank is and what the Bank does. And you can see that the Bank's business is lending, not monetary stabilization.

The Bretton Woods program offers currency stability to facilitate trade, and credit protection for sound international loans. Both will benefit the American people through an increased and more stable market for their products.

The experience of our generation has proved to us that a well balanced prosperity for our country depends on a vigorous foreign trade. Ten percent of our jobs in agriculture and industry depend directly upon international commerce. That was true in the high employment years of 1929 and 1937, but the sharp decline in foreign trade in 1932 had much to do with the severity of the depression. Now let's see what discriminatory exchange regulations and fluctuating currency meant to the Twin Cities and the Northwest. Countries abroad found it impossible to buy your wheat and flour, and the same was true of exports of hardware and of machinery.

No major commodity lost so large a part of its foreign market as wheat. In the years 1925-1928 the United States exported \$239,000,000 worth a year, which was 21 percent of production. In 1931-34, the era of exchange discrimination, this had fallen to \$18,000,000, which was only eight percent of our production.

As a result, wheat growers were forced to dump their crops at any price. The farmer in the Red River Valley was being squeezed, as truly as if he had caught his hand in a threshing machine, by the exchange rates of the rupee and the yuan and the peso. The instability of foreign currencies was one of the chief reasons why No. 1 Dark Northern, which sold for \$1.64 a bushel in Minneapolis in May, 1925, brought 49 cents in December, 1932. It helps explain why flour sold here for \$8.88 a barrel in May, 1925, and \$4.02 in November, 1932.

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- 7 -

This is a symbol of her determination to cooperate wholeheartedly with us and the other United Nations in the task of reconstruction and development.

The Bretton Woods agreements were conceived in the very practical spirit of cooperation. They represent the first such set of resolutions presented to our people for achievement of the ideals for which we are fighting. They can be an inspiration to all the other meetings of the United Nations and an example of how the most difficult problems can be overcome through mutual good will.

The legislation to carry out the Bretton Woods program is now before Congress. Its approval will show that the United States is thoroughly in earnest about joining with other nations to achieve international security.

At Bretton Woods we proved that delegates from the governments of most of the world could meet together and consider ways of helping each other. This is the international spirit of the United Nations, the ideal for which Americans are dying today. It is our task at home to live for that ideal.

It is because I feel deeply that the Bretton Woods agreements are so much a part of this new spirit, are so essential to its development, that I have been urging their acceptance. We are called upon in these times to express and to act upon our faith in mankind. At Bretton Woods, we set our hands to a very real expression of our faith in the capacity of men to work together as partners in peace.

I believe the American people are determined for their part to do just that. Our generation has been given a new vision of the world. It is as though we were seeing the earth whole for the first time. Perhaps you remember how it was when you made your first long airplane trip. Soaring over our country, you got a new perspective of it, a new glimpse of its magnificence and the interdependence of its people. And it might have been that as the plane flew in from the West, you were in darkness, but ahead you could see the dawn.

We of the United Nations know that although the night is still all around us, we will come out into the light of a new day with its new opportunities for creating a better and safer world.

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- 6 -

Of course, the Bretton Woods agreements by themselves are not going to restore our foreign markets for wheat or anything else. But they are a necessary first step toward getting and keeping those markets for thousands of American products. New exchange restrictions anywhere in the world can close them.

We have all seen it happen. Our exports of commodities and of manufactured goods reached a high point between the two wars, but in the 30's our farmers and our manufacturers alike fought a losing and hopeless battle to restore their export sales in the face of depreciated currencies, quotas and other barriers set up against us. The men thrown out of jobs because of this lost trade became very poor customers for all the products of American industry and agriculture. All these restrictions had much to do with intensifying and prolonging the great depression.

To prevent this chain of disasters being repeated after this war is it not perfectly plain that the first thing we need is a sincere desire on the part of all governments to work together to prevent them? The Bretton Woods agreements are the expression of a unanimous will on the part of the 44 United Nations to work together to that end.

I wish it were possible to describe the manner in which that will was expressed at Bretton Woods by representatives of 44 nations covering the whole range of the world in size, stage of industrialism, customs and economic conditions. They succeeded in shaping a thoroughly workmanlike program because they knew that we must either create an orderly system now or sink back later into the chaos of individual expedients and devil-take-the-hindmost. They were animated by the new international spirit.

Let me give you perhaps the most dramatic example that occurred. In the list of subscriptions to the Bank, Russia had been put down for \$900,000,000. This is a tremendous sum for a country whose richest area - bigger than any other country in Europe - has been ravaged with the utmost brutality by the Nazis. On the last day of the conference, after the subscriptions were closed and all countries had agreed on the allocation of subscriptions, Russia announced that she would increase her subscription to \$1,200,000,000. Russia assumed that additional \$300,000,000 obligation, not because there could be any direct advantage to the Soviet Union, but in order to create a stronger Bank with a larger capital, able to contribute that much more to the rebuilding of the world.

March 13, 1945. - - - - -

Dear Mr. Murray:

Let me congratulate you upon the extremely helpful statement in behalf of the Bretton Woods plan, contained in your letter to Chairman Spence of the House Banking Committee.

I was especially impressed by your excellent summary in the sentence reading:

"The opportunity is here to demonstrate to the world that the United States is ready and willing to play its full part in securing the world stability and prosperity we must have to avert another crisis and a third world war."

It seems to me that such simply stated facts, hammered home again and again, must be our main reliance in winning support for Bretton Woods and for all phases of the world security program.

We in the Treasury feel the Bretton Woods plan will stand up under the most searching analysis. Of course the average man and woman lacks the time and facilities for such analysis. The fundamental fact that everyone can grasp is a simple one: The United Nations must be partners in peace; the United States must be a full partner.

I feel sure your Bretton Woods letter will not be the last blow you will strike for the cause. Let me repeat that I appreciate this timely help -- and would heartily welcome any further assistance.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Philip Murray
President
Congress of Industrial Organizations
718 Jackson Place, N.W.
Washington 6, D.C.

EPF/mah

March 9, 1945

Honorable Brent Spence
House of Representatives
Washington, D. C.

Dear Congressman Spence:

I am writing to you to express the views of the Congress of Industrial Organizations on the pending legislation to ratify the Bretton Woods monetary and financial agreement.

At your Committee's convenience we would like to be able to present our views on the bill (HR 2211) in somewhat greater detail.

The CIO, following the mandate of its members expressed at the 1944 convention, is in support of the bill to ratify the Bretton Woods agreement as it is now before your Committee.

This support is given in the firm belief that the agreement of the 44 United Nations worked out at Bretton Woods last summer is the best guarantee of a greatly expanded and stabilized world trade that will afford protection to American businessmen, markets to American farmers, and jobs for American workers.

The agreement is also a concrete demonstration of the fact that the United Nations, even before final victory over the Axis, can work out successful solutions to their mutual problems in unity and accord. As such, the agreement is a tribute to the leaders of this nation and of all the United Nations. It is a long step in the direction of the collaboration of the free nations which is the keystone of world peace and security.

As presented to Congress in its present form, the bill to ratify the Bretton Woods agreement is the first test of our desire and ability to cooperate with other countries in the prevention of future aggression and the maintenance of a stable peace.

The seeds of World War II were laid in the World economic crisis of the 20's and early 30's. The frantic race for an illusory trade advantage over other countries that expressed itself in deliberate currency manipulation, in the various systems of "blocked accounts" and other economic weapons resulted in the collapse of world trade and a consequent world depression.

In addition, such methods were used to impose economic domination by larger countries on smaller and weaker ones. This was especially practiced by Nazi Germany and Japan, and resulted in giving them an economic basis for aggression and war that they otherwise would not have possessed.

- 2 -

It is our understanding that the Bretton Woods agreement will put an end to such practices. By the use of the International Monetary Fund proposed in the agreement, world currencies can be kept stable. No country will be forced to drive down the value of its own currency in order to give a false stimulus to exports. Countries whose currency may be under pressure can apply to the Fund and secure support.

In addition, the Bretton Woods agreement provides a sound means of aiding in the reconstruction and development of the war devastated and otherwise industrially handicapped nations. This is done by guaranteeing loans made for constructive purposes through the Bank for Reconstruction and Development. The Bank, as we understand it, will be charged with the careful investigation of loans made before it will extend its guarantee. Thus, loans will not be made as in the past to prop up shaky and unpopular regimes, nor for purely speculative and highly risky returns which cannot be justified by sound financial practice.

We do not in the CIO profess to be experts in the intricacies of international finance. That we leave to the special students who labored on the technical end of the agreement and to the scores of eminent economists and bankers who have endorsed it.

The members of the CIO, and the millions of their relatives and friends in the armed forces, believe firmly that we must have a planned and rational approach to world economic problems if we are to have security from war and aggression after victory over the Axis is achieved.

The Bretton Woods Agreement represents a major step toward world economic stability in the eyes of our members. They know that we must export a sizable portion of our production if we are to maintain full production and jobs for all after the war. The members of the CIO also understand that world trade cannot be a one way street; that in order to sell abroad we must have customers who are able to buy from us and sell to us and to each other.

Bretton Woods is the first opportunity that we in America have before us to fill in the economic sections of the world security outline made at the Crimea conference, at Dumbarton Oaks and other United Nations meetings and conferences. The opportunity comes at a time when we have concluded still another major agreement in the meeting of the American nations at Mexico City and as we prepare for the United Nations conference in San Francisco.

The opportunity is here to demonstrate to the world that the United States is ready and willing to play its full part in securing the world stability and prosperity we must have to avert another crisis and a third World War.

At the same time we have a chance to contribute greatly to our own prosperity, by helping our workers to jobs, our farmers to markets, and our businessmen to customers.

The members of the CIO believe that the Congress will take this opportunity by ratifying the Bretton Woods agreement at an early date and without changes or amendments. No document or agreement is perfect nor is claimed to be. Bretton Woods, however, does represent the meeting of the interests of 44 United Nations, including the United States and does protect

- 3 -

and advance the interests and the welfare of us all.

We respectfully urge that the Congress act quickly and wholeheartedly to ratify the Bretton Woods agreements as it has been presented in the bill now before your Committee on Banking and Currency.

Cordially yours,

Philip Murray
President

Congress of Industrial Organizations



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

OFFICE OF
THE PRESIDENT

EXECUTIVE SEAL

March 9, 1945

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

Dear Secretary Morgenthau:

In accordance with your telephone request of this morning I am enclosing a copy of the C.I.O. letter on Bretton Woods.

Sincerely yours,

A handwritten signature in dark ink, appearing to read "Philip Murray". Below the signature, the name "Philip Murray" is printed in a small, sans-serif font.

Enclosure

259

MAR 13 1945

Dear Dr. Kung:

I was sorry to learn from your letter of March 6 that you have had to undergo another operation. I wish you a speedy recovery and hope that I may soon have the pleasure of seeing and talking with you.

Thank you for your kind words about my help to China. I have enjoyed being associated with you during these many years in maintaining the traditionally good relations between our countries and in helping to defeat our enemies.

There has never been any doubt in my mind--nor in yours, I am sure--that this cooperation is what the peoples of both our two countries have wanted, and I am sure that after victory we will continue to work together to keep the peace and achieve economic progress.

Even though many important things call for your attention, I hope you will take the time to rest properly and make a complete recovery. If there is anything I can do, please call upon me.

With best wishes for your speedy recovery.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Honorable H. H. Kung,
Waldorf-Astoria Hotel,
50 and Park Avenue,
New York, New York.

FC:ISF:rl 3/13/45

EXECUTIVE YUAN
NATIONAL GOVERNMENT OF CHINA

March 6, 1945.

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

Dear Secretary Morgenthau:

I much appreciate your letter of March 3 informing me that you have instructed your men to take up with the military authorities again the matter of shipping gold to China during the next few months.

I am so glad that you have agreed with me on the seriousness of the situation in China and the urgency of shipping gold there to combat inflation and that you promise to do your utmost to assist us.

After my operation to-morrow it will be necessary for me to have a long convalescence before I have the pleasure of seeing you again. I wish to take this opportunity to thank you for your good wishes and what you have done for China and your friendship for me.

With kindest regards,

Yours sincerely

H. H. Kung

261

March 13, 1945

Dear Mr. Keller:

I have your letter of March 8, 1945, requesting that the Kunning operation contract be expedited.

Information was not received as to the estimated cost of the work to be performed by Chrysler Export Corporation until March 10. The formal requisition from the Chinese Government has not as yet been received.

In the meantime the contract is being put in final form. I can assure you that everything possible is being done to expedite its execution.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. K. T. Keller
President, Chrysler Corporation
Detroit 31, Michigan

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CHRYSLER CORPORATION

Detroit 26, Michigan

March 8, 1945

K. T. AELLER
PRESIDENT

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

Dear Secretary Morgenthau:

I understand the Kunming operation contract is all in agreement awaiting necessary approvals, including your own. Am informed it takes ten days to accomplish this. We have a lot of things to do before we can start anybody on their way to China, most important of which is contracting the personnel. We are very anxious to get along on this job, and anything you can do to expedite it will be greatly appreciated.

Very truly yours,

K. T. Aeller

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1046

Dear Mr. Brand:

This will acknowledge your letter of March 5, 1945 relating to financial problems in Italy.

I would appreciate hearing further from Sir John Anderson with reference to the administration of financial matters by the combined allied authorities. It has been reassuring to me that you stress the need for close cooperation to reconcile our views on Italian financial problems and I am sure that this close cooperation is being achieved.

Sincerely,

(Signed) R. A. Rosenbaum, Jr.

Mr. R. A. Brand,
United Kingdom Treasury Delegation,
Box 680,
Benjamin Franklin Station,
Washington, D. C.

RE: 1/10/45

Brought in by Miss Chumney 3/7 264

12"

UNITED KINGDOM TREASURY DELEGATION

BOX 880
BENJAMIN FRANKLIN STATION
WASHINGTON, D.C.

REFERENCE

March 5, 1945.

TELEPHONE EXECUTIVE 8080

PERSONAL

Dear Mr. Secretary:

In accordance with your request I communicated to the Chancellor of the Exchequer your views on the Italian situation, and particularly your anxiety as to certain comments which had been made to you on the policy of "purging" being pursued by the Combined Allied authorities in Italy.

I have had a reply from Sir John Anderson saying that he is looking into the matter and hopes to communicate his views to me soon.

I am very sorry Mr. Glasser could not be spared to go to Italy, though I fully understand the present strain on your Treasury officials. I thought his visit, together with a similar visit of a U.K. Treasury official, might help both Treasuries to see eye to eye on Italian financial problems. I know the U.K. Treasury are most anxious that this result should somehow be achieved by as close co-operation as is possible.

Yours sincerely,



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

CERTIFICATE OF AUTHENTICITY

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Diary
Diary Book #824 March 1-2 1945
" " #825 March 3-6 1945
" " #826 March 7-9 1945
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" " #827-2 March 13 1945
Pgs 145 to Pg. 265
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