

Treasury Department
Division of Monetary Research

107

Date January 10 1944

To: Secretary Morgenthau

From: Mr. White

I think you will be interested to see the attached reply from Dr. Kung to your New Year's message to him.

H.D.W.



CM

PLAIN

Chungking via N.R.

Dated January 7, 1944

Rec'd 10:42 a.m.

Secretary of State,
Washington.

37, seventh.

TO SECRETARY OF TREASURY FROM ADLER.

Dr. Kung has asked me to transmit following message. "Dear Mr. Secretary, I have much pleasure in acknowledging receipt of your kind New Year's message through Mr. Adler and to thank you for the deep understanding and the warm friendship which you and the American people have for our government and people and which has helped us to sustain us in our efforts to solve our difficult wartime problems during these past few years.

We appreciate the spirit of good will and confidence shown both by you and your Department in dealing with matters which are of mutual interest to our two countries and I wish to assure you that we shall cherish and promote this spirit of close collaboration.

I also desire to take this opportunity to thank you for your cordial message on my completing ten
years

-2- #37, seventh, from Chungking via N.R.

years in office as Minister of Finance and to tell you how much I value your friendship and the privilege of working with you during these ten years. With best personal regards, yours sincerely H. H. Kung."

GAUSS

RR

NOT TO BE RE-TRANSMITTED

U.S. SECRET
BRITISH MOST SECRET

COPY NO. 12CPTEL No. 8

Information received up to 10 A.M. 7th January 1944.

1. NAVAL

Early yesterday mornin. E-boats with aircraft co-operation attacked an Eastward Coastal Convoy off LANDS END. One of H.M. Trawlers and three ships, one of which was loaded with 8 Landing Craft were sunk. Mine laying is suspected.

On 22nd December a French submarine sank a 1,000 ton Anti-submarine ship and on 28th she torpedoed a 4,000 ton ship off Southern FRANCE.

Another homeward bound German blockade runner BURGELAND 7,300 tons was scuttled on being intercepted by a U.S. Cruiser and a U.S. Destroyer when 650 miles North-west of ASCENSION ISLAND on 5th. The unidentified homeward blockade runner sunk by these U.S. ships on 4th was German RIO GRANDE 6,000 tons.

2. MILITARY

Italy In Adriatic coastal sector heavy fighting continued. 5th Army front further progress was made in the mountains and street fighting was going on in S. VITTORE.

3. AIR OPERATIONS

Western Front 5th/6th. STETTIN. 652 tons H.E. and 466 tons incendiaries dropped including 187 4,000 pound bombs. Thick cloud enroute nearly as far as objective but bright moon and excellent visibility over STETTIN. Marker bombs well concentrated. Many large fires with smoke to considerable altitude. Heavy anti-aircraft negligible at first and never strong. Few searchlights and very few fighters. 1 Lancaster which returned safely, collided with JU. 88 which is claimed destroyed. 15 Bombers missing.

6th. 131 Medium, Light and Fighter bombers attacked military constructions in Northern FRANCE, enemy casualties 3:0:3. Allied 6 missing.

6th/7th. Aircraft despatched: Sea-mine 67, DUISBURG, SCHWINGEN and LORTMUND. Total 18 Mosquitoes.

Military constructions CHERBOURG 2, Leaflets 15, intruders 8.

January 8, 1944
9:50 a.m.

RE: PRINTING OF FRENCH CURRENCY

Present: Mr. Bell
Mr. White

MR. WHITE: I suppose you saw the morning Times in which they interpreted your meeting as being on the Argentine-Anglo question.

MR. BELL: "Post war currency," as one paper said, I believe.

H.M.JR: I never read the papers any more. I don't want to have my thinking muddled.

MR. BELL: Mine was muddled when I read that telegram from MacArthur.

H.M.JR: When was this?

MR. BELL: Night before last. Didn't you see what Labor pulled?

H.M.JR: Oh, yes.

MR. BELL: When I read it, I thought, "Gee, what is MacArthur doing, trying to get into the next campaign?" I found out that it was two years old.

H.M.JR: I very seldom quote Arthur Krock. He is a smart fellow. This article he wrote yesterday on the history of this strike going back to May or June when the War Labor Board handed down a decision, a rise of eight cents--and then Vinson overthrew it and said they couldn't have it, and went from then--all their troubles, back and forth. It was the only sort of timetable of what happened.

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Of course, he blames the President for the whole thing. But it was all set last June when the War Labor Board handed down its decision for an eight-cent raise, and then Vinson said no. I had forgotten it. It doesn't make very good reading.

MR. BELL: From whose standpoint?

H.M.JR: The public's.

MR. WHITE: The fact is, I think that the railroad case hasn't been properly presented to the public.

H.M.JR: They had a decision handed down by the War Labor Board last June, giving them an eight-cent raise.

MR. BELL: They lay it on Vinson for reversing it.

H.M.JR: In the article, he says the President either gives four men's work to one man or one man's work to four.

MR. WHITE: That is a very good way to put it.

H.M.JR: Anyway, I really know terribly little about this thing. May I have a little background?

MR. WHITE: Yes. This particular meeting relates exclusively to the legend that shall appear on the currency, on the French currency. It runs through many phases in which we tried to please the French, and we couldn't because the State Department didn't wish certain legends to appear on it.

So we compromised and gave it the second best, which would be acceptable to the French and a third best. There was discussion of that.

Then there was some information from the President saying that he wanted the thing to wait.

Finally, due to the pressure of the Army saying they must have something, a memorandum went forward signed by yourself, Secretary Stimson, and Secretary Hull to the President recommending two things: One--

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H.M.JR: Where is that memorandum? Well, never mind, I will get Chauncey.

MR. WHITE: ...recommending that there appear on the currency one flag, the French flag, which the people drafted here with "Liberty, Equality, and Fraternity," and two choices: Either they could put "Republique Francaise" and something else on, or not, as the President preferred.

A second part was a requested recommendation that the French Comite' be permitted to order from private concerns here their own design, not putting on it anything they want in anticipation of the time when France would be liberated and have a Government, that such notes would be held in bond in the U. S. Treasury or authority would be held by the U. S. Treasury to keep it in a warehouse, and it would be released only when the British and the American Governments agreed to release it, at such time when they felt--

(Miss Chauncey entered the conference.)

H.M.JR: This thing that Mr. Stimson, Mr. Hull, and I signed to the President on French currency--

MISS CHAUNCEY: Yes, sir, isn't this it, sir? (Points to desk.)

H.M.JR: God, they are suspicious of me.

No, it isn't. Here it is.

MR. BELL: Aha.

H.M.JR: Well, your suspicion is justified.

MR. BELL: That is quick service, Miss Chauncey.

H.M.JR: Wonderful, Chauncey! Strike one.

MR. WHITE: Recommending that the French Comite' be permitted to order currency and it be kept here until such time as both governments agree it could be exported, so you would have complete control over it.

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MR. WHITE: This is the reply to that recommendation and somebody told Monnet within fifteen minutes after it was out.

January 8, 1944
9:52 a.m.

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HMJr: Hello.

John
Pehle: Good morning.

HMJr: John, good morning. Do we have any excuse for me to write Mr. Hull a letter and say, "What the hell? What are you going to do about the Argentine?"

P: We can find one. Yes, sir.

HMJr: See if -- hasn't something happened? And go back and say it's been such and such a date since we froze those two banks and it leaves the Government in a rather ridiculous position, and I wish he'd please advise me. Think up something, will you?

P: I will.

HMJr: What?

P: I will.

HMJr: A little....

P: I think it's about the time. .

HMJr: A little turpentine under the tail.

P: All right. We'll get up one.

HMJ That's what they use down in the Tennessee mountains.

P: All right.

HMJr: Okay.

P: All right.

January 8, 1944
10:00 a.m.

PRINTING OF FRENCH CURRENCY

Present: Mr. Bell
Mr. White
Mr. McCloy
Mr. Dunn
Mr. Monnet

H.M.JR: Five or ten minutes after I circulated the President's memorandum, Monnet knew about it.

MR. McCLOY: Yes, I told Monnet that we didn't get an approval on it and that he - the setup is this:--

H.M.JR: I am going to sick G-2 onto you.

MR. McCLOY: ...The British say that they will take anything that the French will approve. So the British said O.K. on this, as far as they were concerned. We have got to do it on a combined basis. They said that if Monnet approved of it, we could put them down as approving it.

Constantly we have had these inquiries as to where we were on the currency. I said, "The President didn't approve the draft."

H.M.JR: I left off one sentence which was on the President's. I didn't send that, did I?

MR. WHITE: No.

H.M.JR: "How do you know what the next permanent government of France is going to be? My guess is that it will be a mandarin."

MR. WHITE: That it will be. (Laughter)

Waley also knew all of the facts, that it had been turned down, and we informed him about the flag. We

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asked him whether it would be all right to have three flags, as the President wanted, the British flag - he referred back to the memorandum he told me orally in which his country objected to having the British flag, on the ground that if you have the British flag, why not the American flag.

They don't like to have any flags on there. Also, they object strenuously - they think it would be a terrible error - to put "La France" on there without "Republique." And, moreover, he says his Government would want to communicate with Monnet before any decision is made.

MR. McCLOY: They formerly communicated with us, that is, the representatives of the Combined Civil Affairs Committee formerly communicated to us that they were ready to accept anything within reason that Monnet was ready to approve, but they did insist that Monnet be consulted before we approved anything, because they were afraid of the element of sabotaging the currency.

Now, so far as I, personally, am concerned - I haven't had a chance to talk to Mr. Stimson about it - I feel that to leave out "Republique Francaise" is fraught with great danger. I think that it will give great weight to the suggestion that we are anti-Republican. The whole issue has been drawn as to the restoration of the Republic or not, the argument that the Vichy Government is associated with non-Republicanism, that the Comité and everybody else is on the other side and this would give great weight to arguments, or it would give a possibility that we would be criticized as being anti-Republican. That is one thought.

Another thought is that I am not entirely sure of Monsieur or General DeGaulle. I think the more we wrap General DeGaulle around with Republicanism, the better off we are.

H.M.JR: What else could he be?

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MR. McCLOY: He could be a Dictator. He is a general, and people have accused him of having dictatorial aspects.

MR. WHITE: He is a general and every general is an incipient dictator!

MR. McCLOY: He isn't necessarily Republican.

H.M.JR: He might even be a Democrat and be in the War Department!

MR. BELL: Let's find out. Maybe we can tell whether we ought to recognize him.

H.M.JR: You never know, you might find one there.

MR. McCLOY: Although we talk about France having whatever Government they want to have in the way of a monarchy, actually, it seems to me we have to go in there on the basis of Republicanism, for internal quietude.

So far as the three flags are concerned, I am inclined to think that we are better not having our flags on there, that we want to get this obligation over to the French, and this currency accepted by the French, and have the French flag supported by the two British and American flags, maybe, supporting their currency.

I don't like the idea of that, particularly. And furthermore, the President already approved the thought that some of this currency would be set up for the Comité, or whatever authority there is, and when that currency is used, why that currency isn't going to have any American or British flags on it.

MR. WHITE: He says they cannot have the words "Republique Francaise" on their own currency, which they were going to print for use in the future. That is impossible.

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H.M.JR: May I get this thing - "I do not want the words 'Republique Francaise'. As I suggested two weeks ago, I would like to have the word "La France"?"

He never suggested that to me. To whom did he suggest that two weeks ago?

MR. DUNN: I never heard of it before.

H.M.JR: I have never discussed this thing with him.

MR. McCLOY: I tell you whom he discussed that with, it must have been Secretary Hull, because it was about two weeks ago that Secretary Hull went to see him about currency.

MR. DUNN: Do you know about that?

MR. McCLOY: Then, as a result of that, you circulated this memorandum.

MR. DUNN: The only thing that Mr. Hull reported to us was that the President said that he didn't want anything on the currency except the amount.

MR. McCLOY: That is right.

MR. DUNN: It wasn't to be identified with any country or have any legend on it except just the figures. Do you remember that?

H.M.JR: In order to sort of jump this hurdle - because the War Department is going to look to us to deliver the goods--

MR. McCLOY: Print it.

H.M.JR: Bell will tell you in a minute what our situation is. We can't fool around a minute. We have not let the War Department down yet; we don't want to. But we can't fool around with this thing.

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This may be silly, or not silly, but an impractical suggestion. Inasmuch as the President, for some reason, has his mind set, couldn't we go back to the original idea of the invasion currency like the Italian currency? Could we get that by Monnet?

MR. McCLOY: You mean Allied military currency?

MR. WHITE: Issued in France.

MR. DUNN: Of course we could, but my own feeling is that the military operation is going to be hampered by that. It is just an opinion, but I think it is too bad to have to do that.

H.M.JR: You don't mind if I differ with you? We went all through that on the Italian thing.

MR. DUNN: This is quite different from the Italian thing, though.

MR. BELL: They claimed that was enemy territory. Now you are supposed to be going into friendly territory.

MR. DUNN: This affects the attitude right straight through Europe.

MR. McCLOY: The most important thing about this currency is that it will be received on a friendly basis by the French.

H.M.JR: Which?

MR. McCLOY: This currency - the most important aspect of the thing.

H.M.JR: You mean the most important thing is to have it received.

MR. WHITE: It has no positive advantage, but it can have serious negative advantage if it is the wrong kind.

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H.M.JR: Has anybody put up to Monnet - I am going to stick to this for a minute - this Allied military currency?

MR. WHITE: That is the one we put up to him first.

MR. BELL: The British didn't want it, either.

H.M.JR: I wondered if they had their choice of knowing that if the President stays adamant on this thing, as between that and having the other, which way they would go.

MR. WHITE: They certainly don't want this. Monnet was just in to see me. The strongest opposition is against this. He said this would be almost fatal. He can't understand leaving "Republique" off for the reason Jack described.

H.M.JR: Of course, I would like to say my own two bits on this thing. I am completely in the War Department's corner on this question of recognition of the Committee when we go in there, and I think that every day we are losing means loss of lives, because more and more the people are going to be antagonistic if and when our troops land there. I am completely in the War Department's corner on this thing.

MR. McCLOY: I am more and more convinced of it every day, and every minute of this military advantage that is involved in going through with this.

H.M.JR: My God, if we had any justification for Darlan - using him as a means to an end - it seems to me that this group - let's call a spade a spade. After all, I take it what the President is doing - this is all part and parcel of not recognizing DeGaulle. But we have got to have a time fixed. We are going to land there; the thing is set.

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MR. McCLOY: I got a telegram from Bedell Smith this morning strongly urging that course.

H.M.JR: Which course?

MR. McCLOY: Dealing with the Committee. I don't believe there is any--

H.M.JR: That is just a detour, but it is all the same thing.

MR. McCLOY: It is involved.

H.M.JR: Is it impossible to get this thing settled - I mean, the whole business, using the currency as an excuse?

MR. DUNN: Well, here we are. I don't know who is in which corner on this thing. I don't think there is any question of being in corners. We have been accused of being all kinds of things about the French Committee.

Harry White told me that calling this State Department policy at one meeting - what do you call this? (Refers to memorandum dated January 6, 1944, from the President to State Department, Treasury, and Mr. Crowley.) This is straight from the President.

MR. WHITE: This was the policy that you were pursuing.

MR. DUNN: Now, I don't think there is any use in talking about who is in which corner on this business. I mean, you have got to deal with the President. He is the one who is laying down the policy with regard to the French situation. Now here you are, right up against it.

MR. WHITE: Does the State Department make any recommendation to the President on this score?

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MR. McCLOY: State Department signed a memorandum.

MR. WHITE: I mean on the larger question which the Secretary is raising, which this would be a part of.

MR. DUNN: I don't think it is necessary to go into that. Are we going into the question of the recognition of the French Committee here, because I will have to bring my documents over. I don't like this business of just sitting around and pointing fingers at people. I don't see the point in it, really.

H.M.JR: I didn't point any fingers. I haven't said anything this morning, have I, which you could interpret as pointing fingers?

MR. McCLOY: I think we are pretty much at one on this business - everybody - State Department, Treasury, and War Department. Jimmy Dunn sits as the State Department representative on the Combined Committee. We are not at variance at all in this thing, but we do have to face the situation.

H.M.JR: Let's be perfectly frank with each other. Could we go to the President again and say we feel that this is necessary and all the Departments are still in accord on this thing?

MR. DUNN: As far as we are concerned, we certainly could.

MR. BELL: Is it impossible to have a conference with the President?

MR. McCLOY: I don't think he got it. He gets those things off the cuff.

H.M.JR: It seems too silly to bother the President - even take my time with what kind of money. Even last time with the Italian we had three months of

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conferences on what kind of currency.

May I ask this, if it is not a military or State Department secret, when the President told Mr. Hull he just wanted La France, what attitude did Mr. Hull take?

MR. DUNN: I don't know that he ever did tell Mr. Hull.

MR. McCLOY: I don't know that. I just know that he saw him sometime back.

MR. BELL: He said he wanted to pass on the currency.

MR. McCLOY: He wanted to pass on the type of the currency. He wanted to see it, and this was the reason for this memorandum. At an earlier time he talked to me about the currency and said he didn't want to have anything on there that would in any way recognize the French Comité.

I said, "Well, we can put on there something like Republique Francaise, or "Emis en France," and let it go at that. He said, "Well, something like that. But I want to see it. I want to see it."

MR. WHITE: Well, we can leave off Republique Francaise and France, and put "Issued in France."

H.M.JR: How can you say issued in France? That isn't true.

MR. WHITE: It would have to be that, anyway. That is where it is issued. We print it here, but presumably it is issued by the military authority in France. We can leave off any designation at all; just have "Issued in France."

H.M.JR: I thought you said Monnet wouldn't agree to this.

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MR. McCLOY: No, Monnet wants to have "Republique Francaise" on there.

H.M.JR: Let's get together.

MR. WHITE: I say you wouldn't want the words "Allied Military." We can leave that off, too.

MR. BELL: Aren't you going to have a hard time getting a subsequent French Government to take up that currency that says "Issued in France"?

MR. WHITE: We don't care. If they don't take it up, so much the better.

H.M.JR: What are you going to print on there?

MR. WHITE: You could put nothing on except some scroll work and the figure five or ten, and "Issued in France, Series of 1944."

H.M.JR: That is all?

MR. WHITE: That is all. Curious note, but it could be done.

H.M.JR: Would the French Committee accept that?

MR. WHITE: I don't see how they could object to it.

H.M.JR: No flags on it?

MR. WHITE: Nothing.

MR. BELL: Could be done.

MR. DUNN: Has that ever been discussed with them?

MR. WHITE: Their position has been one of objecting to, (a) Allied Military; (b) wanting Republique Francaise; and if possible the additional legend which we turned down flatly, of a Central Bank, Public Treasury.

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They have now worded this "LaFrance" and they seriously object to that. They don't care about three flags; they want one flag. They couldn't object to the other note because--

H.M.JR: Well, may I ask you to tell these gentlemen and myself what the mechanical situation is, so they have that?

MR. BELL: As I recall, this problem came to us about the middle of November and we were told that delivery of these notes had to be started on January 1. So we put our whole force on it, drawing models, working night and day, and submitted them here to try to get a decision. We also went out and contacted the industry, both the paper and the printing, and got them lined up. The Forbes printing plant in Boston has turned over one whole section of its plant, reorganized it, put in safety provisions, gone out and hired a lot of women, and they are just sitting there, ready to go, and cooperating with the Government. They have turned away a lot of commercial business. Now a claim is being piled up against us, certainly, for doing that. I don't think we can hold them much longer. They are getting tired waiting. They say if they don't get a decision pretty soon, they have got to get their commercial business back.

The paper man was in yesterday. He said, "Here I have sat for a month and I have got no order. Something has to be done; I can't wait much longer."

It makes us look kind of silly in Washington that we can't make the decision on the type of note we want when the big job really is the engraving and printing.

MR. McCLOY: I suggest what we do; I think the key of this thing is Monnet. You have got to talk to Monnet or some representative of Monnet. Go to him and see whether he will take this "Emis en France," and let it go at that. Then go right on and wipe out flags.

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H.M.JR: You have been contacting him, evidently. Do you want to see him this morning? Will the President agree to that?

MR. McCLOY: Yes, we have what the President says, "Emis en France." He didn't object to that. It was "Republique Francaise."

H.M.JR: He said he would like to have La France.

Oh, I think if we got a model down, I will take the responsibility of trying to clear it with the President, if you can get it cleared with Monnet. Can you (McCloy) do that?

Can you (Dunn) speak for the State Department?

MR. DUNN: As far as that blank money is concerned it will be perfectly agreeable.

MR. McCLOY: How about the flag?

MR. BELL: Hasn't everybody agreed on the flag?

MR. McCLOY: Everybody but the President. The President says he thinks we should have the two things on there.

H.M.JR: I would leave the flags off. If we get down to your idea of the comedian and the telegrams - he gets it down to one word, you know.

MR. McCLOY: Yes. The flag has a little élan.

MR. WHITE: The flag would be very good to have on with nothing else on.

MR. McCLOY: Just the French flag waving.

MR. DUNN: Just the one flag?

MR. McCLOY: He didn't press that very hard.

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H.M. JR: The French flag?

MR. McCLOY: Waving in the breeze, and "Emis en France."

MR. WHITE: And the Liberté, Egalité, and Fraternité. It is a shame to leave that off.

H.M. JR: Who is against that?

MR. WHITE: I don't know.

MR. McCLOY: Is it on there now?

MR. WHITE: Yes, with the one flag. But we take out the words "Republique Francaise."

MR. BELL: The model didn't come back from the President.

MR. McCLOY: Grace Tully told me she sent it back.

MR. BELL: I didn't get it.

MR. McCLOY: She said, "I sent it back."

MR. DUNN: Which design was it?

MR. WHITE: The single flag; it had Liberté, Egalité and Fraternité, and Republique Francaise.

MR. McCLOY: I will get hold of Monnet right away.

MR. BELL: Can't we also make it Monnet's job to clear with the British?

MR. McCLOY: I have got the British blank check.

MR. BELL: Can't we make him say to the British--

MR. McCLOY: We don't worry about the British. Waley says, "You have got the blank check to approve for the British if you get Monnet to say yes."

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MR. BELL: But the British came in yesterday.

MR. WHITE: That is German.

MR. BELL: I thought they said they wanted to do the other, too.

MR. McCLOY: We have got that recorded in the minutes, that they approve whatever Monnet approves. That has come over from London.

H.M JR: You say Bedell Smith is in a hurry now?

MR. McCLOY: Yes, he wants to deal with this Committee and get to work right away.

MR. BELL: It will be at least ten days before we can get to the printer with this after you approve it. There is a lot of work yet to be done.

(The Secretary to Miss Grace Tully on the White House phone:)

Good morning.

Fine.

I have been told by no less than "the McCloy" that you said, or he said, that you returned to me the sample of French currency.

To whom?

I got the memorandum, but no money - no sample.

Could you send it over with the Secret Service man right now?

Oh, what is the matter?

Well, I am sorry. Well, are you going to be around for awhile over there this morning? I mean

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I can call you back. But would you look for that? McCloy thought he had something on me.

If the money is there - we are sort of sitting here talking about it.

I got that, but we would like to have that piece of money back.

Whatever there was.

Thank you. (End of conversation)

H.M.JR: It is still in the basket.

MR. McCLOY: Oh!

MR. BELL: I bet he would like to keep that.

H.M.JR: But it isn't settled, so I am not going to laugh. She said, "I thought I sent it over," McCloy; she said she sent both of them back.

MR. BELL: Front and back, you know.

H.M.JR: I have one operator who just handles my calls.

(Mr. McCloy called Mr. Monnet and asked him to come to the Secretary's office.)

(The Secretary left the conference temporarily.)

MR. WHITE: I think the Secretary would be interested in that last statement of yours, Jack.

MR. McCLOY: The European Advisory Commission was set up in London, composed of British, Russian and American. Winant is our representative there. The Russian Ambassador is the Russian representative. The English have stated that they want the form of the German currency submitted to that Commission so that

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it could obtain the clearance of the Russians. They told Mr. White that, even though he pointed out that he was already in contact with the Russians here through their Embassy.

(The Secretary returned to the conference.)

H.M.JR: Mr. White what?

MR. McCLOY: They wanted to have it go through the European Advisory Commission. The attitude of the Joint Chiefs of Staff is that they don't want the European Advisory Commission involved in anything but post-war questions, because it confuses the Civil Affairs planning going on from day to day. If you have to clear it on two levels it introduces an element of confusion.

Now, Mr. White asks what his attitude should be in response to the information that he has gotten from the British, that they want to submit it to the European Advisory Commission.

MR. WHITE: I am using this, I think, merely as a peg upon which to get us to agree that the European Advisory Committee is the Commission who have the principal responsibility for negotiations and decisions on this matter.

MR. McCLOY: We want to get together on that.

H.M.JR: Even though Mr. Dunn doesn't like my using the expression, I am again in the War Department's corner.

MR. McCLOY: I think Mr. Dunn is with us on that.

H.M.JR: Then we are all in the same corner. For many reasons, I would much rather have these things settled here in Washington than I would in London.

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MR. DUNN: Well, we have a communication from the Joint Chiefs of Staff, now, which is very, very definite. They say that for military reasons they do not want the European Advisory Commission to discuss matters in the period prior to the post-hostilities period.

H.M.JR: You can say to whomever you want to, that the Treasury--

MR. WHITE: No, I have got to be able to say that we are informed by the Army and the State Department that the European Advisory Commission's deliberations and discussions are to be confined to post-war problems.

MR. McCLOY: Post-hostilities problems.

MR. WHITE: And therefore the question as to the appropriate currency to be used by the invading forces is a decision made by the Combined Civil Affairs Commission, in addition to their contacts with the Russian Government.

MR. McCLOY: And if a clearance on the currency is to be obtained from the Russians, it would be obtained through a different--

MR. WHITE: We already have asked the Russian Government, and they have communicated with Moscow. Now, the particular matter is unimportant; I am quite certain they are using this.

MR. McCLOY: Sir Frederick Bovenschen is over here. He is the English Bovenschen, Under Secretary of State.

H.M.JR: That is a peculiar name.

MR. McCLOY: I think it is a Dutch name. He is known by all the military as Hitler's secret weapon, but all the Englishmen--

H.M.JR: That is wonderful.

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MR. McCLOY: I am trying to settle this business of the locale of the discussions of these matters.

Here is Monsieur Monnet.

(Mr. Monnet entered the conference)

H.M.JR: Oh, Bon jour. You came down very quickly.

Mr. McCloy, why don't you state the case - in English, please.

MR. McCLOY: You caught me just in time. (Laughter)

This business of the design of the French currency and the suggestion that it was inadvisable to put the phrase "Republique Francaise" on there, inasmuch as we didn't know what the Government of France might be.

We all here, I think, including the Secretary, feel that it is a matter which we would like to settle without going to the President, because primarily, for the very good reason that we have got to get it printed or we are going to lose the facilities.

We have thought that we might avoid the whole controversy entirely by simply having a currency with an emblem of some sort, but leaving off the flags, the three flags, which is perhaps inadvisable, put the Liberté, égalité, and fraternité on it, the size of the denomination, and just "Emis en France," such-and-such a date, and go ahead with that, so that we don't continue the delays or continue further discussion of the matter.

That doesn't raise the question of whether it is Republic of France or not; it is just a means of avoiding the President's desk and getting started on the thing.

It is a radically different thing than we use in Italy, which was one of the considerations which the Comité was trying to seek.

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MR. WHITE: It will not contain the phrase, "Allied Military Authority."

MR. MONNET: Would there be printed the currency which might eventually be used by the Allied armies?

MR. WHITE: That is a separate problem. This is a more immediate problem.

MR. McCLOY: If you want to use that same type of currency for your eventual use, you can over-stamp it if you want to. We could go to that extent, I suppose.

MR. MONNET: With what?

MR. McCLOY: Comité.

MR. MONNET: We don't want the Comité because the Comité is going to come to an end.

MR. McCLOY: But if you want to print stockpiles with this as a basis, if you don't want to use it precisely, exactly, I suppose we could work it out.

MR. MONNET: You see, as you know, the position of the Committee on this question of "Republique" is clear enough. The moment it was formed on the third of June, its first declaration was that it would reinstate the French Republic and the French institutions in France - as soon as it would land there.

So there is no more formal commitment taken by the Committee than the one that it is obligated to reestablish the French Republic institutions in France upon landing.

The Committee has now submitted to this Assembly which sits in Algiers, a plan for the purpose of having elections, municipal elections, the moment a town is free; and out of these municipal elections to have a National Assembly formed, which would bring them the provision of Government.

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Now let's leave the detail aside--

(Mrs. Klotz left the conference and returned with samples of French currency.)

MRS. KLOTZ: This came over from the White House just this moment.

MR. McCLOY: When?

MRS. KLOTZ: Just this moment.

H.M.JR: (To Monnet) Excuse me just a minute. This is a great issue between Mr. McCloy and myself.

(To Mrs.Klotz) He (McCloy) believes you and he won't believe me.

MRS. KLOTZ: Thank you.

H.M.JR: (To Monnet) He has been trying to say this was somewhere in my office, you see.

O.K.?

MR. McCLOY: O.K. I give up now. He wants to see it.

(The Secretary hands the samples to Mr. McCloy)

MR. McCLOY: That is a good-looking piece of currency.

MR. MONNET: So whatever are the details of all this, the fundamental commitment of the Committee, and everybody, and the plan which is now the cause of discussion, has one fundamental issue, which is the reestablishment of the Republic in France. That is what DeGaulle, and the people, and everybody are committed to complete. That is what it is.

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We don't recognize that anything else in France exists but the Republic, and we are not going to be governed by any other laws except the laws of the Republic. Our first act is to reestablish the Republic institutions in France. That is the fundamental attitude of the Committee. That is the commitment, and if I may say so, it is the great safeguard, if there is any, for the development of France.

Now, there may be details here, there, and so on, but that is the commitment, and there is no way in which we are going to go back on that, or if anybody does, then he forgets all the commitments which have been taken. That is out of the question.

Now then, you have seen to what embarrassment you have put me, because a note that the Committee would agree to would only have Liberté, Egalité, Fraternité without the mention of République Française. It smells very much of the same sort - what shall I say - Vichy had whatever it was - some of that thing.

MR. McCLOY: It is true that Liberté, Egalité, and Fraternité are associated with the Republic.

MR. MONNET: Right, but the moment you put it alone, without putting "République" you do something--

H.M. JR: You have got to start over. You are saying something of significance. I didn't get it.

MR. MONNET: Did you get up to the point--

H.M. JR: You got up to the point of discussing the difference and similarity as between Vichy and us.

MR. MONNET: I say that the commitments of the Committee are fundamental on the recognition, the acceptance, but also the re-creation, the reestablishment of the République in France. Not only that, but the French République exists and we consider Vichy is non-existent.

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So it isn't a question of whether the Republique is or is not going to be, it is. And as I said before, it is really the greatest safeguard for the future development of France that we have.

Now then, you see in what great embarrassment I am put, to have - if such notes are to be - some of them are to be printed for the use by the Committee to accept or consider that a note could be printed without the name of the French Republic.

Now it is made even more difficult by the fact that I leave the French Republic out, and you put Liberté, Egalité, Fraternité. Why? Because it is true that Liberté, Egalité, Fraternité is tied in the past with the French Republic; it was born with the French Republic, itself. But if you disassociate it with the French Republic, then it will call back to the minds of people that Vichy adopted another symbol which was Honneur, Patrie, and Famille, or something like that, but, of course, the French Republic was left out completely.

H.M.JR: Excuse me. That is what I wanted explained. I know they had three different words, but when they got their money they did or did not use the words "Republique Francaise"?

MR. MONNET: They did not. They put it out, and to my knowledge they used "Francaise."

MR. DUNN: I never saw it. That is interesting. I am sure they have never referred to themselves as the Republic.

MR. MONNET: No, no. As far as they are concerned the Republic is dead.

MR. DUNN: The Committee has restored--

H.M.JR: Could you get a piece of the Vichy money?

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MR. MONNET: I am not saying, now, that the Vichy bears that, and not French Republic, because I have no Vichy money. What I do say is that on all the official documents that I have seen on the walls and everywhere, that I have seen in Algiers, they had Honneur, Famille, Patrie, but they didn't have, naturally, the French Republic, because for Vichy the French Republic has gone.

Therefore, if you have a note today that merely bears the old symbol, however Republic it is, and do not put "The French Republic" on it, you create a great confusion in people's minds. They say, "Well, what has happened to the Republic?"

MR. WHITE: How about leaving the symbol off - leaving the three words out?

MONNET: I understand all of the difficulties, the urgency, the importance, but I assure you it is a touchy, very fundamental issue.

(The Secretary sends for Miss McCathran)

H.M.JR: (To Miss McCathran) See, through Customs or Secret Service whether they picked up any money issued by either Germany or Vichy. I don't want the regular French Government money, but what has been issued since the Germans or the Vichy Government went in.

MR. MONNET: I am not saying that on the money the Vichy people did put this slogan and did not put the French Republic.

H.M.JR: The money I have seen that has come through Portugal is the regular bank of France.

MR. MONNET: In which case, then, there is not.

H.M.JR: The only ones I have seen are the regular Bank of France. I have seen regular thousand-mill notes the same as they always are.

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MR. WHITE: The Bank of France has power there.

H.M.JR: Where is your Short-Snorter?

MR. McCLOY: Here (pointing to foreign bank note) is one that looks very much like the French franc.

MR. MONNET: But what I do say is that the moment we put on a note, and the Committee uses that - the old slogan of the Republic, but do not put "French Republic", we create, or we tend to create a confusion in people's minds and people will wonder why the Committee is, in fact, doing what Vichy has done, using another slogan, but putting the Republic out just the same, not necessarily on our notes, but on all the official papers.

H.M.JR: Mr. Monnet, you make a very good case, but supposing we can't get it approved, what then? Supposing we can't get it approved?

— Mind you, I will try once more, but supposing we are not successful, what then? We are trying to save time. I will make an honest effort to get it by.

MR. MONNET: Let me just finish on that, and then I will try and think what else. But I assure you of all the assurances there are to have Democratic institutions reestablished in France, which is vital, the commitment of the Committee that it stands on the Republic, is the greatest security we have. Now don't let's do anything that unties that knot to the least degree. And that does it. I think it is a great, great error. It is a great fundamental error. It is something which, when it comes out, might be interpreted in all sorts of ways and goes exactly against - after all, certainly the policy as stated by the Committee is the policy stated by your Government. Don't throw any doubts as to what Government. There is only one institution in France, the Republic. There is nothing else. The moment you throw doubt on that we are - well, there you are. Now, then--

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H.M.JR: I give you my word, I will make an honest effort to get it approved, but let's assume I can't.

MR. MONNET: Let me think, then.

MR. McCLOY: Mind you, there isn't any LaFrance on it which would point the thing up. It just says, "Emis en France," and nothing else but France.

MR. MONNET: May I see them?

H.M.JR: Certainly. (Secretary hands samples to Mr. Monnet)

MR. WHITE: We could even remove the Liberté, Egalité, and Fraternité.

MR. MONNET: You can't have one without the other.

H.M.JR: I think it is good because Vichy didn't use that. They used something else.

MR. MONNET: You can't put one without the other. If you put one without the other, then you have removed the Republique.

MR. BELL: After all, you know more about that than we would.

MR. McCLOY: What we do is just avoid the whole thing and get going with it. These things hit a snag every now and then.

MR. MONNET: I understand, then, that a note could be printed eliminating the French flag, Liberté, Egalité - eliminating the Republique Francaise--

H.M.JR: The French flag?

MR. WHITE: Everything.

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MR. MONNET: I don't object to the French flag, of course.

MR. WHITE: If he prefers we could eliminate the flag and the motto, or leave the flag without the motto.

MR. MONNET: Leave the flag, eliminate the motto and Republique Francaise - leave the printing as it is. Then I say, this money is essential to the Army, but it is also essential to the French civilian authorities, whatever those authorities are in the zone outside of the combat zone, because the Germans may have taken the money.

H.M.JR: I would like to leave the flag.

MR. MONNET: All right, let's leave the flag.

MR. BELL: Yes.

MR. MONNET: Then I say, would it be in order, then, in addition to whatever printing the Army wants to have on that note, that the French Committee places an order for the amount of notes that may be used, and certainly will have to be used in the other parts of France?

MR. WHITE: The difficulty is this: If it is the same note it would have to be under control of the Treasury. The Treasury would be printing as many as it could of that, in any case.

When the time comes, when the Allied military authorities, the Governments, wish to turn over some money to you it will be taken out of the Treasury stock. But to have another agency printing the same kind of money without those controls is a pretty dangerous business.

MR. BELL: I think they ought to get their money from the Army. We are doing this job for the Allied Military Commander. It is the only authority we have

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for doing it. We turn it all over to the Army as an Army job. Now, any of the French authorities ought to get their currency from the Army authorities and should be put on their books as being turned over.

MR. MONNET: But would there be any objection to the French Committee placing an order here in addition to what printing you are going to make?

MR. WHITE: I don't think so, except the facilities will be used fully by the Army, but the order can be put on file as soon as you have satisfied the Army you can begin on them. But they still will be held under the jurisdiction of the Government.

MR. MONNET: Quite naturally; that is obvious. We understand that.

H.M.JR: I think McCloy should answer that.

MR. McCLOY: I don't see any objection. We know that we are going to put all the facilities that are available to the printing of these notes. If the French Committee wants to put in another order, it can, as a matter of form.

MR. MONNET: How many are you going to print?

MR. McCLOY: To the full capacity.

H.M.JR: Whatever we print wouldn't be enough. I mean, we still don't take care of what you want in Italy, do we?

MR. BELL: Oh, yes.

MR. McCLOY: We were short for awhile.

MR. MONNET: You would have twenty billion within a month?

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MR. WHITE: No, begin on it, and take another.

MR. MONNET: How much could you print, because it is valuable to have - for the French civilian authority to have money.

MR. DUNN: Wouldn't that be done through the Civil Affairs authority with the Army?

MR. McCLOY: That is what we did in Italy. We gave the money to the Bagdolio Government.

MR. WHITE: At the point where there is a recognized Government in France--

MR. DUNN: You mean this later period?

MR. MONNET: What I am talking about is, as the Armies land they need money. But the Germans may have taken money away from the parts which we have liberated and which would be under some civil administration. That civil administration needs currency as much as the Army needs it. They would have this currency?

MR. McCLOY: That is right.

MR. MONNET: Then there must be more printed than twenty billion. I think they might need fifty or seventy-five billion in three months.

MR. WHITE: They are going ahead as fast as they can.

MR. BELL: Couldn't we get an estimate of the combined requirements?

MR. McCLOY: You can get an estimate, but it is all guess.

MR. MONNET: We can tell you fifty billion now, right away, and fifty billion more.

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MR. McCLOY: We are going to keep the printing presses going as hard as we can - to full capacity.

H.M.JR: We have no Vichy or German printed money, so if you, through your Mission, have any and we could see some - but they have already checked and the word has come back from Customs and Secret Service that we don't have any.

MR. MONNET: I see.

MR. McCLOY: There is no problem, as I see it. We just print to the limit of our facilities, and we will have money available for the entire area from combat zone right straight back.

MR. MONNET: All right. The first conclusion we come to, is that what money is going to be decided upon now is going to be the same money that will be used by the Army, or that may be put at the disposal of the French national authorities, whatever those authorities are.

MR. McCLOY: That is good sense.

MR. MONNET: It is essential. And therefore, that enough will be printed, and for that, tentatively, we say fifty or seventy-five billion. Second, that this money will not bear, "Monie Militaire Angleterre."

Now, that is all right.

Now then, what you have to decide is whether this money bears "Republique" or doesn't bear "Republique." If it doesn't bear "Republique," this note with the flag without the motto--

MR. McCLOY: And no "La France."

MR. MONNET: Or if you decide that it would bear "Republique" - that is for you to decide.

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H.M.JR: It isn't for us to decide.

MR. MONNET: I understand. I know.

H.M.JR: But if we have the "Republique Francaise" we will have the motto. The two go together. If we can't have one, we won't have the other.

MR. MONNET: But I do hope, very much indeed, that you have "Republique Francaise," not only for reasons that I have stated, but realize that this is the money that is going to be handed to all the French people.

H.M.JR: We will make one more effort. But supposing, Mr. Monnet, we are unsuccessful; can we, if I can get an answer by Monday morning, can we give an order Monday morning to go ahead?

I don't think Mr. Bell explained. Here is our position: The Army is on the Treasury's neck to do something; we have actually had a plant, a part of a plant, with employees tied up for one month sitting there. Do you see?

They have turned away commercial business and everything else. They told us, as of yesterday, if we don't give them an answer they are not going to wait any longer. Actually, we have had the girls just sitting there for one month in this wing of a plant which has all been fixed up with security. I mean, if I can't do it - because the Army looks to us - and by Monday morning I would like to give - is that all right?

MR. MONNET: That is all right. But please do everything you can.

H.M.JR: I will do everything I can.

MR. MONNET: Because I assure you the implication is tremendous.

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H.M.JR: I will do everything I can.

MR. MONNET: There you are, you see.

H.M.JR: As you know, I am in sympathy with that, you see.

MR. MONNET: Well, there are people who have doubts in their minds as to whether France is going to be a Republic or not.

Now, every act that we make, or every act that you make, should be in the direction of reenforcing - that there is no doubt, there is no question. Now, don't raise the question. The moment you issue this note, and it goes to all the little villages and towns of France, bearing "The Republic," why, there it is. If it does not, there is a question, why not? And the moment there is a question, then there is a question. But at the moment there is not. And the commitments of the Committee are firm and definite, and the plans before the Assemblies are in that direction, and that is what we want. So don't for God's sake, raise it.

MR. DUNN: There is a certain stability brought about by the use of that phrase.

MR. MONNET: Of course. The whole stability of France depends on whether the people accept the Republic and work from that and on that basis, or whether they put the question. And the whole thing we want is the maintenance of that institution.

Now, all the commitments are taken. Now, don't let's throw any doubt on it.

H.M.JR: I don't think you have to try to sell anybody in this room here. We are all with you. But we are all subordinates.

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MR. MONNET: I hope very much that you prevail.

MR. McCLOY: I think, even if it doesn't prevail, it doesn't have the same implication that it would have if you only had "LaFrance" on there.

MR. MONNET: Oh, no, no.

H.M.JR: I am afraid I am going to have to stop now.

January 8, 1944
10:22 a.m.

HMJr: Hello.

Operator: Miss Tully.

HMJr: Hello.

Operator: Here you are.

Grace
Tully: Hello.

HMJr: Good morning.

T: Good morning, Mr. Secretary. How are you, sir?

HMJr: Fine.

T: That's good.

HMJr: I've been told by no less than the McCloy that you said, or he said, that you have returned to me the sample of French currency.

T: Well, certainly....

HMJr: What?

T: Certainly, I did.

HMJr: To whom?

T: To you. With a memorandum to you.

HMJr: Well, he....

T: That was day before yesterday. I called him and told him that the President had -- of course, the memorandum came from you originally.

HMJr: Yes.

T: And naturally, the memorandum went back, but he had been checking on it the day before and Pa told me....

HMJr: Yeah.

T: ...and said to Secretary McCloy that I would let him know, or would take it up, so I found it in the basket, the President acted on it and dictated the memorandum which I sent to you....

HMJr: I see.

T:immediately.

HMJr: I got the memorandum but no money.

T: You didn't get the designs returned?

HMJr: No, ma'am.

T: Oh, well, of course, it should have gone back because it related to the designs and I didn't mark on it to the people outside, "Be sure and return the designs." I assumed they'd know that, but I must go get them then.

HMJr: If....

T: I'll return them to you.

HMJr: Would you? Could you send it over with a Secret Service man?

T: Yes, sir. Will do.

HMJr: Right now?

T: Yes, and, also, Mr. Secretary, I'm afraid on the 17th, the President is not going to be able to do it.

HMJr: Oh. What's the matter?

T: Well, just everything.

HMJr: I see.

T: Too much, right now.

HMJr: Uh huh.

T: In view of his sickness and everything and the annual message, he's had to work so hard and all I'm afraid he's not going to be able to do that one.

HMJr: Well, I'm sorry.

T: He's sorry, too, but it's just too much for him to handle, I think.

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HMJr: Would you -- well, you're going to be around for a while over there?

T: Oh, yes.

HMJr: This morning, I mean.

T: Oh, yes.

HMJr: Well, I may call you back.

T: All right. Fine.

HMJr: Would you look for that?

T: All right, Mr. Secretary, I'll check on it immediately.

HMJr: McCloy thought he had something on me and if the money is there just -- we're sort of sitting here talking about it.

T: Yes. Well, the President, as you see in the memorandum, didn't approve of either design, I take it.

~~HMJr:~~ I got that, but we -- but we'd like to have that piece of money back.

T: Right. Well, there were two, I think.

HMJr: Well, what....

T: There were two designs.

HMJr: Well, whatever there was.

T: Yeah. All right. Fine. I'll return them to you.

HMJr: Thank you.

T: All right, Mr. Secretary. Bye.

January 8, 1944
11:10 a.m.

ARGENTINE WHEAT

Present: Mr. White
Mr. McCloy
Mr. Dunn
Mr. Bell

H.M.JR: I received a copy of a memorandum from the War Shipping Administration, in which the last place they want to go to get wheat for Italy is the Argentine.

I sent a copy to Mr. Hull. Well, he said he was over there - Schneider said he was over there. I guess you heard him make his presentation before Jimmy Byrnes.

MR. McCLOY: I don't think so, not on Argentine wheat.

H.M.JR: Haven't you seen this memorandum?

MR. McCLOY: I don't think so.

H.M.JR: I'll see if I have copies for you. (Mr. Dunn and Mr. McCloy look over copy of memorandum.)

MR. DUNN: This is nothing new, is it? We know this. This is January 4. This has been reported.

MR. McCLOY: I haven't seen this memorandum, myself.

MR. DUNN: Not in detail, but the general position, I think.

H.M.JR: The point is, if the thing is as bad in Italy as they say it is, why don't you take some of this stockpile? General McSherry says the thing is serious. Why don't you take some of this stockpile they have in the Middle East?

MR. McCLOY: Well, we don't care. Mind you, the War Department position is we need wheat for that zone.

As to our sources, we have to look to the Combined Boards for the sources. We are told by the Combined Boards in official document that we are to pick the wheat up in the Argentine. We go off to do it. That is all we think about. That authority came to us while Lew Douglas was in

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Cairo, and he heard about it and he objected to it.

Well, our position simply is, you tell us, War Shipping Board or whatever it is, tell us where to pick it up, whether from Canada, Cairo, Argentina, or Australia. And now Lew says that he thinks that he is going to be able to work it out either through the Middle East or through Canada.

But for shipping reasons, he does not want to pick it up from the Argentine, going contrary to a decision made by the Shipping Administration which we first started to act on.

(The Secretary rings for Miss Chauncey)

H.M.JR: Please make copies of the memorandum from the War Shipping Board to go to Mr. Dunn and Mr. McCloy.

(Miss Chauncey leaves conference)

MR. McCLOY: Since this time the political situation has arisen in the Argentine. There, again, we don't presume to intervene, but if the State Department tells us that we are not to pick it up in the Argentine, we don't pick it up in the Argentine. We don't determine the sources.

H.M.JR: No, but we raised this thing. After all, I am sure the State Department and the Treasury are one in this thing. We don't want to dump seventy-five million dollars in the lap of the Argentine just at this time.

But everybody was informed that that was the only place we could get it. Well, on my own I called up the War Shipping Board and asked them what the facts were. They send me this thing that this is the last place that they want to get it, and this cry about the starving Italians. Well, they forgot there are seventy or eighty thousand tons, God bless you, of stuff right there in the Middle East that they could draw on to take care of the starving Italians.

MR. DUNN: I don't believe that is built up yet. They say they are moving it now and that after they get about thirty-five thousand -

MR. McCLOY: Even Schneider said the other day there wasn't anything there now.

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H.M.JR: Oh, I thought there was. Anyway, we can't pick it up there, because that is under British control. But this is a joint thing, anyway.

MR. McCLOY: But the British are not permitting us to take it out of there.

MR. WHITE: And the British help make the decision that it should be taken from the Argentine, and apparently wouldn't let you take it from the Middle East, because if we take it from the Argentine we pay for it; if you take it from the Middle East or Australia, they pay for it.

H.M.JR: I wanted Mr. Dunn to hear this, because I know Mr. Hull is having his troubles on the Argentine. If the wheat isn't there, at least it is moving in that direction. And this whole question of who pays in Italy--the coal--the whole thing is all up in the air, and then on top of that thing we should go ahead!

The place where the War Shipping Board doesn't want us to go and dump seventy-five million dollars is into the Argentine and strengthen their hand to that extent. Certainly they would take it. They wouldn't realize that there are ten agencies here that you can't get around a table and decide where we shouldn't do it. There is every excuse in the world not to buy it in the Argentine.

MR. McCLOY: As long as there is wheat, so far as the Army is concerned, we don't care where we buy it. We do feel if you need wheat and can't get it anywhere else, you must get it in the Argentine - just as we take it from Spain.

H.M.JR: But you can get it, according to Schneider.

MR. McCLOY: Well, all right, show us. So far, we haven't been able to pick it up. There are these interminable arguments between the British and the Combined Boards even over the sort of peanuts we are now dealing with.

H.M.JR: Whom do you want to show you?

MR. McCLOY: I want the Combined Boards to tell us that we can pick up this wheat from Canada, from any other place than the Argentine.

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MR. DUNN: As a matter of fact, that can be arranged with the British right there, you see - right in the Combined Food Board.

H.M.JR: Would you mind telling Mr. Hull that I raised this question? I am confident that he doesn't want to have this Government spend, as a matter of foreign policy, seventy-five million dollars in the Argentine right now. And certainly, based on that memorandum, which will be over to your office very shortly, there are other places. And somebody has to take the leadership.

This is a matter of foreign policy. I don't see why Mr. Hull can't say, based on this memorandum, that that is the last place that we should get it - and have this Combined Food Board - is that what it is?

MR. McCLOY: Combined Shipping Board and Combined Food Board.

MR. DUNN: He has already done that. He had Dean Acheson - this was a couple of days ago - go to the Combined Food Board and say there is wheat - everybody knows there is wheat in Canada and Australia - and work it out so we can get it without going to Argentina.

H.M.JR: I didn't know that. The English get together somewhere and they have a policy. We sit around here and cut each other's throat and everything else, and they just make hay.

MR. DUNN: It is a good thing to line up on.

MR. McCLOY: But they have lined up on coal, now; and we have lined up on coal. The net result is that the Army doesn't get coal in Italy. And we need coal in Italy as much as we need guns in Italy, because it is the power behind the lines which we draw on for our energies on the front.

And you must bear in mind, also, this isn't a national decision; this is a combined decision. If, every time we try to reach out with our program of civil relief, we run into this British-American fight -

MR. WHITE: Why do they always have to win out? It is a combined decision, but it always seems to me we compromise.

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MR. McCLOY: They are ready to sit back. They have got the gun up against our head.

H.M.JR: Well, in Mr. Hull's office yesterday with Halifax and Ben Smith and David Waley and Crowley we made some regular progress. We made some real progress on this whole question of Lend-Lease.

MR. DUNN: Good.

H.M.JR: Oh, yes, we got this thing off the dollar balance basis and on to whether it was politically feasible to continue to lend-lease. It is not a question of dollars, but is this politically feasible. The President has given us thirty days to get together, or else.

MR. DUNN: On the basis of whether it is justifiable?

H.M.JR: That is it.

MR. DUNN: That is the way to approach it, I think.

H.M.JR: We made real progress. I was very much pleased at that meeting yesterday.

MR. McCLOY: I'd like to come back to this point of mine, because we are coming up now to a tremendous program in relief. If you have just another minute - a tremendous relief program which the President has put on the Army. That means repose in Europe; it has tremendous consequences. It isn't only humanitarianism. At any rate, it is our national policy to put this thing in.

As I say, what we are doing now is talking about peanuts, so far as Italy is concerned; and we haven't the machinery to move expeditiously with respect to that. What machinery must we have wrecked in order to settle these controversies between the British and Americans as to sources when we get to the big program!

MR. WHITE: One of the things you need is someone who is present at the Combined Board who doesn't always compromise. It is simple enough to get action, because we feel these things are important and don't want to make an issue of any of these things, because we don't want to let money

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or this or that stand in the way. The result is you usually let them have their way. The result is they have come back with this proposition, in anything purchased for third countries they want to pay one-sixth. That may be all right, but that is one of the questions they are raising.

And that, you see, raises the problem that where the Combined Board determines the source of the material, it is also a question as to who is to pay for it. If it comes from the United States, we pay for it; if it comes from a third country, we pay five-sixths; if it comes from England presumably they pay for it. If they have a decision before them on a board whether the material should come from a British or American country, they make a strong presentation, not because that may be the best source of supply, but because they have in the back of their minds instructions that if it comes from Britain they pay for it. If it comes from a third country or the United States, we pay for it. Under those circumstances, we seem to get licked every time.

MR. McCLOY: Oughtn't we to lift that up again to the level of a discussion such as you had yesterday or you and Halifax and the State Department had?

H.M.JR: I am willing.

MR. McCLOY: It should be at Cabinet level.

H.M.JR: Monnet agreed to do what you people thought. He is going to use our kind of money, instead of having them put it in England. That was a real decision, wasn't it?

MR. McCLOY: Yes.

H.M.JR: Believe me, I have all the time that is necessary to sit around and discuss this question about who is going to pay for coal for Italy and where it is going to come from.

Another thing: I, personally, if anybody asks me, am opposed to stockpiling wheat at this time in the Middle East for the Balkans. I think it is all damned nonsense. Here you have got Italy starving, and we have got to maintain the morale behind our Armies, and we are stockpiling wheat for the Balkans which, God knows, may be how long off -

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because that is a British area.

MR. BELL: And a British sphere of influence.

H.M.JR: We are working for that and using our ships for that purpose. If I were asked, I'd say to hell with it! Let's take care of what we have got. I am opposed to stockpiling, anyway, because I say for all this relief stuff once you have an armistice in Germany the stuff will pile up so fast you won't know what to do with it, anyway.

But at this time to stockpile wheat for the Balkans, for the British sphere of influence with our ships--if I sat at a conference, I'd fight it tooth and nail.

MR. DUNN: Where was that decision made - the Food Board?

MR. McCLOY: I think the British went off on their own. That is another decision where they said, "We have made it; do you have any objection?"

H.M.JR: I don't think Mr. Hull gets in on these things. If he would, I'd be delighted to.

MR. DUNN: It wasn't combined?

MR. McCLOY: It is now, under the British point of view.

H.M.JR: I am going to have to stop now.

January 8, 1944
11:28 a.m.

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Operator: Mrs. Brady. Miss Tully is with the President.

HMJr: All right.

Operator: Go ahead.

HMJr: Hello.

Dorothy
Brady: Hello, Mr. Secretary.

HMJr: Good morning.

B: Good morning.

HMJr: Dorothy, on this question of French money -- I don't know whether you know anything about it or not -- which the President threw back at me.

B: Yes.

HMJr: I wonder if there would be any chance of seeing the President and making one more try to get it the way the French want it. We've got to do it between now and Monday morning.

B: Uh huh.

HMJr: Because we've held up the presses one month on this now.

B: Yes.

HMJr: Is -- is he still in bed?

B: No, he isn't. He came in the study last night and he has, I think, a couple of appointments today.

HMJr: Yeah.

B: Let me bring this to Grace's attention. She should be back in a few minutes and then I'll have her call you.

HMJr: Will you? The point is, we've just had one hour and a half on this thing and what I'd like to do is for Mr. McCloy and myself to see him. It wouldn't take us more than, at the outside, five minutes.

B: Yes, sir.

HMJr: But, I, personally, think it's important because the point is this, if we leave off the word "Republic Fund", say, you don't know the difference between the French Government and the Vichy Government and there's no way to identify it.

B: I see.

HMJr: And I'd like to have one more try at the President.

B: All right. Well, let me tell Grace and then she'll call you back.

HMJr: I thank you.

January 8, 1944
12:00 m.

BUDGET MESSAGE

Present: Mr. Bell
Mr. Gaston
Mr. Blough
Mr. Heffelfinger
Mrs. Klotz

H.M.JR: Just been having a time talking about radio programs; now I have to get down to earth.

MR. BLOUGH: Get Hedy Lamarr mixed up in this message; it would make a lot more fun.

MR. BELL: Ginger Rogers would be all right.

MR. BLOUGH: That is all right.

MR. BELL: I haven't been over this. Gaston has gone over it and has a page memorandum. (Memorandum from Mr. Gaston to Mr. Bell, dated January 8, 1944, attached)

(The Secretary sends for Mr. Gaston)

MR. BELL: I think Roy might tell you whether or not there is anything in here on policy. He can tell you about the tax thing. Gaston has commented on two things, the coverage and liberalization of unemployment benefits, and also the recommendations on taxes.

H.M.JR: Could I see what it is?

(The Secretary reads aloud Mr. Gaston's memorandum)

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H.M.JR: I can't fight every fellow. Did he say something about ten and a half last year?

MR. BLOUGH: Sixteen for taxation.

H.M.JR: Who said ten and a half - "In view of these facts, I again urge," and so forth?

MR. BELL: What is Gaston's suggestion, isn't it?

H.M.JR: (Reading) "In the program presented--"

MR. BELL: That is the Administration program.

H.M.JR: "In a program presented by the Treasury--"

MR. BLOUGH: We have never thought we could get the Treasury into this message. If you think we can, we will try.

H.M.JR: I will put it in there. Isn't there another reference to this thing?

(Mr. Gaston entered the conference)

MR. BLOUGH: Where my thumb is, there (indicating).

H.M.JR: Where is your thumb? (Laughter)

MR. BLOUGH: Where it was. Excuse me. (Laughter)

H.M.JR: It says here "...the Administration."

MR. GASTON: What he says there, in the Budget Message a year ago I advocated sixteen billion in additional taxes or savings or both. It goes on to say that the Administration, in October, 1943, proposed a program for ten and a half billion dollars in additional taxes; then he says, "I renew my recommendation that sixteen billion in taxes and savings, or both--" I asked why he doesn't stick to his last recommendation.

H.M.JR: Which comes first?

MR. BLOUGH: This comes first. This is Page 22. It is right here that the statement is in question. (Refers to Budget Message)

MR. GASTON: It is all right on Page 21, I think.

MR. BELL: In the first case he is just repeating what he recommended last year; then he follows it with what was done for the Administration in October.

H.M.JR: If that sentence came out we would be all right, wouldn't we? "In view of the fact, I repeat last year's request for additional taxes, savings, or both."

MR. BLOUGH: If that came out we would be all right. It might be replaced by a stronger sentence. If that came out it would be all right.

H.M.JR: Is that the only place he talks about this sixteen billion?

MR. BLOUGH: The sixteen billion is mentioned here, and at that point it is probably all right.

MR. GASTON: Then he proceeds to argue in favor of additional taxes, which is all to the good.

MR. BLOUGH: They substituted our material for theirs. They put the sixteen billion in, and a couple of other things we didn't particularly like, but they took it pretty well.

MR. GASTON: I could see it was our stuff.

H.M.JR: I wouldn't object to this thing - additional taxes - if he would stick to that and leave out the sentence here (indicating).

MR. BELL: Either that, or say, "I again urge additional taxes," or something like that. Leave the recommendation on the basis of the present program and not stick to last year's Budget recommendation.

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MR. GASTON: That is right.

H.M.JR: I could say, if he feels he has to say something, could he recommend that the Congress consider the recommendation of the Administration of ten and a half, which is still before them.

MR. GASTON: Yes.

MR. BELL: That would be the better thing to do.

MR. GASTON: Yes, to adhere to his recommendation of October.

H.M.JR: Now, shall I call up Harold Smith and try to get it across?

MR. BELL: I think that would be better than going directly.

H.M.JR: Boy, oh boy, oh boy!

MR. GASTON: Are you going to do anything about that dismissal wage paragraph?

MR. BLOUGH: It is a fight inside the Administration. Altmeyer and Lubin want that.

MR. GASTON: That is what Hancock and all the rest want.

MR. BLOUGH: What Altmeyer wants is a strong unemployment compensation program. He prefers that to the dismissal wage. I don't see any necessity for the sentence, myself.

MR. BELL: I don't either, and I don't see why they don't say that you have to take care of something for the workers, and leave it to be determined later on.

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MR. GASTON: Yes, I would like to strike that sentence out.

H.M.JR: Which? Let's just stick to the tax business here.

MR. BELL: We can talk to them later about this other thing.

MR. GASTON: We have lost our fight on dismissal wages; it is all over.

H.M.JR: That has nothing to do with it.

MR. BLOUGH: I think it is a serious question as to whether dismissal wage is the way to do it. That being the case, it is hardly a point on which to make a major point.

MR. GASTON: Why do we make a decision here against dismissal wages?

MR. BLOUGH: I don't like that, either.

(The Secretary holds a telephone conversation with Mr. Harold Smith, as follows:)

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January 8, 1944
12:11 p.m.

HMJr: Hello.

Operator: Harold Smith.

HMJr: Hello. Hello.

Harold Smith: Hello. How are you?

HMJr: I'm all right. How are you?

S: Very good.

HMJr: I've got Bell and Blough here and Gaston. Have you got page 21 and 22 before you?

S: Let's see -- yeah, I can get it here.

HMJr: Please.

S: (Aside: 21 and 22) All right.

HMJr: Now, the third paragraph on 21 which starts out, "In October the Administra...."

S: Wait a minute here -- that's 21.

HMJr: 21. One, two....

S: Yeah. Yeah.

HMJr: Now that paragraph is -- is fine. We like it. See?

S: Yeah.

HMJr: Then -- but we feel that when you turn to page 22 and go to the second paragraph on page 2, the first sentence which says, "In view of these facts, I repeat last year's...."

S: Now, wait a minute. Wait a minute. Yeah.

HMJr: The third sentence of paragraph 2.

S: Yeah.

HMJr: "In view of these facts, I repeat last year's request for additional taxes or savings, or both." That is contrary to the other thing where you say that the Administration's program this year, as of October, was for the ten and a half. It seems to us that one contradicts the other.

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S: How would you like to have it read?

HMJr: I'd like you to leave that sentence out on 22.

S: Let me see.

HMJr: The sentence, "In view of these facts...."

S: And then start it out, "I also recommend tax simplification"?

HMJr: Or, the people here thought if you would simply say, "The ten and a half billion dollar - Administration program is now before Congress and I recommend that they give it very serious consideration." Something like that.

S: "The ten and a half billion program is now before Congress and I recommend that it be given very serious consideration."

HMJr: Well, the boys don't like my language but that's the thought.

S: Oh, well, yes, that's all right.

HMJr: That's the thought. But we just....

S: I have no -- I certainly have no objection.

HMJr: Well, if you could do that, that would make me very happy, and I want to thank you. I feel that we've worked closer and better together on this than we ever have before and I appreciate it very much.

S: Well, do you think that -- that's the main thing that concerns you -- that one sentence there?

HMJr: Yes, because the one....

S: I mean, on tax simplification and so on -- that doesn't bother you?

HMJr: No - no - no - no - just this one sentence.

S: Yeah.

HMJr: It seems to be in conflict with the Administration's program of October '43.

S: Yeah. All right, sir. We shall be glad to modify it.

HMJr: Thank you so much.

S: Bye.

HMJr: Hello.

S: Yeah.

HMJr: Dan says a little later he'll be calling you on details but this is the only important matter....

S: Yep.

HMJr:that concerns the Treasury.

S: Yep. All right.

HMJr: Ever so much obliged.

S: Thank you.

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MR. GASTON: I wish you would leave the subject open on dismissal wages.

MR. BLOUGH: He just threw that as a sop at Congress. He made Colm take out their section on compulsory saving.

H.M.JR: Do you have other copies.

MR. BLOUGH: You have over there. I will just take the two pages out.

H.M.JR: Herbert, I am with you on what you say, but I think there is a limit to where I can stick my neck out.

MR. GASTON: Yes, it is not primarily our fight.

MR. BELL: Let us argue about that.

MR. GASTON: Leaves the position open if you just kick that sentence out; then the fight can be carried on.

MR. BLOUGH: I would like to point out one thing to you, that we have agreed to this sentence, as a matter of fact. "I also recommend tax simplification to reduce the burden of compliance of the many millions of taxpayers, by elimination of returns where feasible, and by other measures, provided such changes do not result in substantial impairment," and so forth.

H.M.JR: That is good.

MR. BELL: He threw something in there - savings, I think - on the end, as a sop to Colm in fighting for enforced savings all along. He is the big boy over there fighting for this thing.

MR. BLOUGH: He threw two sections out because we didn't like them, one on compulsory savings and the other on certain corporate tax measures.

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H.M. JR: "The Administration program" - which is better - he didn't have that. But in that thing it says "Administration." In my argument, it isn't the Treasury against compulsory savings; it is the Administration against compulsory savings.

MR. BELL: May I have that? I haven't read this thing.

H.M. JR: Am I right?

MRS. KLOTZ: What do you want, Dan?

MR. BELL: I want to read it, and I will give it back to you.

H.M. JR: You hope!

MR. BELL: By the time the next Budget Message comes out!

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Jan. 8, 1944

TO Mr. D. W. Bell
 FROM Mr. Gaston

I have read the attached proof of the budget message. There are only two points to which I take strong exception.

(1) On page xiv the first full sentence reads: "I prefer an extension of coverage and liberalization of unemployment benefits to any special legislation, such as that providing for dismissal payments through war contractors." This is completely contrary to our position on dismissal wages. It is the position taken by Hancock, McConnell and others of that group. It fails to recognize that industry owes something to employees who are summarily dismissed on just exactly the same grounds that the Government owes money to the war contractors whose contracts are abruptly terminated. In both cases provision should be made for the person whose occupation has been terminated so as to cover the expense to which he is put by the change. The only fair alternative is to give employees adequate advance notice of the termination of their employment. In a great many cases this would mean retaining employees on the payroll without productive work for them to do, which would mean an economic loss. They ought to be out looking for jobs elsewhere. Notwithstanding the semi-contributory nature of the unemployment fund, there is a charity or relief aspect to it and in most cases it will not be adequate in any event. In any event the cost of "making whole" the employee on account of his abrupt dismissal ought to be borne by the particular industry affected. In the cases of millions of workers they have moved to localities where there may be little chance for future employment and they have done this under strong pressure from the Government to take these war jobs. In typical cases they have moved from low-cost communities to high-cost communities and even the high rates of war pay have not been excessive under the circumstances. To turn them off abruptly without dismissal wages is in effect to assume that they have been overpaid for what they have been doing and I don't think that assumption can fairly be made in the case of the workers, particularly if it is not made in the case of the contractors.

(2) On page xxii the second full paragraph begins: "In view of these facts, I repeat last year's request for additional taxes or savings, or both." This is illogical in view of the fact that the President notes that since he issued his last year's budget message he has made a specific request for \$10.5 billions of additional taxes. This sentence should read: "In view of these facts I again urge upon Congress the need for additional taxes in an amount not less than that recommended in the program presented to the Congress in October."

MSH

BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

The Budget transmitted herewith covers the period ending June 30, 1945. This is a period which I am certain will be crucial in the history of the United States and of mankind, a period which will see decisive action in this global war. While we move toward complete defeat of our enemies, we must lay the groundwork to return the Nation to peaceful pursuits. This double task is the essence of the Government's program and must be reflected in the Budget.

The Budget for the fiscal year 1945 anticipates a total of Federal expenditures (general and special accounts and net outlays of Government corporations, excluding debt retirement) of 100 billion dollars—slightly more than the revised estimates in the fiscal year now under way.

In substantial measure these expenditures will be made under appropriations already enacted. I am transmitting herewith specific recommendations for appropriations in the general and special accounts in this Budget total 10 billion dollars. War appropriations for which I shall submit detailed recommendations in the spring are estimated to be 51 billion dollars. This estimated total of 61 billion dollars for the fiscal year 1945 compares with a total of 101 billion dollars of actual appropriations for the fiscal year 1944. Reappropriation additional to the above totals for recommended new appropriations are estimated to be 34 billion dollars for the fiscal year 1945 and 15 billion dollars for the fiscal year 1944. Since there is always—and particularly for war procurement—a lag between appropriations and the related obligations and subsequent expenditures, a large part of the recommended appropriations will not be translated into expenditures until later fiscal periods. We shall continue to adjust our war program promptly to changing strategic necessities, and I shall use all the authority available to the Executive branch to prevent needless expenditures.

THE WAR PROGRAM

FOUR PHASES IN THE WAR PROGRAM

As we win the battle of producing the instruments of modern war, we enter the period of decisive action on many battlefields throughout the world. We have attained superiority in war production. Production alone, however, does not assure victory. We must fight and fight hard.

THE BUDGET FOR FISCAL YEAR 1945

In June 1940 when France fell, we recognized that we were in mortal danger and that only by building our strength to the utmost would we have a chance to maintain peace or to attain victory if we were attacked. We then embarked on a program of preparedness, converting our factories and constructing a new munitions industry of gigantic size. At the time of Pearl Harbor, we were in the first stages of training the Army, strengthening the Navy, and developing a munitions industry.

In the period of defensive war, we had to be satisfied with fighting a delaying action and with delivering munitions to our Allies while we gained precious time.

The anxious year of defensive warfare came to an end with the attack on Guadalcanal and the invasion of Africa in late 1942. Thus began the period of aggressive deployment of our forces. During that time we had to build up and fill up the pipe lines for military supplies of all kinds as well as establish material reserves for future aggressive operations. The munitions program was then limited only by our productive resources and shipping facilities.

With pride in the over-all achievements of American management and labor, I can say that we are now well equipped; with pride in the military leadership of the Allied forces, I can say that we are now in a strategic position to make full use of our equipment for decisive blows by land, by sea, and by air.

The size and composition of our war expenditures reflect these various phases of the preparedness and war program, as the following table indicates:

WAR EXPENDITURES

Including net outlays of Government corporations

Period	Average annual rate (in billions)	Estimated percent of total		
		Munitions, including ships	Pay, subsistence ¹	War construction
Preparedness: July 1940-November 1941.....	80.8	50	30	20
Defensive war: December 1941-October 1942.....	45.7	56	22	22
Aggressive deployment: November 1942-December 1943.....	81.5	50	28	13
Offensive war:				
January 1944-June 1944 ²	97.3	64	30	6
July 1944-June 1945 (fiscal year 1945).....	90.9	63	32	4

¹ Including also agricultural lend-lease, and other civilian war activities.

² On basis of 92 billion dollars for fiscal year 1944.

MESSAGE TRANSMITTING THE BUDGET

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The rapid increase in war expenditures mirrors a gigantic effort. We have converted and diverted approximately half of our resources to war purposes. In the production of munitions we now almost equal the rest of the world combined. Expenditures for industrial facilities and other war construction, which reached their peak in the fall of 1942, have declined since then, and will decline further. The total 22-billion-dollar public and private expansion of industrial plant and equipment should suffice by and large for the foreseeable needs of the far-flung battle fronts, and in addition provide capacity for unexpected contingencies. Expenditures for pay and subsistence of the armed forces are still increasing because of the continuing growth of our military forces and increased allowances to the wives, children, and other dependents of our fighting men. Expenditures for subsistence and other purposes would have to be higher were it not for the fact that our field forces stationed abroad are receiving considerable supplies and services from our Allies under reciprocal lend-lease arrangements.

THE MUNITIONS PROGRAM

At the present time it is extremely difficult to estimate necessary expenditures for munitions. In the past, such estimates were based on maximum output in the light of available facilities, raw materials, and manpower. This maximum was always less than enough to fill the requirements established by our military leaders.

The situation is quite different now. We have excess supplies in some types of munitions, deficiencies in others. Whether at any time we have an excess or a deficiency depends on rapidly changing strategic conditions. Every effort is made to adapt production to these changing conditions as promptly as possible. A special committee under the Joint Chiefs of Staff is scrutinizing the military requirements item by item and cutting out or cutting back programs no longer justified in view of strategic developments. The lend-lease requirements of our Allies are subject to similar scrutiny by other agencies.

In most cases in which contracts have been canceled, the same contractor has received other more urgent orders; plants, raw materials, and labor could not be released for production for civilian use in these cases. We have canceled, for instance, orders for many escort vessels in order to push construction of landing vessels. In a number of cases, however, labor and material have been released for urgent domestic needs of indirect war importance. We shall release for civilian production any facilities, manpower, or raw material that are no longer needed for war production, but only when we are sure that

THE BUDGET FOR FISCAL YEAR 1945

by doing so we will not impair the war effort. I know that none of us wants any cut in the production of munitions needed at the battle fronts simply to permit an increased production for civilian comforts.

INTERNATIONAL AID: RELIEF AND REHABILITATION

As we close in on the enemy we are confronted with the necessity of initiating the restoration of civilian life and productivity in the liberated areas. Both relief and the commencement of the process of rehabilitation will be necessary requirements of military occupation.

In liberated areas relief must, of necessity, be a military problem at the outset. This job will be turned over to civilian administration as soon as feasible. For this reason the United Nations Relief and Rehabilitation Administration has recently been created. Appropriate committees of Congress are now considering enabling legislation that will permit the United States to make its proportionate contribution.

SUMMARY OF WAR PROGRAM: ESTIMATES OF EXPENDITURES AND APPROPRIATIONS

It is now expected that war expenditures (including net outlays of Government corporations for war activities) for the current fiscal year will amount to 92 billion dollars, 8 billion dollars below the 100-billion-dollar estimate submitted in my Budget message of a year ago. In certain types of munitions we have fallen short of our objectives, but by and large the cut in the estimate of expenditures is due to changes in the war program.

For the fiscal year 1945—the year ending 18 months hence—war expenditures are estimated at 90 billion dollars. I emphasize, however, that this estimate is tentative; it is based on the assumption that the war will continue throughout the fiscal year 1945. In our military planning, in our production planning, and in our financial planning we cannot rely with safety on hopes of earlier victory. If the war should continue throughout the fiscal year 1945 and longer, we shall be prepared. If an unfavorable turn in military events should result in an increased demand for munitions, we shall, with available facilities, pour out even more munitions than scheduled, and expenditures will be larger. If, on the other hand, victory should be achieved on one of the major fronts earlier than assumed, I assure the Congress and the Nation that war production will be promptly adjusted to the changed requirements, and war expenditures in the fiscal year 1945

MESSAGE TRANSMITTING THE BUDGET

may be less than estimated at the present time. Because of termination payments, mustering-out pay, and similar demobilization expenditures, however, the reduction in cash expenditures will of necessity lag considerably behind any curtailment of war production.

The total war program as measured by appropriations, contract authorizations, and Government corporation commitments from June 1940 through December 1943 totals 344 billion dollars. Of this amount, 264 billion dollars have been obligated already, and it is estimated that 310 billion dollars will have been obligated by the end of the current fiscal year. Unobligated balances total 80 billion dollars now and will be reduced to about 35 billion dollars by June 30, 1944, assuming additional supplemental appropriations of 1.5 billion dollars will be provided before the end of the current fiscal year.

Through December 1943, we have spent 153 billion dollars for war and it is estimated that 202 billion dollars will have been spent by the end of the current fiscal year, leaving 103 billion dollars in outstanding obligations to be liquidated in later fiscal years.

It will be necessary to request additional appropriations for obligations to be incurred in the fiscal year 1945. Detailed recommendations for war appropriations will be made in the spring, as last year. The tentative estimate of the total of new appropriations which will then be recommended is 51 billion dollars. In addition, there will be transmitted requests for reappropriations now estimated to be 34 billion dollars. The new appropriations of 51 billion for next year, together with supplementals of 1.5 billion dollars for this year, will bring the total war program to 396 billion dollars.

Congressional action on these requests will permit the Government to incur new obligations totaling 85 billion dollars in the fiscal year 1945. This, together with the unliquidated obligations of June 30, 1944, would permit the expenditure of 193 billion dollars in the fiscal year 1945 and subsequent years. As stated earlier, it is estimated that 90 billion dollars will be spent for war purposes in the fiscal year 1945. Assuming that it will be necessary to obligate all appropriations, we shall finish the fiscal year 1945 with about 103 billion dollars of unliquidated obligations—about 5 billion dollars less than the unliquidated obligations existing at the beginning of the fiscal year.

I hope that this total war program will never be fully obligated and spent. Congressional approval of the estimated new appropriations will be necessary, however, to permit our military leaders and our procurement agencies the flexibility they must have in planning and executing the job ahead.

THE BUDGET FOR FISCAL YEAR 1945

WARTIME READJUSTMENTS AND PREPARATION FOR PEACE

Demobilization begins long before hostilities end. While we are still expanding war production, we have already terminated more than 12 billion dollars of war contracts; while we are still increasing the size of the armed forces, we have already discharged a million men and women. If hostilities end on one major front before they end on other fronts, large-scale demobilization adjustments will be possible and necessary while we are still fighting a major war.

The problems of adjustment cover a wide range—contract termination, reconversion of war plant, disposal of Government-owned property, shifting of men to peacetime employment, and many others. Our approach to these problems must be positive, not negative. Our objective must be a permanently high level of national income and a correspondingly high standard of living. To achieve this end there must be concerted efforts by industry, and Government and a well-planned demobilization program. As men, materials, and facilities are released from war service and production, such resources must be channeled into civilian production on a basis that will assure a high and stable level of production, consumption, and employment. The soldier, the worker, the businessman, and the farmer must have assurance against economic chaos.

Just as economic mobilization for total war required many inter-related measures, so adequate reconversion to civilian production will require many interrelated adjustments of fiscal policy, production policy, price policy, and labor policy. At this time I shall discuss but briefly certain aspects of a demobilization program.

CONTRACT TERMINATION, DISPOSAL OF SURPLUS PROPERTY, AND INDUSTRIAL RECONVERSION

The problems pertaining to the termination of contracts, the disposal of war surpluses, and the reconversion of industry, already before us, will take on increased significance during the war and after.

Contract termination will become a problem of large magnitude. A considerable number of contracts has already been terminated. Should victory be achieved on one front, the volume of contract termination and related settlement problems will increase markedly even during the war. Raw materials, goods in process, and overhead costs incurred on the assumption that contracts will be completed, all involve settlement problems when contracts are terminated. The timing of future contract terminations is, of course, uncertain; but it

MESSAGE TRANSMITTING THE BUDGET

is evident that the volume of such terminations and the amount of related claims and payments will be very large.

It will be necessary to dispose of a vast amount of Government property. Our war program has required the expenditure of approximately 15 billion dollars by the Government for new industrial plant and equipment and over 13 billion dollars for nonindustrial construction and land. In addition, the Government owns scores of billions of dollars of raw materials, merchant ships, aircraft, munitions, and a wide variety of other commodities. The value of Government property that will become surplus during and after the war is also uncertain—as uncertain as the vicissitudes of war. There can be no doubt, however, that a very large amount of public funds will be involved.

The policies followed in contract termination and the disposal of surplus property will have a major impact on the speed and effectiveness of the reconversion of industry and of the reemployment of those released from war service and war production. Such policies will also have a major bearing on the stability and pattern of the Nation's economy for many years to come. It is, therefore, imperative to develop a unified program to deal with the interrelated problems of contract termination, surplus property disposal, and industrial reconversion. To facilitate the development of coordinated policies pertaining to these fields, a war and post-war adjustment unit has been established in the Office of War Mobilization. A Joint Contract Termination Board, including representatives of the several contracting agencies, has also been established in that Office to develop recommendations for a unified program relating to the settlement of terminated war contracts. Recommendations pertaining to contract termination and disposition of surplus war properties are now in preparation.

The disposition of war surpluses should be closely coordinated with the permanent management of Government property. To provide a foundation for such coordination, I hope that machinery for the permanent management of Government property can be established in the very near future.

MANPOWER DEMOBILIZATION AND REEMPLOYMENT

Demobilization of war workers and members of the armed forces also starts long before the war ends. Since January 1, 1942, we have discharged a million men and women from active military duty because of age, physical and mental disabilities, and other reasons.

Recommendation
7
Recommendation

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Both servicemen and war workers will need active help in finding their way back into gainful and productive peacetime employment. Many have gained exceptional skills and shown managerial ability in wartime; they should have an opportunity to contribute these skills and aptitudes to civilian activities. Certain reemployment rights in private and Government employment have been assured to members of the armed forces and, in limited instances, to those who transferred to war jobs. Many of these will be able to resume their pre-war employment. This war, however, is causing substantial changes in the geographic, technological, and market structures of industry. Many employers will be recruiting employees in excess of their pre-war labor force. Many employees and ex-servicemen will be looking for new employment opportunities because they had no employment before the war or because their previous jobs no longer exist.

It is imperative that we be on guard against any weakening of the administrative agencies which have been established for the purpose of job placement, counseling, and training. To master this great task of reemployment we must maintain and strengthen during the demobilization period a unified national employment and counseling service. Adequate provisions for job re-training, education, and rehabilitation must supplement the placement service. Special measures are needed to increase the opportunities for the employment of ex-servicemen, particularly those disabled in war service.

PUBLIC WORKS PLANNING

Our reconversion policy should have as a major aim the stimulation of private investment and employment. There will, however, be an urgent need for certain public works in the post-war period. As a result of the war the normal construction work of Federal, State, and local governments has been curtailed. Many new facilities will be needed. Careful advance planning and evaluation are essential to assure that priority will be given those projects that fill the greatest need relative to their cost, as well as to assure that their construction will be timed in accordance with employment requirements.

It is my hope that adequate machinery for the general planning and evaluation of public works in relation to broader economic activities can be established at all levels of government and that there can be close coordination both in planning and in completing essential projects. Thus, public works activities of the various communities and areas would be effectively coordinated with broad national programs and interests.

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I have directed the various Federal agencies to submit estimates of appropriations for making detailed plans for Federal public works and improvements. I have asked the Bureau of the Budget to assume a continuing responsibility for coordinating the advance preparation of Federal public works and improvement programs to be undertaken when the war is over.

VETERANS' LEGISLATION AND SOCIAL SECURITY

Last July I recommended to the Congress a minimum program to assist servicemen and servicewomen in meeting some of the problems they will face when discharged. This included mustering-out pay for every member of the armed forces sufficient to provide for a reasonable period after discharge. I also urged an educational and training program to enable those demobilized from the armed forces to further their education and training and to prepare for peacetime employment. I am confident that the Congress will take early action along these lines.

The permanent program of social security initially adopted in 1935 provides a framework within which many of the problems of demobilization can be met. This framework of unemployment insurance and retirement benefits must be reinforced and extended so that we shall be better equipped for readjustment of the labor force and for the demobilization of the armed forces and civilian war workers.

Pressing economic need has forced many workers to continue in employment or seek work even when disability, old age, or care of young children would have made retirement from the labor force preferable. Extension at the present time of the coverage of the Federal old-age and survivors insurance system to many groups now denied protection and expansion of the scope of the system to include disability benefits would permit these workers to retire after the war. The old-age and survivors insurance system should also be amended to give those in the armed forces credit for the period of their military service.

The proposed changes in the social-security law would provide the necessary minimum protection for nearly all individuals and their families, including veterans of the present war. They would provide benefits additional to veterans' pensions, veterans' compensation, and national service life insurance in case of death or disability attributable to military service.

I repeat my recommendation that the present unemployment-insurance system be strengthened so that we shall be able to provide

THE BUDGET FOR FISCAL YEAR 1945

the necessary protection to the millions of workers who may be affected by reconversion of industry. I prefer an extension of coverage and liberalization of unemployment benefits to any special legislation, such as that providing for dismissal payments through war contractors. I also recommend the adoption of a program of Federal unemployment allowances for members of the armed forces. Furthermore, I suggest Congress consider the establishment of unemployment insurance for maritime employees and a temporary system of unemployment allowances for those in Federal service who, because of their wartime employment, have been unable to build up rights under the existing system.

INTERNATIONAL PROBLEMS OF READJUSTMENT

In the international field, as in the domestic field, there is no sharp distinction between war and post-war policies. For example, the program under lend-lease and reciprocal lend-lease arrangements is designed to facilitate the effective prosecution of the war and at the same time to help lay the foundation for post-war settlement and international prosperity.

We are now engaged in discussion with other members of the United Nations to work out plans to expedite the international flow of capital into worthwhile long-term investments, to remove obstacles to international trade, and to stabilize currencies. The United Nations are working toward a permanent international organization for food and agriculture. We are also considering cooperative arrangements to facilitate maritime and air transportation.

The success of these international policies depends to a considerable extent on the success of our domestic demobilization policy, and vice versa. The more prosperous the United States, the more it will demand the products of other countries, both in the form of raw materials for its industries and in the form of manufactured goods to meet consumers' demands. Our purchases will, in turn, provide other countries with the means to buy more of our exports. More and more, our prosperity and world prosperity become interdependent.

THE FARM AND FOOD PROGRAM

Farm output in 1943 has been the largest in our Nation's history. This bountiful production has enabled us to maintain the best-fed Army in the world, to send much needed food to our Allies, and to eat better ourselves than civilians in any other country. Although

MESSAGE TRANSMITTING THE BUDGET

some of us at home did not have all the particular foods we wanted, more of us were nutritionally well fed than ever before. Our farmers have accomplished this through hard work and intelligent use of their resources.

The year 1944 will be more critical on the food front in view of increasing food requirements for our armed forces, our Allies, and the starving populations in territories formerly occupied by the enemy. To meet these needs, farm production must be somewhat larger than in 1943. Barring unfavorable weather conditions, I believe this objective can and will be achieved through even better use of our farm labor, land, machinery, and other resources.

Farmers, spurred on by their desire to make the utmost contribution to the war effort, will do their level best to get the job done. It is the Government's responsibility to facilitate their efforts. The major emphasis of our 1944 program will be to develop and encourage balanced production, efficient farming practices, and the full use of all our agricultural resources.

Much of the Government's assistance to agriculture in the past ten years has been intended to reestablish farmers' purchasing power. This has been achieved—and more. Farm prices in 1943 were 115 percent of parity, and farm income in 1943 is estimated at 150 percent of parity. On the price side, the problem of the Government is no longer to increase farm prices generally, but rather to adjust relationships among prices of the various farm products in harmony with the relative production desired. To this end the War Food Administrator, in cooperation with the Price Administrator and with the approval of the Director of Economic Stabilization, has prepared a full schedule of support prices for war crops and other critical commodities with the objective of encouraging 1944 production of each crop in the quantity desired without increasing the general level of farm prices. This schedule should be announced well in advance of planting time. The carrying out of these support prices, however, will depend upon congressional action on the Commodity Credit Corporation bill. The schedule of support prices must be implemented by appropriate measures such as loans, purchase and sale programs, ceilings, and related production aids.

A stable farm price level is basic if we are to prevent inflation. I have often declared my belief that the judicious use of subsidies is necessary if consumer prices are to be kept from rising. I repeat it again. Only if we succeed in preventing an appreciable rise in the

THE BUDGET FOR FISCAL YEAR 1945

general level of both farm prices and wages, however, can we continue to hold the cost of living stable with a moderate use of subsidies. The cost-of-living index was 124.1 in November 1943—the same as it was in April of that year.

In order that the Federal Government may fulfill its responsibility in the 1944 farm and food program, I am recommending appropriations of 650 million dollars for the Department of Agriculture including the War Food Administration. This is approximately 314 million dollars less than the current appropriations for these agencies. This recommendation includes provision for Conservation and Use of Agricultural Land Resources, the Soil Conservation Service, the Farm Security Administration, the Exportation and Domestic Consumption of Agricultural Commodities, the administration of the Sugar Act, and research and other long-established functions of the Department of Agriculture. It does not include provision for potential losses of the Commodity Credit Corporation. The over-all decrease of 314 million dollars results largely from the omission of a recommendation for parity payments and a reduction in the recommended appropriation for Conservation and Use of Agricultural Land Resources.

TOTAL FEDERAL EXPENDITURES

The estimates of Federal expenditures are intimately related to the stabilization program. If we permit general increases in wages in the war industries, in farm prices, or in profits on war contracts, Federal expenditures will increase correspondingly. The estimates presented in this Budget are based on the assumption that the wage and price line will be held and I am convinced that the line can be held. Wages, farm prices, and profits have reached levels which should be exceeded only in rare cases of special war requirements and not by attempts of pressure groups to obtain sectional advantages. If we take the point of view that our efforts to secure stabilization can be relaxed just because production is nearing its peak, we shall be sacrificing one of the main objectives of the stabilization program—to reduce the dangers of economic disorganization in the demobilization period.

The following figures summarize Federal expenditures in recent years for the war program, for interest on the public debt, and for all other activities.

TOTAL EXPENDITURES FOR FISCAL YEARS 1942-1945

Excluding debt retirement and trust funds

(In millions)

Classification	1942 estimated	1944 estimated	1943 actual	1942 actual
War activities:				
General and special accounts.....	\$88,200	\$88,500	\$72,109	\$20,011
Government corporations (expenditures less receipts).....	1,800	3,500	2,975	2,255
Total.....	90,000	92,000	75,085	22,266
Interest on public debt.....	3,730	2,650	1,808	1,260
Other activities:				
General and special accounts:				
Veterans' pensions and benefits.....	1,252	865	600	552
Refunds of taxes and customs, including excess-profits tax refund bonds.....	1,799	412	79	94
All other.....	2,953	3,524	3,583	4,479
Government corporations (expenditures less receipts).....	15	-178	-1,476	-440
Total expenditures.....	99,760	99,276	79,672	34,211

As I have pointed out repeatedly, there is not much realism in the customary distinction between war expenditures and other expenditures, often called "nonwar" expenditures. Practically all Government activities under present conditions are related directly or indirectly to the war. War expenditures, as identified for budgetary purposes, include only those made under appropriations which the Congress has designated "defense" or "war" or obviously enacted for war purposes.

Another group of expenditures is emerging as a result of the present war. Already large, this aftermath-of-war category will become a dominant factor in future budgets. For the fiscal year 1945 it includes, for example, about three-fourths of the interest on the public debt; more than half of the expenditures for insurance, pensions, and other benefits for veterans; and a large amount for refunds of war taxes. Expenditures for contract termination, now included in war procurement, also belong in this group.

Expenditures for veterans' pensions and benefits and for tax refunds are expected to rise sharply during the fiscal year 1945. Tax refunds include 1 billion dollars for issuance of post-war bonds for the refundable portion of corporate excess-profits taxes. The issuance of refund bonds is, of course, not a cash expenditure.

THE BUDGET FOR FISCAL YEAR 1945

Excluding expenditures for veterans and refunds, the total for "other" activities is expected to continue next year the steady decline which has been maintained since 1939. The estimate for the fiscal year 1945 is 2,953 million dollars—barely half the comparable total of 5,897 million dollars expended in 1939. It is 571 million dollars below the revised estimates for the current fiscal year.

This further decrease will occur in the face of increases in so-called "nonwar" expenditures of several agencies. Among the increases are 84 million dollars in the Treasury, Justice, and State Departments, the General Accounting Office, and the National Advisory Committee for Aeronautics—agencies with war-necessitated expansions of work loads under "nonwar" appropriations. Increases are estimated for some subdivisions of the Department of Agriculture, mainly the Rural Electrification Administration, which will be liquidating obligations incurred in a prior year and will be using general revenues to finance operations previously financed by the Reconstruction Finance Corporation. The social security program shows a small increase in administrative expense and grants to States. Major reductions are expected in aids to agriculture, general public works, work relief, the Department of Commerce, War Department civil functions, and the Federal Works Agency. These items alone total 553 million dollars less than the corresponding items for the present fiscal year. The Post Office expects to have no deficit but rather a surplus of 11 million dollars.

For all purposes other than direct war activities, I am recommending appropriations, in general and special accounts, of 10,115 million dollars, including 3,750 million dollars for interest on the public debt and 590 million dollars for statutory debt retirement under permanent appropriation. The total of 5,775 million dollars for other purposes is an increase of 1,321 million dollars over the amount enacted by the Congress for the current fiscal year including anticipated supplemental appropriations. This increase, like the expenditure estimates, reflects primarily the large volume of veterans' benefits and tax refunds occasioned by the present war.

The estimated expenditures and recommended appropriations assume application of the Overtime Pay Act with present coverage throughout the fiscal year 1945. Current provisions for overtime pay for most Federal Government employees have been operative only since May 1, 1943; they will expire June 30, 1945, unless terminated earlier by the Congress.

The overtime pay law provides for quarterly determinations by the Director of the Bureau of the Budget of the number of employees required for the proper and efficient exercise of the functions of each

department or agency. Although nearly half the civilian personnel of the Government are not covered by the act, I believe the determinations have effectively supplemented other budgetary controls. Other factors contributing to savings in Government use of manpower have been the legislation authorizing overtime work and pay, suggestions made by congressional committees, general manpower controls, curtailment and consolidation of activities, and the unremitting efforts of the Civil Service Commission and the heads of operating agencies to use personnel more effectively.

More than a year ago I notified the heads of all departments and agencies that I expected them to eliminate every nonvital service, to seize every opportunity for improving the speed and efficiency of operations, and to conserve manpower, materials, and money. Each of these officials is now being asked to take stock of what his agency has accomplished and to continue aggressive efforts for improvement in the management and economical functioning of his organization.

One result of all these efforts has been a material reduction in Government personnel. The latest reported total of paid civilian employees of the Executive branch in continental United States was 2,797,000 in October, 1943; there were 155,000 additional in Alaska, the Panama Canal Zone, and overseas. Nearly three-fourths were in the War and Navy Departments and other war agencies. The total number employed in the continental United States in October was more than 200,000 below the peak of June 1943. The bulk of the reduction was in the war agencies; they reduced personnel by 167,000 from June to October, while the so-called nonwar agencies reduced personnel by 38,000. The earlier rise was in the war agencies. Other agencies as a group have been reducing personnel steadily for 18 months or more, although during all that time they have been devoting more and more of their efforts directly to war activities.

There has been, during the past year, too much unfounded disparagement of Government employment. No one can estimate what this has cost in impaired morale, employee turn-over, recruitment difficulties, and retardation of essential war work. Thousands of Americans entered the Government service or have remained in it with single-hearted determination to contribute to victory. Yet Government employees frequently have had to bear an unjustified stigma, somehow associated with the mistaken assumption that nearly all of them occupy armchair jobs. Of course, it is true that thousands of Government employees work at desks. In Government, as elsewhere, the manual workers are not the only producers. Modern armies cannot operate without quartermasters, paymasters, communication systems; ships and planes cannot be built without drafting, procurement,

THE BUDGET FOR FISCAL YEAR 1945

accounting; indeed, no organized activity in our complex society can succeed without writing and record-keeping. Even so, the large majority of employees in the war agencies are engaged in mechanical operations. Among the so-called nonwar agencies, the Postal Service alone accounts for more than two-fifths of all the personnel. These facts are too frequently disregarded by critics who fail to look behind personnel statistics to the work the employees do.

THE REVENUE AND BORROWING PROGRAM

SUMMARY OF FEDERAL FINANCES

Net receipts under present legislation are estimated at a little more than 41 billion dollars for the current fiscal year and at somewhat less than 41 billion dollars for the fiscal year 1945. Receipts in these years are about 19 billion dollars above those of the fiscal year 1943. This rise reflects increased tax rates in the Revenue Act of 1942, the Current Tax Payment Act of 1943, and the higher level of incomes and profits. Net receipts from all sources in fiscal year 1945 are expected to be somewhat lower than in the current fiscal year, despite the fact that some items, notably corporation taxes, will increase further. Substantial collections in the present fiscal year, mainly in connection with transition to a current basis for individual income taxes, will not recur in 1945 and later years. Estimates of receipts in this Budget are subject to modification if the pending revenue bill is enacted.

Total expenditures for the fiscal year 1945 are estimated to exceed net receipts by 59 billion dollars. Without further legislation the deficit would amount to 59 percent of total expenditures, approximately the same as the comparable ratio for the current fiscal year.

SUMMARY OF FEDERAL FINANCES

Excluding debt retirement and trust funds

[In millions]

Classification	1945 estimated	1944 estimated	1943 actual	1942 actual
Total expenditures (p. xvii).....	\$99,709	\$99,276	\$79,079	\$34,211
Total receipts.....	43,425	42,578	23,385	13,058
Deduct: Net appropriations for Federal old-age and survivors insurance trust fund.....	2,656	1,302	1,103	809
Net receipts.....	40,769	41,276	22,282	12,249
Excess of expenditures over receipts.....	59,000	58,000	57,397	21,962

In view of these prospective deficits, I recommend the earliest possible enactment of additional fiscal legislation.

The amount which the Federal trust funds, especially the old-age and survivors insurance fund, can invest in Treasury bonds has been estimated under the assumption that the increased Federal insurance contribution rates which were scheduled for January 1, 1944, will become effective on March 1, 1944. The Congress decided to postpone the effective date of the increase 60 days in order to gain time for further consideration of social security contribution rates. I earnestly urge the Congress to retain at this time the scheduled increase in rates. High employment and low rates of retirement during the war have added to social insurance reserves. However, liabilities for future benefits based on the increased wartime employment and wages have risen concurrently. The increase in contributions provided by existing law should now become effective so that the contributions will be more nearly in accord with the value of the insurance provided and so that reserves may be built up to aid in financing future benefit payments.

THE NEED FOR ADDITIONAL TAXES

In my Budget message last year I recommended legislation to collect 16 billion dollars in additional taxes, savings, or both. I also pointed out the importance of simplifying taxation and of putting taxes, as far as feasible, on a pay-as-you-go basis. I repeated previous recommendations for making our tax laws more fair and equitable.

Provision for collection of individual income taxes on a pay-as-you-go basis was made in 1943 by the passage of the Current Tax Payment Act.

In October 1943, the administration revenue program was presented calling for additional wartime taxes in the amount of 10.5 billion dollars. Those recommendations are still under consideration by the Congress, and I wish at this time to stress the need for additional wartime taxes in at least the amount requested in October.

The developments of the past year have not lessened the needs for additional revenue and nothing has occurred to indicate that the administration tax program is more than a minimum. Indeed, the necessity for additional revenue becomes increasingly acute as the war continues. The debt has risen at a record rate, and the prospect is for a continued rise with little or no diminution in rate during the months to come. Let us face the fact—the failure thus far to enact an adequate fiscal program has aggravated the difficulties of maintaining economic stabilization. Increases in income should be

F. D. Roosevelt

G. K.

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limited to reasonable rewards for additional effort. A wartime tax policy directed to that objective is a necessary support to wage and price stabilization. It is, furthermore, an important wartime contribution to post-war fiscal planning. ⁴In this situation, if we do not now pay in taxes all that we can, we shall be treating unfairly those who must face the accumulated bill after the war. ↗

The time to impose high taxes is now when incomes are high and goods are scarce. Individual incomes will be approximately 40 percent higher in the calendar year 1944 than in 1941, after payment of all taxes, Federal, State, and local. Corporate profits after taxes continue at an all-time high. The time to relax some wartime taxes will come when goods are again plentiful, after reconversion of industry to peacetime production.

cut | In view of these facts, I repeat last year's request for additional taxes or savings, or both. I also recommend tax simplification to reduce the burdens of compliance of the many millions of taxpayers by elimination of returns where feasible and by other measures—provided such changes do not result in substantial impairment of receipts for the Treasury or of equity for taxpayers. | ✓

RENEGOTIATION OF WAR CONTRACTS

The American people are united in their resolution to prevent war profiteering. Taxation alone is not enough. One of the most constructive attempts ever made to reduce profiteering at the expense of the Government in wartime was the renegotiation law, enacted by the Congress in April 1942. That statute gives to the major procurement agencies the right and charges them with the duty to re-examine their war contracts and subcontracts and to recover excessive amounts paid under them, as well as to reduce inordinately high prices being charged for goods still to be delivered.

The record of performance under that statute has been good. The cost of our procurement program has already been reduced by over 5 billion dollars, either by contractors' agreements to refund money already paid them by the Government for war matériel, or by price reductions granted the Government on goods still to be delivered. A considerable part of this amount would have escaped even wartime taxes. Many wartime profits are not subject to excess-profits taxation, but even part of any tax paid may be refunded under various provisions of the present excess-profits tax law. The recapture of exorbitant war profits, in my judgment, should be definitely assured by renegotiation. To measure the benefits of the renegotiation statute in terms of dollars recovered from war contractors is to understate

its beneficial effect. The statute is enabling us to combine speed of procurement with fair prices for the goods the Government must buy. Without it the war procurement program would be handicapped.

Of late I have been disturbed by proposals, apparently being seriously considered in the Congress, which will, if adopted, greatly restrict the operation of the statute if not destroy its effectiveness. I believe adoption of such proposals would be a serious mistake. In spite of criticism leveled at the statute by highly articulate special pleaders, I think it can fairly be said that the statute has proved to be very helpful in preventing or reducing excessive profits; that renegotiation has been carried out with fairness and equity; and that the existing law should not be substantially changed.

THE PUBLIC DEBT

Wartime spending leaves its legacy of post-war debt. By June 30, 1944, the public debt is expected to reach 198 billion dollars, and a year later, 258 billion dollars. Even higher totals will be reached if advance financing builds up cash balances. In any case it will soon be necessary to request legislation authorizing a further increase in the debt limit from the present level of 210 billion dollars. In view of these huge totals, administration of the public debt and of related fiscal policies must receive double care and scrutiny.

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

A debt of 258 billion dollars will require gross interest payments of 5 billion dollars annually at the present average rate. With a national income of 125 billion dollars or more, these payments need not prove oppressive. I am confident that we can devise a tax structure and other appropriate economic policies which will permit both payment of interest, and gradual repayment of principal during years of prosperity, without impairing the stability and growth of the national income.

We have sought to secure the broadest possible distribution of our debt, not only to fight against inflation, but also to assure a wide distribution of income from the debt. For these two reasons it has been our deliberate policy to offer the highest rates of interest on those bonds which are sold to individual purchasers in limited amounts.

THE BUDGET FOR FISCAL YEAR 1945

Over 50 million subscribers to war bonds now own a direct financial stake in the United States. More than a third of all the resources of life insurance companies and mutual savings banks and half of all the assets of commercial banks consist of Government bonds. These individual investors, as well as bank depositors and insurance policy holders, can count upon the soundness of these assets.

Every dollar accumulated by individuals, corporations, or other nonfinancial institutions adds to rainy-day reserves of these bondholders. Businesses with heavy costs of reconversion will be able to defray such costs in part through liquidation of bonds. State and local governments will be able to finance some public works programs without levying additional taxes or borrowing additional funds. Individuals who are temporarily unemployed will be able to redeem war bonds, besides relying upon unemployment compensation and other provisions.

Most of the debt increase is unavoidable. War expenditures must continue at high levels until our enemies are defeated; a bare minimum of regular Government activity must be preserved; interest must be paid regularly on the outstanding debt. The executive departments are using their best efforts to hold down all these outlays, wherever reductions are consistent with maximum war effort. The only effective way now to control the volume of the debt and to minimize post-war adjustments is to adopt a truly stiff fiscal program.

This war was inevitable because peaceful nations cannot live in the same world with nations that have become tools in the hands of irresponsible cliques bent on conquest. That obstacle to peace will be removed by destruction of the German and Japanese war machines and by establishing lasting cooperation among the nations united in the fight for freedom. In this Budget I have outlined the financial requirements for victory. I have also outlined some of the measures required to aid in the reconversion of our war economy and to help discharged soldiers and dismissed war workers find their way back into civilian life and peacetime employment.

Military victory is not enough. We shall not have completed the defense of our way of life until we also solve the second task, the reconstruction of an economy in which everyone willing to work can find for himself a place in productive employment. The enemy, though beaten on the battlefields, may still arise in our midst if we fail in the task of reconstruction.

Victory will be not only a cause for joy over an accomplishment but at the same time a challenge to another great undertaking. You and I have the responsibility to prepare for victory and for peace. Let us make sure that the Budget, the Government's work plan, serves both ends.

. FRANKLIN D. ROOSEVELT.

JANUARY 10, 1944.

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January 8, 1944
12:22 p.m.

HMJr: Hello.

Ted
Gamble: Yes, sir.

HMJr: You know there was a sentence in the Budget
again on compulsory savings and all that.

G: Yes.

HMJr: I just talked to Harold Smith and he's agreed
to knock it out.

G: Oh, that's wonderful.

HMJr: So, we're completely in the clear.

G: And you got it out at the right source, too.

HMJr: Yeah.

G: Maybe, that will stop him now.

HMJr: Yeah. The thing that -- they now are simply
talking about the Administration's program of
October '43.

G: Wonderful.

HMJr: What was that young fellow's name?

G: Sergeant Paul Dudley.

HMJr: Dudley?

G: Yes.

HMJr: Am I right that he's only twenty-two?

G: He's in his twenties.

HMJr: Yeah. Paul Dudley.

G: Thirty-one.

HMJr: Thirty-one?

G: Thirty-one.

HMJr: Well, that's more like it.

G: Thirty-one.

HMJr: Okay-doke.

G: All right, sir.

HMJr: Thank you.

G: All right, Thank you.

HMJr: Have you any more colossal super-dupers?

G: I -- I'm sorry I didn't have at least a half hour to develop that one for you.

HMJr: It's all right.

G: All right, sir.

HMJr: Bye.

G: Bye.

January 8, 1944
12:32 p.m.

HMJr: Hello.

John
Pehle: Yes, sir.

HMJr: Look, John, on these transactions like this \$80,000 into the account of the Bolivian Embassy or Legation here, I wish I'd have been consulted. It never would have gone through. Now, I see you've done another one. \$200,000 from Bolivia to the Central Bank in the Argentine.

P: Yep.

HMJr: Now, listen, any more Bolivia, any more Argentine, Papa wants to pass on them personally.

P: Well, there are transactions of some sort all the time.

HMJr: Well, hold them up until you can see me and if anybody squawks, you can say the Secretary of the Treasury is passing on it.

P: All right.

HMJr: Now, you people have gone soft somewhere along the line.

P: No, we're not going soft, Mr. Secretary.

HMJr: Well, don't.

P: Don't worry.

HMJr: I'm....

P: Can I mention something to you while I....

HMJr: Yeah, but anything on -- like that I don't care if it holds it up. You hold it up and let me pass on it.

P: All right.

HMJr: Will you?

P: Sure.

HMJr: This is my tough day. I've been biting nails.

P: (Laughs)

HMJr: Go ahead.

P: I was over in State Department on another matter today.

HMJr: Yes, John.

P: And Berle mentioned to me, in passing, about Argentina.

HMJr: Yes.

P: He's now, of course, trying to justify his position.

HMJr: Talk a little louder, will you?

P: He's trying to justify his position.

HMJr: Yeah.

P: And he says, now, the Bolivian thing has really given them what they were looking for.

HMJr: Yeah.

P: An excuse to act.

HMJr: Yeah.

P: And they're getting ready to act on all fronts.

HMJr: Yeah.

P: But they don't want to act on any particular front until they are ready to go on everything.

HMJr: Yeah.

P: And I asked him whether the British were going along and he said, well, they couldn't tell yet.

HMJr: Yeah.

P: And that's about where we are. We're working on a letter for you.

HMJr: I hope you didn't excite Mr. Berle by saying that you thought maybe Bolivia or Argentine were Facist.

P: No, I tried to keep him quiet today.

HMJr: And you didn't get him excited?

P: I wonder if he thinks they're Facists now.

HMJr: I don't know.

P: Well....

HMJr: But you -- any -- any financial transactions, Papa wants to see them.

P: Right.

HMJr: All right?

P: Yep.

HMJr: Take care of yourself.

P: All right, I will.

January 8, 1944
12:50 p.m.

HMJr: Hello.

Operator: Miss Tully is with the President but I have Mrs. Brady.

HMJr: Oh, yes. All right.

Operator: There you are.

HMJr: Hello.

Dorothy Brady: Hello, Mr. Secretary.

HMJr: Yes.

B: Grace is on her way over to the House and she is going to try to get you an answer on that request for an appointment.

HMJr: All right.

B: So, we'll call you.

HMJr: Well, I -- the reason for my calling, I'm going home for lunch.

B: Uh huh.

HMJr: They are having some food there for which they require points.

B: Oh.

HMJr: And I want my share.

B: I envy you. (Laughs)

HMJr: Well, anyway, I'll be home.

B: All right. Well, what -- what time will you be back?

HMJr: I won't, but I have a -- I have a phone there.

B: Oh, I see. All right. I'll tell her.

HMJr: You just tell her that they can -- if the President will see me and McCloy....

- 2 -

B: All right.
HMJr: Right.
B: All right. Fine.

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January 8, 1944
12:51 p.m.

HMJr: Hello.

Operator: Mr. McCloy is out of his office for about fifteen minutes.

HMJr: Well, let me talk to Miss Zinser.

Operator: Yes, sir. All right. Hear you are.

HMJr: Miss Zinser?

Miss Zinser: Yes, Mr. Secretary.

HMJr: Good morning.

Z: Good morning.

HMJr: Will you tell Mr. McCloy I have a request in for him and myself to see the President on this French currency?

Z: Yeah.

HMJr: And if, and when, I hear, I'll let him know.

Z: All right. He'll know whether that means today or tomorrow or whenever?

HMJr: I've asked for it -- I said, "I have to have it before Monday morning."

Z: Before Monday.

HMJr: Is he going to be around?

Z: Oh, he'll be here all the time.

HMJr: Well, I've asked for it today or tomorrow.

Z: All right, I'll tell him, sir.

HMJr: Thank you.

Z: Thanks. Bye.

January 8, 1944
4:00 p.m.

ARGENTINA

Present: Mr. Bell
Mr. White
Mrs. Klotz
Mr. Pehle
Mr. Luxford
Mr. DuBois

H.M.JR: I thought I would get a couple of high-class fellows to advise me.

MR. LUXFORD: You have three of them!

MR. PEHLE: Who are you leaving out?

H.M.JR: He (Luxford) had the right answer.

(The Secretary reads letter to Cordell Hull, dated January 8, 1944, handed to him by Mr. Pehle; copy attached.)

"My people tell me" - my people in Palestine or New York?

MRS. KLOTZ: He is singing the American Ballad.

H.M.JR: "My people tell me that in their informal discussions with representatives of your Department on this subject there appears to be a growing sentiment in your Department for the freezing of Argentine assets" first it is "Argentina" and now it is "Argentine." Which is the dancer?

MRS. KLOTZ: Oh, Mr. Morgenthau! You are not concentrating.

- 2 -

H.M.JR: One minute it is "Argentina" and the next, "Argentine."

MR. LUXFORD: Argentine assets, but Argentina--

H.M.JR: Have you frozen Argentina's assets?

MR. PEHLE: I am not going to answer that.

MRS. KLOTZ: Don't answer, Mr. Pehle - don't answer! (Laughter)

H.M.JR: Listen, will you keep out of this?

MR. PEHLE: I don't even know the latter.

MR. WHITE: Then how do you know what he was saying?

MR. PEHLE: I deny everything. (Laughter)

H.M.JR: (Reading) "We have only to contrast its violent application to Japan with its benevolent assistance to China" - what?

MR. LUXFORD: Results were quite violent.

H.M.JR: "We have only to contrast its violent application to Japan with its benevolent assistance to China to understand the degree of flexibility possible."

MR. WHITE: Should be "rigid" with "lax." "Benevolent" is all right there.

H.M.JR: "How about it?" (Laughter)

MR. LUXFORD: Do you want to bring him up to date on what Berle gave you this morning?

- 3 -

MR. PEHLE: I mentioned it briefly over the phone. Berle took the position that while it wasn't possible before to take any action against Argentina because other Latin American countries wouldn't understand it, now, in view of what happened in Bolivia, and that Argentina was behind it, the other Latin American countries were ready to act together with the United States, but that it had long been the philosophy of the State Department not to take small actions in these things, but to gather all the forces and fight them all at once. That is what they were trying to do.

I asked them whether Britain was afraid to go along. He said he didn't know.

H.M.JR: Have you a pencil and paper? I have got just a slight correction. I would like to do it this way: "My dear Cordell: Argentina. How about it? Yours sincerely, Henry Morgenthau, Jr."

MR. BELL: Meaning, postpone until Monday.

MRS. KLOTZ: Are you serious?

MR. PEHLE: That is an alternative. We take it seriously.

MR. LUXFORD: It is a reasonable alternative.

H.M.JR: No, listen; I have just come back from three-quarters of an hour with the President where I got turned down flat, and I have to have some little fun. But that isn't too bad.

MR. WHITE: Just say, "Argentina, no, no."

H.M.JR: Don't worry about Mrs. Klotz laughing. Don't take it too seriously.

I should say, in defense of Pehle - I called him up this morning and asked him to do something - I think in the short time we have had, this is an excellent job.

- 4 -

MR. PEHLE: Mr. Luxford drafted it.

MR. LUXFORD: I think it is, too, Mr. Secretary.

H.M.JR: But I am too tired to pass on the thing - I don't know - in my flip way, it might just as well be "Dear Cordell: Argentina. How about it?"

MR. WHITE: I doubt the wisdom of even needling Hull at this point. You have told him what you want.

MR. PEHLE: A telephone call might do the same thing. We had a long discussion as to whether this was the approach that we should follow or not. We finally agreed that it was.

H.M.JR: It is a very well drafted letter.

MR. PEHLE: I think it is an excellent one.

H.M.JR: Look, gentlemen, I am tired. I had a tough session with the President - McCloy and I. I try not to make decisions when I am tired. They may do something. We will have another meeting. Let's get together on Argentina. I will give you an appointment now.

In the meantime, somebody tell him who Argentina is, will you please?

Three o'clock?

MR. PEHLE: Three o'clock, Monday.

She is a Spanish dancer.

H.M.JR: Quite right, by the name of Argentina.

MR. PEHLE: Argentina, Pennsylvania?

H.M.JR: I had the pleasure of seeing her in a little theater in Geneva, Switzerland, about ten years ago. She was lovely.

- 5 -

MR. PEHLE: Been thinking about Argentina ever since!

MRS. KLOTZ: Classical?

MR. PEHLE: Not exactly. (Laughter)

May I mention a couple of other things? One of them was in response to your orders this morning.

H.M.JR: Go ahead.

MR. PEHLE: There is a shipment of gold leaving for Argentina which is now in New Orleans. It is about a million and a quarter and will probably sail on Monday - may sail before.

There is another one that left the Federal yesterday and is on the way to New Orleans for shipment.

H.M.JR: Well, now, I tell you--

MR. PEHLE: I don't think we ought to interfere with either of those. I think the issue is much broader now.

MR. BELL: Yes, we tried that once.

MR. PEHLE: If we get the right kind of transaction, it will stop it, but I don't think the gold transactions--

MR. LUXFORD: I think we have played it for all we are worth on the gold.

H.M.JR: When will this leave?

MR. PEHLE: One will leave possibly today, but probably Monday; the other one won't leave until the 12th of January.

MR. WHITE: I think it is probably a good thing to let them go out, then when you do call up Hull--

- 6 -

MR. PEHLE: Twelve million, so far.

MR. WHITE: Last week there were three shipments; one going out tonight, one on the way tomorrow - just by way of information.

H.M.JR: Well, that is another way to do it. Simply say, "My dear Cordell: Since last writing you"--

MR. PEHLE: There isn't so much. Can I read another sentence?

"As you know, while the freezing of Argentina has been under recent intensive consideration, Argentina's assets have continued to leave the United States in substantial amounts. Between October 23 and the end of the year, approximately twelve millions of gold, ear-marked in the name of Argentina, has been removed from this country by Argentina and shipped to B.A. An additional eight million seven hundred and fifty dollars in Argentine gold is scheduled to be shipped from this country to Argentina in January; in addition, during the same period, transfers of twelve million dollars, from the Argentine Central Bank to foreign countries."

There is that line, too.

MR. WHITE: Much more effective to say that a million went day before yesterday, a million to New Orleans, and a million more coming. Never mind the over-all.

MR. LUXFORD: If you are too tired, let's tackle it Monday.

H.M.JR: Let's tackle it Monday. You all come back at three o'clock Monday. Do you mind being teased?

MR. PEHLE: No, sir.

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H.M.JR: That works both ways; when I tease, you can tease back.

MR. PEHLE: We are having Leavitt of the J.D.C. down Monday.

H.M.JR: You got my message that Lang is the man to see?

MR. PEHLE: Yes.

MRS. KLOTZ: I didn't get to take it up with you, Mr. Morgenthau, but Mr. Pehle wasn't quite sure what you wanted him to do.

H.M.JR: I thought you might send for Lang and go through his file on what they have tried to do, you see?

You (White) better call up McCloy. He said he was going to see Monnet.

MR. WHITE: But we have responsibility to the British. Shall we drop it? You don't need their approval or anything beyond what McCloy said this morning.

H.M.JR: Can't you just call up? Who would normally get in touch with the British?

MR. WHITE: We can phone them that we are going ahead on this basis.

H.M.JR: I thought Monnet was going to do that. Why don't you give McCloy a telephone call?

MR. BELL: McCloy had word that if Monnet agreed, that the British would accept Monnet's approval of the currency.

MR. WHITE: But they have been continuing

- 8 -

negotiations between the American and British Treasury on this matter. The decision has been made. I think we ought to notify them.

H.M.JR: O.K. Good afternoon.

My dear Cordell:

I continue to be deeply troubled at our failure to extend freezing control to Argentina when it is so obvious that Argentina is the base from which the Axis conducts its financial operations throughout the Western Hemisphere.

I think, too, that at least from the point of view of economic warfare, this Government's position becomes more and more ludicrous in appearing to be unwilling to face up to the real issue, namely, the freezing of all Argentine assets, and, contenting itself with the picayune measure of blocking the assets of the Banco de la Nacion and the Banco de la Provincia.

My people tell me that in their informal discussions with representatives of your Department on this subject there appears to be a growing sentiment in your Department for the freezing of Argentine assets - but that action on this score is being held up pending a determination as to whether a series of other economic and political sanctions should be imposed. If this is the case, and I can well understand this point of view in the light of recent developments, I would like to suggest for your serious consideration that we freeze Argentine assets at once and then proceed to weigh the feasibility and desirability of other and further sanctions.

This procedure has several advantages:

(1) Freezing control is essential as an economic warfare measure and if there is general agreement that this action as a minimum will be taken, the sooner we act the better.

(2) Freezing control is without a doubt the most flexible weapon of economic

- 2 -

warfare at the disposal of this Government. As has been fully demonstrated in the past, this control can be speedily adapted to implement and further whatever other and additional economic measures you may ultimately determine to adopt. It is both a financial control and a trade control allowing perfect integration where desired. We have only to contrast its violent application to Japan with its benevolent assistance to China to understand the degree of flexibility possible.

(3) This very flexibility permits a developing policy with respect to Argentina and makes unnecessary any attempt to plot out every move and possible effect in advance.

(4) As you know, this Department will cooperate fully with your Department in any such program so that there will be complete integration between the economic warfare and political phases of the program.

How about it?

Sincerely,

Honorable Cordell Hull,
Secretary of State.

AFL:ngt 1/8/44

JAN 8 1944

Dear Mr. Skouras:

America once more looks to the Motion Picture Industry. As hosts to the world's largest audience, producers, distributors and exhibitors alike have an important task to perform.

The industry is vital to the success of the Fourth War Loan Drive - doubly vital because of the dual function performed in both selling the idea of bond-buying from the screen and actually selling bonds in the theatres.

"A Bond For Every Seat" is a high goal for which to shoot. I am told that there are 11½ million movie seats and the sale of more than 11½ million bonds will be a lengthy stride toward Victory.

No more difficult a task has an industry ever undertaken, and yet it is with confidence in your success that I appeal to you. The movies will do their job. They always have.

Sincerely,

(Signed) H. Morgenthau, Jr

Mr. Charles P. Skouras
National Chairman
Fourth War Loan Drive of the
War Activities Committee
Motion Picture Industry
1501 Broadway
New York, N. Y.

Typed 1/6/44
CFL:mf

Dear Mr. Postmaster General:

In the Fourth War Loan Drive, commencing January 18, the Treasury will undertake to raise \$14 billions for continued prosecution of the war. Of this amount we hope to get about \$5¹/₂ billions from individuals, which is \$500 millions more than the goal set for individuals in the Third War Loan Drive, and about \$12¹/₂ billions more than actual sales.

Through the splendid work of the bond organizations set up in the various departments and establishments, civilian employees of the Federal Government invested approximately \$116 millions in war bonds during the Third Loan Drive. This is several times greater than the amount sold to Federal employees during the First and Second Loans.

The success of the Third Loan Drive in the Federal agencies undoubtedly was due in large measure to the personal interest and attention given the matter by the heads of the departments and establishments, as well as the heads of the respective bureaus and offices.

The Interdepartmental War Savings Bond Committee is now completing plans for the organization of the Fourth Loan Drive in the Federal agencies. My purpose in writing you now is to ask if you would be good enough to put your personal influence behind the Fourth War Loan program in your department with the end in view that the heads of the various bureaus and offices will take such steps as may be necessary to provide the same type of enthusiastic bond organization as we had during the Third Loan Drive.

This Department and the Interdepartmental War Savings Bond Committee will be glad to assist in any way possible.

In this connection, as you know, the Postmasters at Washington, D. C., and Baltimore, Maryland, have installed the Pay-roll Savings Plan with outstanding success, and I am wondering whether the Post Office Department would now be in a position to consider its general extension to all post offices at an early date. I was hopeful that this might be

- 2 -

accomplished in connection with the Fourth War Loan Drive because I am sure that this drive would lend considerable impetus to the Pay-roll Savings program. You may be interested to know that $3\frac{1}{2}$ million members of our Armed Forces are investing approximately \$36 million a month in war bonds through pay-roll reservations, and over 2 million civilian employees of the various departments and establishments of the Federal Government are investing over \$45 million a month through pay-roll savings.

Sincerely yours,

(Signed) H. Morgenthau, Jr

Secretary of the Treasury

Honorable Frank G. Walker
Postmaster General
Washington 25, D. C.

EFBartelt:hbw 1/7/44

Dear Mr. Young:

In the Fourth War Loan Drive, commencing January 18, the Treasury will undertake to raise \$14 billions for continued prosecution of the war. Of this amount we hope to get about \$5½ billions from individuals, which is \$500 millions more than the goal set for individuals in the Third War Loan Drive, and about \$124 millions more than actual sales.

Your success in the Third War Loan Drive undoubtedly was due in large measure to the interest and attention given the matter by the Board of Commissioners of the District of Columbia, as well as the heads of your various departments and offices.

My purpose in writing you now is to ask if you would be good enough to put your personal influence behind the Fourth War Loan program with the end in view that the heads of the various departments and offices will take such steps as may be necessary to provide the same type of enthusiastic bond organization as you had during the Third Loan Drive.

This Department and the Interdepartmental War Savings Bond Committee will be glad to assist in any way possible. In this connection, I should be glad if you would be good enough to advise me as to the progress made with respect to the installation of the Pay-roll Savings Plan which was approved by the Board of Commissioners sometime ago. I was hopeful that this might be accomplished in connection with the Fourth War Loan Drive because I am sure that this drive would lend considerable impetus to the Pay-roll Savings program. You may be interested to know that 3½ million members of our Armed Forces are investing approximately \$36 million a month in War Bonds through pay-roll reservations, and over 2 million civilian employees of the various departments and establishments of the Federal Government are investing over \$45 million a month through pay-roll savings.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable John Russell Young
President
Board of Commissioners
District of Columbia
Washington, D. C.
EJBartlett:dbw 1/7/44

1-8-44

Dear Colonel Halsey:

In the Fourth War Loan Drive, commencing January 15, the Treasury will undertake to raise \$14 billions for continued prosecution of the war. Of this amount we hope to get about \$5½ billions from individuals, which is \$500 millions more than the goal set for individuals in the Third War Loan Drive.

On December 7, 1941, a date which will live in infamy, as the President has said, this country was savagely attacked by the Japanese at Pearl Harbor. We all know that the war was not of our making. Nevertheless, we will fight this war to an unconditional surrender - and it must be paid for.

My purpose in writing you now is to enlist your aid during the Fourth War Loan, with the end in view that appropriate facilities may be provided for the sale of war bonds to the Members of the Senate, its officers and employees.

This Department will be glad to assist in any way it can to make these bonds conveniently available to the Members of the Senate.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Colonel Edwin A. Halsey
Secretary of the Senate
Washington, D. C.

EFBartelt:hbw 1/7/44

1-8-44

Dear Mr. Trimble:

In the Fourth War Loan Drive, commencing January 15, the Treasury will undertake to raise \$14 billions for continued prosecution of the war. Of this amount we hope to get about \$5 billions from individuals, which is \$500 millions more than the goal set for individuals in the Third War Loan Drive.

On December 7, 1941, a date which will live in infamy, as the President has said, this country was savagely attacked by the Japanese at Pearl Harbor. We all know that the war was not of our making. Nevertheless, we will fight this war to an unconditional surrender - and it must be paid for.

My purpose in writing you now is to enlist your aid during the Fourth War Loan, with the end in view that appropriate facilities may be provided for the sale of war bonds to the Members of the House of Representatives, its officers, and employees.

This Department will be glad to assist in any way it can to make these bonds conveniently available to the Members of the Congress.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable South Trimble
Clerk of the House
of Representatives
Washington, D. C.

EFBartelt:hbw 1/7/44

ESTER REFAVOR
In Com. 71
Name and
Address
COMMITTEE ON

SECRETARIES:
HELENETTA O'DONOGHUE
EVA DE WITT LAY
FIELD REPRESENTATIVE:
ROBERT S. BRADY
McMORVILLE, TENNESSEE

Congress of the United States
House of Representatives
Washington, D. C.

January 8, 1944

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

My dear Mr. Morgenthau

Your letter of December 1 with reference to House Resolution 327 to amend the rules of the House to provide for a question period, during which heads of departments and independent agencies may be invited to appear on the floor, has been received and is greatly appreciated. Please excuse my delay in replying, as I have been out of town so much in the past few weeks.

I am delighted that you are in favor of this resolution and your endorsement will be very useful when the matter is presented to the Committee on Rules. After the Committee sets a date for the hearing, I will get in touch with you and I hope that it may be possible for you to appear and make a statement before the Committee in the interest of the bill.

Thanking you for your interest and for your letter, and with kindest regards, I am

Sincerely

Estes T Refavor

Treasury Acts To Halt Liquor Black Market

All Wholesale Sales Must
Be Reported Daily for
Checking by Agency

Justice Department
Widens Its Inquiry

85 in Industry Ordered
to Submit Their Books
to Grand Jury by Jan. 31

By John Chabot Smith

WASHINGTON, Jan. 7. — The liquor industry received a double blow today from two government agencies interested in law enforcement—both pre-war agencies enforcing pre-war laws, but both stirred to action by the war-time shortage and black market in liquor.

The Treasury Department announced that henceforth all wholesalers, importers, bottlers and retailers of liquor must make daily reports to the alcohol tax unit of the Bureau of Internal Revenue, listing the amounts and kinds of distilled spirits bought or sold at wholesale during the day, with the names and addresses of all parties involved in each transaction.

The measure, Henry Morgenthau, secretary of the Treasury, said, will enable the Treasury to keep tabs on every suspicious-looking transaction of liquor at once, thus help the Treasury's drive to wipe up the black market.

Grand Jury Inquiry

At the same time, the anti-trust unit of the Justice Department widened its investigation of the liquor industry with the issuance of subpoenas against 85 distillers, wholesalers and importers, which cover "virtually the entire liquor manufacturing

Industry in the United States," according to Attorney General Francis Biddle, require the companies to produce their books and records by Jan. 31 for investigation by a Federal Grand Jury.

Similar subpoenas were issued Dec. 15 against the "big four" of the liquor industry—Schenley Distillers Corporation, Hiram Walker and Sons, Inc., National Distillers Corporation and Joseph E. Seagram and Sons, Inc.

Wendell Berge, Assistant Attorney General in charge of the anti-trust division, said the grand jury would be asked to determine whether large distillers have bought up the stocks or output of smaller competitors; whether they are hoarding supplies or trying to control prices and distribution outlets; and all circumstances surrounding the introduction of new-brand names on the market—a device which has sometimes been used to avoid Office of Price Administration ceilings.

No Violations Implied

Mr. Berge emphasized that issuance of these subpoenas does not necessarily imply that any of the firms subpoenaed are guilty of violating the law or have otherwise done wrong. It implies only that the grand jury wants to find out whether such a thing has happened.

New-brand names also figure in the Treasury Department's anti-black-market drive. Robert E. Hannegan, Commissioner of Internal Revenue, said the alcohol tax unit is "taking precautions to see that increasing quantities of inferior spirits coming on the market are released to the public only under labels that adequately describe them."

"Certain types of imports, particularly, are being checked," he added. "Many samples are too bad, in the opinion of Treasury chemists, even to be given the designation of 'imitation whiskey.' The description 'colored distilled spirits' has been devised for some such beverages, whose chief claim to resemblance to whiskey is the presence of a little burnt wood or other flavoring."

Meanwhile, the State Department announced an agreement with Cuba to import 800,000 tons of molasses from the 1943 sugar crop, to be used for the manufacture of war alcohol. None of it

may be used for making liquor, war alcohol production is now running 10,000,000 gallons a month below needs, and scheduled expansion of the industry will still save it 5,000,000 gallons below needs, with a reserve of only 90-100,000 gallons, the War Production Board said.

While Mid-West Senators continued to complain today that pork should be sold ration-free because the farmers have a surplus of hogs, distillers lamented that if the farmers had not raised so many pigs last summer in defiance of the Food Administration's request to slow down, the farmers would have no hog surplus now and the corn that the pigs devoured as they grew into hogs might have been used to make whisky instead. The O. P. A. added that to abandon pork rationing now would not solve the farmers' problems, but would cause maldistribution of meat.

Alabama Cuts Ration

MONTGOMERY, Ala., Jan. 7 (AP).—Whisky rations in Alabama were reduced today from one pint a week to one quart a month, effective Monday by the state's Alcoholic Beverage Control Board.

Dr. E. C. Ray, of Birmingham, board chairman, said the cut in whisky rationing was caused by diminishing supplies.

The board announced also that store customers will be required to make their purchases once a month for their one quart or fifth, or its equivalent in pints.

Along with these monthly purchases, state store registrants may also purchase one quart of rum, gin or brandy. Wine, however, remains unrationed.

"The board feels that under this system of one quart a month there will be a fairer distribution of the available supply, and long lines will not be necessary," said Dr. Ray.

January 8th, 1944.

Ref. 43/3/44

You will be aware that a discussion took place on 24th November last between representatives of this Embassy and of the United States Treasury Department, regarding the financial aspects of the proposals which have been made by Mr. Rigner of the World Jewish Congress for the evacuation of Jews from France and Roumania. I am informed that in view of the wider considerations which are seen to be involved in these proposals, the matter is now being handled by your Department, and I am therefore writing to you to acquaint you with the views of His Majesty's Government.

His Majesty's Government are in the fullest possible agreement with the desire of the United States Government to do anything and everything that is possible to help these unfortunate people. They would not wish to raise any insuperable objection to the financial side of the proposal, though they see certain difficulties, as no doubt the United States Government does also. The United States Government will realize that when the financial question is settled, the important problems of transport and destination will at once arise. His Majesty's Government have no doubt that the United States Government have considered these proposals, and they would like to know what the intentions of the United States Government are in regard to these problems.

(Sgd.) R. I. Campbell

The Honourable
Breckinridge Long,
Assistant Secretary of State
of the United States,
Washington, D. C.

DEPARTMENT OF STATE

Memorandum of Conversation

Date: January 11, 1944

Subject: The Reigner Plan and operations in consequence of it.

Participants: Sir Ronald Campbell, the British Minister;
Mr. Long.

Sir Ronald Campbell came in today at my request. I discussed with him the Reigner Plan on the basis of the letter he addressed to me under date of January 8 and which was received yesterday, as well as on the basis of number 139, January 7, 8 p.m. from London.

The Embassy reported the receipt of and quoted from a letter from Mr. Eden directed to the Ambassador.

Sir Ronald and I engaged in general discussion as to the Reigner Plan and the manner in which it would operate in Rumania and in France, having in mind the results of those operations and the probability that there would be refugees in considerable number who might appear out of France into Spain or out of Rumania into Turkish territory.

I referred to the fact that the letter from Mr. Eden seemed to be more definite in its acceptancy of the Plan than did the letter of Sir Ronald, and in commenting upon it I quoted the pertinent texts of each. I further said that I did not see that there should be any embarrassment to either Government as intimated by Mr. Eden. We ought to be able to operate, transport, and to find places for the persons who escaped. I called attention to the Fedhala residence in North Africa and then pointed out the cities in Tripoli and in Cyrenaica which had been deserted by the Arabs and by the Italians - as we understood it - and were standing quite unpopulated. Tripoli itself was quite a large city and could accommodate a lot of people. Benghazi and other places on the shore of the Mediterranean had water

supplies

- 2 -

supplies and there were buildings standing. Food could be arranged for them on a rationed basis and they could continue to reside in such places until the end of the war provided the British Government was agreeable. At the end of the war they could return to their former places in Europe under the arrangements which the United Nations were adopting and which the United States Government had proposed at Bermuda and to which Russia had recently agreed, and which provided that each of the nations would permit to return to their former homes the persons who had been forced to leave because of persecutions of race, religion, or political belief. Terms to that same effect should be imposed upon the enemy and conditions inside Germany should be made to conform to the thought that there should be no more persecutions on any of those accounts.

I further stated that in case England did make such a refuge possible in the former Italian colonies it would take pressure off of England because of Palestine, because as it stood Palestine was the only place in the Mediterranean basin where there was refuge for Jews and England was being blamed for her refusal to admit more of them to Palestine under the White Paper. I explicitly stated that I was not opening up the Palestine question but simply used Palestine to elucidate the thought that it would be very helpful in more ways than one to have these cities in the former Italian colonies opened to temporary residence by refugees.

Sir Ronald inquired as to the "intentions of the United States in regard to these problems" and to the matters referred to in Mr. Eden's letter as "problems of transport and accommodation".

I pointed out that I tried to cover the "accommodation" phase of it and that the Department would approach the Joint Chiefs of Staff with the thought that shipping sufficient to serve as transport might be diverted when sufficient persons were assembled to use it to transport them from Spain to these places of temporary residence in Tripoli and along that coast. We had not approached the military and naval authorities but we felt that they would view the matter generously and would no doubt adapt themselves to the situation in case the problem

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developed to the proportions which it might assume. In the meantime there was the established service between Portugal and North Africa which had carried not less than 35,000 persons out of Spain to the neighborhood of Casablanca and which could be continued after completion of the present program. There were remaining in Spain only about 1500 persons - probably not that many.

I then said that UNRRA would probably find it within its jurisdiction to take care of these people once they were located and that we were now discussing the general jurisdiction of UNRRA and the Intergovernmental Committee would have respectively in the premises. Furthermore, the United States under its laws could also receive immigrants and there was the possibility that some of them might desire to come to the United States. Our quotas were open and under the law persons are admissible to this country.

Sir Ronald said that he would send off a telegram to his Government and present the situation as I had presented it to him. I reminded him that this was not a definite proposal, it was just a conversation between our two Governments with the idea of making some favorable adjustment of a problem which might assume large and possibly urgent proportions.

B. L.

A-L:BL:lag

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Bern
TO: Secretary of State, Washington
DATE: January 8, 1944
NUMBER: 183

"I have received from the American Legation the license and your authorization to act in accordance therewith, together with the Swiss franc equivalent of \$25,000. I highly appreciate your prompt action and the attitude of the American authorities. I will keep you advised with regard to any developments, and in the meantime, work is being started forthwith."

For Goldman from Riegner. Reference Department's number 3239 of December 27, 1943.

EH:WIR:AMN 1/11/44

NOT TO BE RETRANSMITTEDBRITISH MOST SECRETU.S. SECRETOPTEL 9

Information received up to 10 A.M. 8th Jan. '44.

1. NAVAL

One of H.M. Frigates while on patrol with an Escort Group yesterday was torpedoed and sunk 600 miles west of Cape Finisterre. 8 officers including the captain and 36 ratings were rescued.

2. MILITARYItaly. To noon 7th. 8th Army.

Operations hampered by snow and confined to patrolling and artillery action.

5th Army

U.S. troops have captured San Vittore after two days of heavy street fighting. Strong opposition is being met in their advance North of the town.

3. AIR OPERATIONSWestern Front 7th

414 escorted heavy Bombers dropped 901 tons on Ludwigshafen with good results. Enemy casualties reported 33;10;2 by Bombers and 7;0;3 by Fighters. Ours 12 Bombers, 6 Fighters missing. 152 medium, Light and Fighter Bombers attacked military constructions in Northern France dropping about 150 tons. 50 Medium and Fighter Bombers (one missing) attacked an airfield near Cherbourg dropping 43 tons with fairly good results.

7th/8th

Aircraft despatched:- Krefeld and Duisburg 11 Mosquitoes, Leaflets 19, Intruders 9.

Italy 3rd

76 Marauders effectively attacked communications near Florence and in the Western Battle Area dropping 98 tons

4th 86 Light and Fighter Bombers attacked similar objectives in the Battle Area.

NOT TO BE RE-TRANSMITTED

U. S. SECRET
BRITISH MOST SECRET

COPY NO. 12OPTEL No. 10

Information received up to 10 A.M. 9th January, 1944.

1. NAVAL

A convoy of 8 ships from North RUSSIA escorted by destroyer has arrived in home waters. Cargo of German SS RLO GRANDE consisted of crude rubber, lard and vegetable oil. Yesterday morning a Sunderland sank a U-Boat Northwest of CAPE FINISTERRE. 40 crew seen in the sea.

2. MILITARY

Italy Eighth Army. Considerable activity both sides Artillery and patrolling during which several casualties inflicted on enemy.

Fifth Army. Continuous enemy counter-attacks North of CASSINO Road were repulsed and some advances made. Further gains were made immediately South of CASSINO Road.

Russia After unusually mild winter so far, temperature has now fallen below zero in MOSCOW and in DNEPR bend is falling fast and ground is partially frozen.

3. AIR OPERATIONS

Western Front 8th/9th. 23 Mosquitoes operated against objectives in GERMANY and six patrolled airfields in Northwest FRANCE.

Italy 6th. 48 Marauders bombed railway communications West of FLORENCE and a total of 211 Fighter bombers attacked similar objectives at CIVITAVECCHIA and enemy defences in the Western battle area.

Yugoslavia 7th. Escorted Fortresses dropped 76 tons on the aircraft factory at MARIBOR.

January 10, 1944
9:45 a.m.

HMJr: All right.

Operator: Yes, go ahead.

Jack McCloy: Hello.

HMJr: Yes.

M: I just heard from Monnet.

HMJr: Yes.

M: He said -- Oh, he's perfectly okay on decision but he says after thinking it all over, he's inclined to think he'd prefer to have the motto on there even if "Republique Francaise" is not there. I gathered from what the President said that that would be within our jurisdiction to accomplish if the French wanted it.

HMJr: Well, the President was for the motto and we brushed him off on that.

M: That's right. That's right.

HMJr: So, shall I tell -- I'll tell Bell. I don't think it's too late. Oh, I'm sure it isn't.

M: Yeah. It wouldn't be too late by this time I shouldn't think.

HMJr: No. No.

M: But I think that's a sound decision for him to make. I think that -- I think from Monnet's point of view.

HMJr: Yes.

M: And I got very definitely the impression that the President was quite satisfied with the motto....

HMJr: Oh, yes.

M:if -- but we brushed it off because we said the French didn't want it. Now, the French have come back and said that on second thought they think they'd like to have it.

HMJr: I'll tell Bell right away.

M: Okay. Fine.

HMJr: Anything else? Hello?

M: That's all.

HMJr: Wait a minute.

M: Yep.

HMJr: How are we coming along on that food for Italy?

M: We've got -- we're all right so far as food for Italy in the next two months are concerned. On the future....

HMJr: Yeah.

M:we're -- we have -- we don't see our way clear.

HMJr: Yeah.

M: And it resolves upon -- largely upon where we're going to pick it up from, whether we're going to pick it up -- it's the same question that runs through all those decisions, as to who pays for it.

HMJr: Yeah.

M: And in this argument that we're having with the British, we now get into a -- inevitably on each item, we get into this question of the source and the source is always....

HMJr: Yeah.

M:determined by the considerations as to who's going to pay.

HMJr: But you're all right for two months?

M: We're all right for the -- we were all right for practically two months, yes. Yes.

HMJr: Are you still acting Secretary of War?

M: Yes. Yes.

HMJr: You will be all day?

M: I will be until about noon, I guess.

HMJr: Until about noon?

M: Yes.

HMJr: Because I -- there's something else, I haven't got all my facts, but I may want to call you back.

M: All right. Fine.

HMJr: Thank you.

D

1/10/44

Carbon copy given to Mr. Daniel Bell

CONFIDENTIAL

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WAR DEPARTMENT
OFFICE OF THE ASSISTANT SECRETARY
WASHINGTON, D. C.

10 January 1944

MEMORANDUM FOR THE SECRETARY OF THE TREASURY:

This is to confirm my conversation with you this morning regarding the French Committee's approval of the design which was recently submitted to the President under date of December 23, 1943 by the Secretaries of State, Treasury, War and Navy, as modified by the President so as to eliminate the words "Republique Francaise."

You will recall that we indicated to the President that if the words "Republique Francaise" were not included that Mr. Monnet's feeling was that the motto "Liberte Fraternite Egalite" should also be eliminated. It was my impression that if "Republique Francaise" were eliminated the President was prepared to leave the motto on. This morning Mr. Monnet telephoned me to say that on second thought he felt the inclusion of the motto was desirable even though the words "Republique Francaise" were taken off.

This is also to advise you that in response to a direct inquiry of our diplomatic representative (Mr. Wilson) in Algiers as to Mr. Monnet's authority, the State Department received back through Mr. Wilson word from Massigli that Mr. Monnet was authorized to deal with matters of civil administration for the Committee in Washington. In fact, the message was to the effect that Mr. Monnet had the exclusive authority, at least for the time being. It may be that you would want to obtain Mr. Monnet's formal approval in writing to the design but, if not, this may serve as a sufficient record of it. Mr. Dunn this morning notified General Macready of the confirmation which he had received from Mr. Wilson of Mr. Monnet's authority.


Assistant Secretary of War



CONFIDENTIAL

January 10, 1944
9:45 a.m.

INTEREST PAYMENTS ON DEMAND DEPOSITS

Present: Mr. Bell
Mr. Delano
Mr. Morgenthau III.

MR. BELL: On Friday, Mr. Ransom of the Federal Reserve Board, called me and said he had brought the Secretary up to date and that he wanted to also bring me up to date on regulations, too.

In the course of the conversation, I told him that we weren't sure yet that we wanted to testify on the bill if there was any way of getting out of it. We didn't want to get into a fight between the Federal Reserve Board and the FDIC, and that we were going to have another conference with the Secretary before Mr. Delano saw Chairman Spence or before he went to the Committee, so that he would know how the Treasury felt as a matter of policy.

He called me back late Saturday and said that he had been talking to Mr. Spence about the matter.

H.M. JR: Who is this?

MR. BELL: Ronald Ransom. He wanted to discuss the question of further procedure with the Chairman, he said, so he went to see him. He said that he had suggested to the Chairman that he have the various banking groups in to testify, like the representative of the ABA, and probably the Independent Bankers' Association, and several bankers throughout the country, to come in and tell them their views on this subject.

He said that in the course of the talk the question came up about the Treasury testifying, and Mr. Ransom told him that he didn't believe it was necessary to have the Treasury up there, and he said Mr. Spence

- 2 -

said he didn't know as it was, but he thought it was a courtesy to Mr. Delano to let him express his views.

Ransom said he thought that the memorandum put in the record by Mr. Upham the first day of the hearing would state the Treasury's views on the matter. That is the first I had known that Cy had put in a statement.

H.M.JR: I didn't know, either. You (Delano) didn't tell me that the other day.

MR. DELANO: I overlooked it, I guess, Mr. Secretary. I was ill at the time. I went to the first session up there and then later sessions. I had the flu myself and I was in bed. At the later session, why Cy put in this statement at the request of the Committee.

It is a rather innocuous statement. The statement simply recites what we told you about the historical background of the thing and adds, of course, that there has been some voluntary grouping of these banks to get away from this payment of exchange, and that if there was a suspension of the rule for awhile, it would work against some of those banks who have voluntarily given up the practice. That is the only thing. I think the statement is a very innocuous statement.

MR. BELL: In the last paragraph it does state, in effect, a policy - that is, a statement of policy - that if there is a suspension, there is a competitive disadvantage to those banks that have agreed to the regulation and taken steps to eliminate these exchange charges.

H.M.JR: Which way does that throw him?

MR. BELL: Toward the Federal. Now, I don't think it is a harmful statement at all. I think it is a good statement. I think, if we can stand on that, that probably is better from our standpoint.

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H.M.JR: I don't know. I have been thinking this thing over. Why should the Treasury duck a thing just because it is difficult? That is what I feel.

MR. BELL: It is a question of getting into this fight at this time, which you can see from Doughton's conversation is getting more political every day. If we could avoid it, I think it is much better for all of this, at this time. But if we can't avoid it, I am for stating a straight policy decision on it; that we are against it, it is bad banking, and if Congress wants to change it they ought to change the law and not ask us to enforce the regulation.

H.M.JR: Let me give you, maybe, a little silly simile. I have been up against a similar thing like that when I was in Albany as Conservation Commissioner. I had to enforce a lot of very silly laws - game laws. I used to tell my game warden, "You go out and enforce them. If the Assembly and Legislature of the State of New York doesn't like what we are doing, let them change the law."

He said, "Mr. Morgenthau, those laws haven't been enforced for thirty years, but they are on the books."

We went out and arrested a lot of people and made a lot of people sore. I said, "If you don't like it, you write your State Senator or Member of the Assembly and get it changed." But I said, "The law is there and I am not going to close my eyes."

We went out and did a straight law-enforcement job. Some of the laws, as I say, had never been enforced, but they were there. I got a lot of the stuff taken off, cleaned up, you know. I think the thing is the same. I don't see any difference.

MR. BELL: That is exactly what we are doing, enforcing a regulation prescribed under the law. Now, FDIC is not enforcing them. We think we ought to go on enforcing them.

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H.M.JR: And every time that I have a difficult problem like this, I don't stop and think, am I going to please Mr. Doughton, or Mr. Crowley, or Mr. Jones - what is the right thing to do? Well, we, here, are a law-enforcement agency. We have got a law. It is up to you to enforce it.

Now, if I stop to figure out how many it is going to help and how many it is going to hurt, I am sunk. I can't pick my friends and my enemies - try to please this or that person.

I personally think the thing to say is simply this, that here is the law, and Mr. Delano represents an organization that is supposed to carry out the rules and regulations. Now, if they don't like it, we didn't start this thing.

After ten years - I don't know whether it is true what Crowley says, that Ronald Ransom waited until Henry Steagall died and didn't wait until his body cooled off before he went up there and said he wanted fifteen minutes and testified for ten days. But he didn't dare do it while Steagall was alive, but just as soon as he died, he went up there.

Now, I tell you, Dan, when you try to steer between a half a dozen courses, you are going to get sunk.

MR. BELL: I am not recommending that, please.

H.M.JR: Don't misunderstand me, but the thing is put up to me. Now, Delano has been enforcing the law; why not say so? Everybody knows it.

MR. BELL: No, I think the question here is, should we try first to get out of testifying.

H.M.JR: Well, Crowley tried his best to get you out.

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MR. DELANO: Did he? I didn't know.

H.M.JR: I told him to call you and tell you. When Crowley and I were at the State Department this was so much in his mind that he took me aside and said, "I am going to fix it so Delano won't have to testify."

I said, "I have a lot of things to do. I wish you would call up Bell and tell him this." He didn't do this. Evidently Ransom is trying to keep you from testifying.

MR. BELL: It looks funny. Too many people going up there.

H.M.JR: I personally think you should testify.

MR. DELANO: I am perfectly willing to go up there and testify.

H.M.JR: I think it weakens the position. Why should Crowley and Ransom go up on the Hill and be talking and telling them why you shouldn't testify?

MR. BELL: They shouldn't, but apparently they have. Now Spence, as far as he was concerned, was willing to leave Mr. Delano out of it. It just occurred to me that that was the better procedure, just for us to stay out of this thing - if the law doesn't give the authority to the Treasury, but gives it to the Federal Reserve board - we are merely an enforcement agency and we are enforcing it, and should continue.

H.M.JR: Especially in view of the earlier testimony - if you are asking my advice, I think Mr. Delano should call up the Chairman of the Committee and say, "I am very glad to appear and tell you what we have been doing. We are not saying whether the law is good or bad, but there it is, and this is how we interpret it."

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MR. BELL: But you can't avoid the question, "Well, just how do you feel about it? You have had ten years' experience, or eight years' experience under it, how do you feel about it as a policy matter?"

H.M.JR: What is he going to say?

MR. BELL: Just what you said - you didn't make it. I think that is sound banking. If Congress had put in the law, and apparently they did it after a great deal of thought on the subject, there should be no charges of this character, directly or indirectly.

H.M.JR: Let me explain it. Congress, about ten years ago, passed a law on what they call demand deposits, checking deposits on which you can't charge interest. They have found a way of evading this thing by the bigger banks absorbing the charge of ten cents, or whatever it is that you charge when you transfer a check from one bank to another, you see.

Now, the big banks absorb this thing, and in that way they will absorb it if the small banks deposit their money. It is simply an evasion of this law that you mustn't charge interest on checking accounts. Isn't that right?

MR. DELANO: That is a very succinct statement. Just about what it is.

H.M.JR: That is what it amounts to.

Now, I think it is sound banking. I gather Loughton wants it that way?

MR. BELL: No, Loughton wants the regulation suspended for the time being and he doesn't want it enforced because it is going to ruin these country banks, he says.

H.M.JR: I want to say this - I mean, Crowley puts up an awfully good story for the small bank.

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MR. DELANO: No doubt about it. It has that political angle, Mr. Secretary.

H.M.JR: Let me just say this - he says, "Here after ten years, we come along and dig this thing out. This will be the last thing to put out a lot of little banks."

Now, I am for the small banks.

MR. DELANO: So am I.

H.M.JR: What can we do? Is there any way you can do this thing so that it won't be to the detriment of the small bank?

MR. BELL: Some grave question as to whether they can't make more money investing their own funds.

MR. DELANO: You come back here to a question of facts, Mr. Secretary, as to really how damaging to the small bank this is. Now, Mr. Crowley and Mr. Spence and Paul Brown, and a lot of these chaps who have come from the States where the practice is usual among the small banks, are of the opinion that this will very much injure the small banks.

Now, on the other hand, there are a lot of small banks working right along beside these small banks, that get along without absorbing exchange.

H.M.JR: I would like to get a little bit outside. Can't you call up the President of the ABA and ask him - what is his name?

MR. BELL: Lee Wiggins.

H.M.JR: And B.M. Edwards - to come up tonight? I would like to see them tomorrow and talk about it. Tell them what it is.

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MR. BELL: Yes.

MR. DELANO: They, up to the present time, have taken no position in the matter. I talked to them myself.

H.M.JR: Well, I would like them to hop on a train and come on up here.

MR. BELL: Lee is due here Friday - Friday night or Saturday morning.

H.M.JR: You can't wait that long, can you?

MR. BELL: Not Delano.

MR. DELANO: I have got to see Spence tomorrow.

H.M.JR: What time?

MR. DELANO: Ten o'clock. He has asked me to come up there and talk to him off the record and give him the benefit of my own feelings in the matter.

H.M.JR: Henry came up on that train. He got in at eight-seven this morning. The train was due at six o'clock. I will see these men at nine o'clock tomorrow morning?

MR. BELL: Yes.

H.M.JR: What time did you leave there, Henry?

MR. MORGENTHAU, III: Seven-thirty. Mr. Edwards has an annual Directors Meeting in Charleston tomorrow, I think, or today.

MR. BELL: He wouldn't want to miss that.

MR. MORGENTHAU, III: It may be over by tomorrow night.

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MR. BELL: We want him tonight, Henry.

MR. MORGENTHAU, III: I mean it may be over today. I doubt it, though. When they have Directors Meetings down there they last for two or three days.

H.M.JR: Would you mind, when we go out, telling Fitz about this so he will put it down?

MR. BELL: Nine o'clock, if we can get them here.

H.M.JR: I would like to see how they feel, because they are all small bank fellows.

MR. DELANO: Yes.

H.M.JR: Because the trouble with being so noble about this thing, I do think that Crowley has got something, but if we are going to help the small banks let's do the thing legally.

MR. DELANO: What really ought to be done, Mr. Secretary, if they want to avoid this thing, they ought to change the law, because the law is pretty clear in my judgment.

H.M.JR: What is all this testimony about?

MR. DELANO: This ten-day testimony of ransom's? It has been about the technicalities of it. It is a hodge-podge of argument between Crowley and ransom on the thing.

MR. BELL: What has happened, the Federal Reserve Board has been asked for decisions by the Comptroller as to whether certain banks are violating these regulations, and Crowley hasn't been enforcing his regulations, which are identical; and then the question comes up as to whether the Fed is going to enforce it on its members, and the FDIC isn't. So they asked for a conference on the Hill to get the informal advice of the Committee. It has gotten into public hearings.

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H.M.JR: May I make this suggestion? During the day, supposing you think, and if you want to, I could see you this afternoon. Instead of saying who is right and who is wrong, see whether we might not have, during the day, a constructive suggestion to make which would not just say we want to enforce the law and we want to have sound banking, but let's think of something which could be done for banks of under five million dollars deposits.

MR. DELANO: I was going to suggest this, with your approval, to Mr. Spence: The whole point of this argument is the question of whether this particular practice, if stopped, would really injure the small bank. There is a conflict of testimony.

H.M.JR: Let's say that it will be, for argument.

MR. DELANO: If it is going to do that, why then, of course, the law ought to be changed, in my judgment.

H.M.JR: Then I would like to have a suggestion during the day as to how it should be changed.

MR. DELANO: Yes.

H.M.JR: I don't expect you to answer it now. Think about it.

MR. DELANO: I will.

H.M.JR: Put the boys on it, because frankly, listening to Crowley, he did impress me with the fact that this is going to hurt the small banks.

MR. DELANO: I know; and of course, the other people say it isn't. I was going to suggest to Spence that the facts should be found, and he should have a subcommittee with an expert - a paid expert - to go in there and really make a bank-by-bank examination of this situation.

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H.M.JR: Well, the whole thing is silly, putting it in the lap of Congress. Think about it during the day, and I am not so busy that this afternoon, if you want to see me - before tomorrow at nine I could see the two of you.

MR. DELANO: All right, sir.

H.M.JR: Are you in any way in disagreement, so far?

MR. BELL: No, I would kind of like to avoid a hearing.

H.M.JR: Well, Bell, I don't think you can. I think that the American Banker and other people will say it is pretty funny, here the Treasury Department, on something which is evidently getting to be a mountain from a mole hill - and the Treasury is afraid to testify. I don't like to be in that position.

MR. BELL: I don't think it is a question of being afraid.

H.M.JR: You can interpret it very easily that way. You don't know what these men say to Spence. Spence is Chairman of the Banking Committee. (To Mr. Morgenthau, III) He succeeded Steagall.

I would like to have our own spokesman up there, particularly where Doughton, who is so important to us, you see - I can't call up Doughton and say, "Look, Doughton, this is so hot I am not going to let Delano testify," or "Delano doesn't want to testify, it is so not."

MR. DELANO: I don't want to be put in that position.

H.M.JR: well, what am I going to tell Doughton?

MR. BEIL: No.

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H.M.JR: This is such a hot thing, I can't make up my mind which side I am on. Am I going to tell Doughton that?

Approach it from the standpoint that I understand, out of fifteen thousand banks, roughly, that twelve thousand banks, which would come under three million or less, roughly, deposits--

MR. DELANO: No, Mr. Secretary, there are only about two thousand - between two thousand and twenty-four hundred - that do this practice at all. So those are the only ones involved.

H.M.JR: The little fellows.

MR. DELANO: Two thousand four hundred banks that absorb exchange.

H.M.JR: The difference between Crowley and me - Crowley wants you to have it and wink your eye. I can't afford to. Maybe we can make a constructive suggestion.

MR. DELANO: You want a constructive suggestion from us as to how to meet this situation.

H.M.JR: Call in your boys and say you want something original.

MR. DELANO: You want to solve this problem.

H.M.JR: Sure. Let's come through with suggestions. Maybe we can get the Federal and everybody to agree.

MR. DELANO: O.K., sir.

January 10, 1944
9:48 a.m.

Operator: Go ahead.

Dan
Bell: Hello.

HMJr: Hello.

B: Good morning.

HMJr: The Act -- good morning -- the Acting Secretary of War just called up and said, on second thought, they would like to have "Liberte, Fraternite and Equalite" on the money. Hello.

B: Yes.

HMJr: Now, we -- the President asked for that but we told him they didn't want it. Now, they do. Around the French flag.

B: Yeah.

HMJr: You've still got time. You had it on there, you know.

B: Yeah. I just took it off and handed it to the Bureau.

HMJr: Well, put it back on.

B: Well, that ties it up pretty definitely doesn't it?

HMJr: Well, it was agreeable to the President.

B: Was it?

HMJr: Yeah. The President asked us to put it on.

B: And is that agreeable to Monnet?

HMJr: Well, Monnet called Jack McCloy who is Acting Secretary of War.

B: Yep.

HMJr: Jack McCloy just called me and said that Monnet would like to have that on.

B: Okay.

HMJr: And the other day the President said he wanted it on and we said, "No, that's what Monnet didn't want."

B: Now, he wants it?

HMJr: Now, he wants it.

B: Well, I think it will look better because that -- the decision was made -- took every wording off of the back, you know.

HMJr: Yeah.

B: Every wording.

HMJr: Well, you put that back on it, if you please.

B: Okay.

HMJr: I thank you.

B: All right.

January 10, 1944
10:50 a.m.

John Pehle: Uh huh.

HMJr: In regard to these four thousand refugees on this island off Yugoslavia....

P: Uh huh.

HMJr:I asked McCloy today, without saying anything -- I just said to him, "How's the food situation in Italy?" He said, "We're all right for two months."

P: Huh.

HMJr: Now, how much -- you say you haven't got all the facts on that yet?

P: No, all I have gotten is a story over the telephone. I haven't got any of the documents yet.

HMJr: Who from?

P: Reigleman.

HMJr: Oh. They're coming from Reigleman?

P: Yeah.

HMJr: Well, I got McCloy's word for it that there's enough food there for two months.

P: Well, as soon as I get the documents, I'll get them in your hands and we ought to....

HMJr: Okay.

P:lay a course of action.

HMJr: All right.

P: Thank you.

January 10, 1944
11:03 a.m.

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HMJr: Hello.

Operator: Mr. Schneider.

HMJr: Hello.

Operator: Here you are.

HMJr: Hello.

Franz
Schneider: Hello.

HMJr: Morgenthau speaking.

S: Oh, yes. Good morning, Mr. Secretary.

HMJr: Good morning. Mr. Schneider, in rereading your letter, one thing isn't clear to me. Does either United States Government or England now own any wheat in the stock pile, in the Middle East which might go to Italy?

S: Well, there is a very considerable. There's probably not less than 70,000 tons in the Middle East stock pile, so-called.

HMJr: Well, isn't that owned -- in Syria?

S: No, that's mostly held right there in Egypt, I think, and the Middle East Supply Council is the one who controls that stock pile.

HMJr: Well, would you -- could you get that information for me?

S: Yes.

HMJr: What I want to know is: what wheat stock pile is now in the Middle East which would -- which would be available if they wanted to shift it to Italy.

S: Right. Right. Well, I can get you that information. There is this stock pile of about 70,000 tons and now they are trying to create this other one for Balkan relief....

HMJr: Yeah.

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S:sort of inside that....

HMJr: Yeah.

S:and still there's a separate one.

HMJr: Well, now, this 70,000 tons -- what are they holding that for?

S: Well, the Middle East Supply Council -- they shipped a good deal of wheat around that whole region, that is, Iran and Iraq and Turkey and Egypt.

HMJr: Yeah. I see.

S: And they -- they have a reserve that they -- oh, for these various purposes of theirs, and now, as I understood it, they were going to build up this separate one, the Balkan -- for Balkan relief.

HMJr: I see.

S: Earmarked for the British military.

HMJr: Yeah.

S: As part of that.

HMJr: Now, this -- this 70,000 tons that belongs to the Middle East Supply, who paid for that?

S: Well, now, I couldn't tell you that, Mr. Secretary.

HMJr: You couldn't? How could we find out?

S: Well, I could inquire about that and find out.

HMJr: Would you?

S: Yes, I will.

HMJr: I mean whether that -- if it was paid for on the lend-lease or how it was paid for?

S: Yeah. Yeah. Yeah.

HMJr: And if it isn't too much trouble, whether it went in U. S. bottoms or English bottoms.

S: Yeah. Yeah.

HMJr: We're having a helluva time on this thing, you know.

S: Yeah.

HMJr: But I -- I made some headway against making them send some ships down to the Argentine.

S: Yes.

HMJr: I don't know whether it's got back to you or not.

S: Well, I understood you had.

HMJr: Yeah. And if -- but, you see, not knowing about -- in an argument I got, they say, "Well, there's no wheat there now." And I was under the impression that there was.

S: Yes, there's at least 70,000 tons there.

HMJr: Well, that would help my argument and -- and help you from going down to the Argentine, if you could get that to me.

S: Fine. I'll do that.

HMJr: Do you think you could get that over today?

S: Yes, I'll get it over the latter part of the afternoon.

HMJr: And if -- and if you haven't got a messenger, if you'll call up, we'll send over.

S: Fine. All right, Mr. Secretary.

HMJr: Thank you.

S: I'll do it.

1/11/44

Photostats to: Mr. Paul
Dr. White
Mr. Luxford
Mr. Pehle
Mr. DuBois

WAR SHIPPING ADMINISTRATION
WASHINGTON

January 10, 1944

MEMORANDUM for Secretary Morgenthau

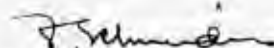
Subject: Wheat for Italy

Reference is made to our telephone conversation of this morning concerning the stockpile of wheat in the Middle East. This stockpile, which is estimated by British sources in Washington to amount to 70,000 tons on December 31, 1943, is under the jurisdiction of the Middle East Supply Council, which handles supplies of wheat and other grains for military forces and civilians in the Middle Eastern area.

Approximately 35,000 tons of Canadian wheat and flour are regularly moved to the Middle East, including the Persian Gulf, each month for consumption. This wheat and flour is purchased by the Ministry of Food for the M.E.S.C. and funds for the purchase thereof presumably are obtained under the Canadian Mutual Aid agreement with the U.K. Shipments have been made both on British and United States controlled ships from the eastern seaboard of the United States. An estimate of the amount moved on United States vessels is being obtained.

It was arranged by the British that an additional 25,000 tons of wheat a month would move from Australia to the Middle East starting in August or September of 1943. This wheat, in theory, was destined for a Balkan relief stockpile although, in fact, it is intermingled with other M.E.S.C. supplies. The movement was interrupted by the diversion of some 30,000 tons to India, but it may be assumed that 50,000 out of the 70,000 tons stockpiled in the Middle East on December 31 is set aside for the Balkans. It is now planned by the British Government to bring the total wheat and flour stockpile in the Middle East to 225,000 tons by the end of March, 1944, to provide for Balkan relief on a larger scale. This is to be accomplished by increased liftings from Australia. We understand that additional ships, beyond those necessary to move the above mentioned 25,000 tons, are being laid on in January.

Thus far, all wheat lifted in Australia is believed to have been purchased by the Ministry of Food and to have been lifted in British controlled ships.



F. Schneider
Associate Deputy Administrator

January 10, 1944
11:00 a.m.

JOINT CONTRACT TERMINATION BOARD

Present: Mr. Bell
Mr. Sullivan
Mr. Thompson
Mr. Lynch
Mr. O'Connell
Mr. McConnell

H.M.JR: Where is Paul?

MR. O'CONNELL: He isn't in on this.

H.M.JR: He isn't?

MR. O'CONNELL: No, there isn't any reason for it, is there? I mean, he hasn't been very close to these post-war things except as I have kept him informed.

H.M.JR: I see. You would know?

MR. O'CONNELL: Yes.

H.M.JR: There is more funny business going on in this thing with the English: Every reason in the world why we have got to go down to the Argentine - go down empty and haul this wheat back - and make the statement that the Italians are starving, and all the rest of the stuff.

MR. SULLIVAN: Is anything behind the British desire to maintain relations with Argentina for commerce after the war?

H.M.JR: That is enough.

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MR. SULLIVAN: I know, but--

H.M.JR: It is our money - our ships that they are using. They get it over there and stockpile it for the Paikans. It just doesn't make sense. That is now recognized as the English sphere.

Well, anyway, it is just a little private war I am waging.

MR. SULLIVAN: Why do we let them push us around?

H.M.JR: because ten different agencies are in on this thing. No one has called a meeting. They go into what they call, I think, the Joint Food Board. The English come in with a program and a policy. Our fellow comes in and doesn't know where he is at.

MR. BELL: Comes in to listen.

H.M.JR: Then the English say, "This is what we want." Then it happens that way all the time. It is a little difficult at times to keep up a united front. This runs into money; this thing I am talking about is seventy-five million dollars.

MR. McCONNELL: Wheat alone.

H.M.JR: That we would dump into the Argentine right now. Argentina is thumbing its nose at us. This man Schneider, who is Deputy to Lew Douglas, says the one place they don't want to go to is the Argentine. It is a long run, can't go down - it takes them out of their tracks, and so forth.

Well, anyway, excuse me for tying you up.

Now, Mr. Bones--

MR. McCONNELL: This meeting, Mr. Secretary, is to keep you informed as to what goes on in the various committees and subcommittees of the Termination Board -

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there have been meetings in the past week of practically all these committees. I will take them up in order as I have them here.

The first meeting was on the question of termination financing, of which Mr. Bell is the member from the Treasury. After that meeting we had a long talk in Mr. Bell's office and some changes were made.

Would you like to go into them?

MR. BELL: I don't think so. You are not interested in the squables we have inside, are you? We didn't like this document that they prepared to send out to all the bankers - about seventeen bankers.

H.M.JR: If you have got it under control, I don't care.

MR. BELL: We had a little informal meeting in my office and suggested changes, and they accepted them. I think everybody is agreed now it is a better document.

MR. McCONNELL: On the Committee of Cost Interpretations, on that subcommittee we had nominated, or were considering, two men to act for the Treasury, one Herron, and one Mr. Gunter, and we have tried to locate a man that you had in mind that came from the Harvard Business College and was here awhile, and perhaps went to the Navy.

MR. SULLIVAN: Tosdal is the only one we can find out. He was only here a couple of times.

H.M.JR: what is he doing now?

MR. SULLIVAN: Harvard Business School. He teaches cost analysis, I think.

MR. BELL: what is his name?

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MR. SULLIVAN: Tosdal.

H.M.JR: The one I meant gave the subject to Procurement Officers, not cost accounting - he ran a class on how to become a Procurement Officer up there.

MR. SULLIVAN: I will check farther.

H.M.JR: The one I mean ran a course in how to become a Procurement Officer.

MR. O'CONNELL: he was down here in Treasury?

H.M.JR: For awhile, then the Navy, I think, took him over.

MR. SULLIVAN: Was that since Cliff has been here?

H.M.JR: I think so. It was a course for paymasters.

MR. O'CONNELL: A list just came in my office of all the professors who had taught in Harvard since 1934.

H.M.JR: Have another look at it, please.

MR. McCONNELL: Do you want us to wait on that, or should we appoint somebody to this Committee in the interim?

H.M.JR: Won't take very long. Is it holding up anything?

MR. O'CONNELL: No, they had only an organization meeting of that particular Committee.

H.M.JR: I don't want to hold up anything. Just have another look at the list.

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MR. McCONNELL: The next committee is the Subcommittee on Facilities and Equipment under special contract, of which Mr. O'Connell is a member.

MR. O'CONNELL: They haven't had a meeting since I was appointed. There is a meeting on Wednesday of this week at RFC. After that meeting we may have something in addition to report. It is more or less in a formative state at the moment. There were two meetings before I became a member. I have read the minutes of those and nothing happened - more or less organization meetings.

The next meeting they hope to get into the discussion of the problems raised by the Attorney General as well as the general problem of what we do with Government-owned facilities.

H.M.JR: Could I break into this orderly procedure for one minute and say I was surprised to read a story, I think by Crider, in the Sunday Times - Saturday or Sunday - in which it announces Mr. Byrnes' plan on termination of contracts and gives the form and everything else.

Have we kept Fox on that?

MR. McCONNELL: Very much.

MR. BELL: We were on that committee.

MR. SULLIVAN: Yes, Bob and I attended every meeting.

H.M.JR: That was all according to Hoyle?

MR. SULLIVAN: Oh, yes. We had had some very substantial fights which we won.

H.M.JR: Nobody had advised me that the thing was finished up at all.

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MR. McCONNELL: It came to your desk, Mr. Secretary. It was a pretty long memorandum - about a page, but I had attached these drafts in their completed form. I really didn't expect you to read them because they were so long.

MR. JR: I see. but it is all right?

MR. McCONNELL: Yes, sir.

MR. BELL: You had had the final meeting as far as the subcommittee was concerned and it had gone to Byrnes.

MR. SULLIVAN: Yes.

MR. McCONNELL: Just to follow that out, there is one other document which is a statement of policy on disposal of surplus, which has been approved by the board and was also attached. That will be released just as soon as the Baruch unit determines upon who are the agencies for disposal of surplus. So far as I know, Baruch and Hancock are exactly in the same position that they explained at the luncheon you had here a week or so ago.

There will be a question of definition as to what is properly going to the Procurement Division of the Treasury and what will go to RFC. That definition, I think, they would like to work out perhaps today or tomorrow. Hancock asked me to come over with Mr. Sullivan to work on that. So there is a fairly clearly defined list, to begin with. There will still be some things that somebody will have to decide.

MR. SULLIVAN: There will be a snifting line.

MR. McCONNELL: He mentioned several items, for instance, as examples as to which agencies handle which items. But, in general, it is just about as they were talking at luncheon.

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MR. SULLIVAN: I think there was another question, Bob, which was brought to my attention during Clayton's testimony before the O'Mahoney Committee, Friday morning. When he was asked about who was to decide over-all policy, he said that he thought it should be vested in one administrative official, and how the work was divided up underneath was another question.

And then he was asked if that official should have a board. He said yes, and Senator Vandenberg said, "Well, shall that Board have the power to direct him or merely to advise him?"

Clayton said, "Well, either way."

Vandenberg said, "Well, which way?"

He said merely advisory. So I think Mr. Clayton may feel that the over-all authority will be going to him with the Treasury to handle certain spheres of it under him.

H.M.JR: I don't want that.

MR. SULLIVAN: I understand that.

MR. McCONNELL: I didn't get that from either Baruch or Hancock.

MR. SULLIVAN: But I am interpreting Clayton's testimony, because they were talking about the necessity of legislation, and how it should be handled if there were legislation.

H.M.JR: That was the original idea, that RFC would take over Treasury Procurement. I would very much object to that.

MR. McCONNELL: The original idea was a merger, in Hancock's mind.

H.M.JR: But you don't think that that--

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MR. McCONNELL: I think he has given it up.

H.M.JR: What happened to the thing you were so interested in - scrap?

MR. McCONNELL: That would go to RFC.

H.M.JR: We weren't interested in that. Well, do you think that Sullivan has something to worry about?

MR. McCONNELL: I didn't see his testimony.

MR. SULLIVAN: Well, he was talking about how it should be handled by legislation if the Congress decided to have legislation. I inferred from that, that was also his idea on Executive Order, if he could put it across.

H.M.JR: But he isn't doing it.

MR. SULLIVAN: I understand that.

MR. McCONNELL: Now I will go on with these, if you wish.

H.M.JR: Please.

MR. McCONNELL: Personnel training - several meetings on that. Mr. Mack is the Treasury representative, and his alternate is Paul King. Mr. Sullivan is very familiar with what is being done on that.

MR. SULLIVAN: We probably want to change the personnel of that committee, because whereas it started out as merely a subcommittee on training of our own personnel to administer contract termination right off the bat they got into other questions of appeal and review which are not within Cliff's sphere at all. So if it is decided that that committee will go ahead on procedure questions, we want to have somebody else in on that.

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MR. McCONNELL: I think they will, John. I think that committee will go on under that sort of problem, and appeal and review will probably be one of the principal--

MR. LYNCH: That committee met Friday and considered further those problems.

MR. SULLIVAN: Mr. King - they are both just training.

MR. LYNCH: They were both appointed having in mind that this committee would have in mind only personnel training.

H.M.JR: which was the thing - there were a couple of men that you wanted as alternates to Cliff. I was to get their records.

MR. SULLIVAN: King is one.

H.M.JR: Did I get them?

MR. O'CONNELL: You would prefer to check on Gunter and Herron.

H.M.JR: But has that come to me?

MR. O'CONNELL: I don't think so.

MR. LYNCH: I have the record here.

H.M.JR: I am not guilty of having that on my desk.

MR. LYNCH: No.

MR. O'CONNELL: I think, as a practical matter, it was my view after talking to the two men, we would probably have to find some one else. We are not going to use those two men; it would hardly be worth your while.

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H.M.JR: If you are not going to use them, don't waste time checking.

MR. SULLIVAN: I would like to have them going on until we find some one else.

MR. O'CONNELL: There is no meeting scheduled. If there is, I will be informed as well as Mr. McConnell. This is a permanent committee. The Revenue man is a man in New York who is not available unless he moves down here. The Procurement man seems to leave much to be desired, as far as I can see. I think we ought to think of someone else.

MR. LYNCH: Those records weren't submitted, Mr. Secretary, because we had the alternates that you had thought of - someone from Harvard business School. We weren't able to discover him.

H.M.JR: Anyway, you are not waiting on me on that?

MR. LYNCH: No.

H.M.JR: All right, Mr. McConnell.

MR. McCONNELL: Reconversion Costs - of which Mr. Blough is the committee member from the Treasury. His alternate is Mr. Gordon Keith.

MR. BELL: Mr. Blough should have been here. I still think that that is going to be a controversial question, and it is a very real question in the minds of most of the industrialists. They have a feeling that they ought to be put back to where they started because their cost of reconversion would be taken out of renegotiation. That meeting is this afternoon - the next meeting is this afternoon at two o'clock.

It is largely a matter of policy determination as to whether it is fair or right to include such costs in determination settlements.

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H.M.JR: I am not going to express an opinion.

MR. SULLIVAN: I think any expression of the Treasury view there should be reserved until you have had an opportunity to pass on it. I think it is very important.

H.M.JR: I don't have to pass on it now?

MR. O'CONNELL: It hasn't reached that point yet.

MR. LYNCH: Exploratory.

H.M.JR: Well, I am available. I hope to go away Thursday, but I will be here all week up until then. When you gentlemen are ready, let me know.

MR. McCONNELL: Well, these things are embryonic now and moving fairly fast.

H.M.JR: Do you want another meeting on this particular subject whenever you are ready? You are secretary of the committee. Ask for a meeting.

MR. SULLIVAN: That meeting is this afternoon.

MR. McCONNELL: Yes.

MR. SULLIVAN: Then there will be time tomorrow or Wednesday.

MR. LYNCH: I think it would be appropriate to have an early meeting.

H.M.JR: Do you want a date now?

MR. LYNCH: That would be fine. We could give attention particularly to reconversion costs.

MR. McCONNELL: I was thinking perhaps we might cover something else, also.

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H.M.JR: Do you want to meet again at three o'clock tomorrow?

MR. McCONNELL: Make it Wednesday, if that is convenient to you.

H.M.JR: Three o'clock Wednesday.

MR. McCONNELL: Fine.

MR. LYNCH: Fine.

H.M.JR: I will put Lynch down, and you tell them outside who is coming, will you please?

MR. SULLIVAN: You want Roy at that one.

H.M.JR: Shall I allow an hour?

MR. McCONNELL: I don't think that long.

H.M.JR: Half an hour?

MR. SULLIVAN: Yes.

H.M.JR: Is that all?

MR. McCONNELL: Unless there is any question. Have you (Sullivan) any organization discussion you want to bring up?

MR. SULLIVAN: No.

MR. BELL: Procurement organization?

MR. SULLIVAN: No.

MR. O'CONNELL: Nothing. I think we are moving all right. We have a couple of holes to fill as far as committee work is concerned, but that is our problem.

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MR. BELL: What we do - you might like to know - is when they have one of these meetings like they do on termination financing, and have a document which they present, and we haven't had a chance to go over beforehand, we call a meeting in my office, not only of the people interested in that subcommittee work, but everybody, because they tie in so closely all along the line. All the members of every other committee ought to know what is going on. They were all in my office on termination financing.

H.M.JR: I think we are getting a little organization.

MR. McCONNELL: Yes. You almost have to have the men on reconversion costs discuss the question of termination financing to get some approach to the answer, and it goes all through this. There is no definite cut-off on any one problem; they all mesh.

MR. BELL: And they certainly do over-lap and tie together.

H.M.JR: Is this going to take all of your time?

MR. LYNCH: I think it will take most of my time, Mr. Secretary.

H.M.JR: Is Paul relieving you of some of your other duties?

MR. LYNCH: Oh, yes. I think that can be arranged to accomodate this work.

H.M.JR: I think it should.

MR. McCONNELL: I am trying very hard to keep the thing as a whole, in mind - all the aspects.

I think as it is set up now it is in pretty good shape.

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I don't know whether, perhaps, someone like Dan Bell will have enough time to give to it.

MR. BELL: I think it is important that tomorrow the secretary of these committees attend as many as he can. If he has two meetings, he should send his assistant.

H.M.JR: Well, we will get along.

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January 10, 1944
2:17 p.m.

HMJr: Hello.

Operator: Colonel Sexton.

HMJr: Hello.

Colonel
Sexton: Yes, Mr. Secretary.

HMJr: Good afternoon.

S: Good afternoon, sir.

HMJr: Colonel Sexton, I had Mr. Jean Monnet for lunch
and he was giving me a whole history of the
French Committee since the fall of France.

S: Yes, sir.

HMJr: And where they get their power from and what
authority, and I wondered if in the General Staff
or in Mr. Donovan's organization, there are any
historians or groups who are studying that, who --
this whole question....

S: Of the French Committee?

HMJr: Yes, and where they get their authority and the
whole business.

S: Well, was he speaking about the present Committee
of which he is a member, Mr. Secretary?

HMJr: Yes. Well, he went right back from the time that
Petain went in, right down to date.

S: Uh huh.

HMJr: And went back to 1872 and this Commune Decree
and the whole business and it came awful fast
and I just wondered if in the General Staff or
someplace there is a group of historians who
are studying this.

S: Well, I -- I don't know about the General Staff
but I'm practically certain that our Civil Affairs
Division.....

HMJr: Yeah.

S:is very conversant with that, because I know that General Hilldring has had quite a few conferences with Mr. Monnet....

HMJr: Yes.

S:on this general subject of the -- what this Committee will do....

HMJr: Well....

S:and I think we have it pretty well in hand, Mr. Secretary.

HMJr: Well, no, the thing that I wanted was to get, if there were any papers that had been written that I could study myself. That's what I wanted.

S: Well, now, I'll look into that and see if we've got anything that -- it might not be a current paper.

HMJr: Yeah.

S: But what it might -- I'll see if we've got anything in here. Our -- maybe our G-2 people would have it.

HMJr: Well, I -- you get what I want?

S: Yes, sir. You want what we have -- what it amounts to is on the Government of France, doesn't it?

HMJr: That's right. And while you're doing it, you might also ask them if they have an up-to-the-minute one on the Brindisi Government.

S: Yes, sir. Of Italy?

HMJr: Of Italy.

S: Yes, sir. Well, I'll see what we've got on it.

HMJr: And if there's any historian or professor who's particularly -- if you haven't, then I was going to bring down somebody of my own, or borrow somebody -- outstanding historian, but I didn't want to do that if the Army had somebody that they could lend me, you see?

S: I see.

HMJr: But if they haven't, I'm going to bring down some outstanding historian to sort of give me a short course in this thing.

S: All right, sir. Well, let me find out and I'll call you back, Mr. Secretary.

HMJr: Thank you.

S: Yes, sir.

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January 10, 1944
2:42 p.m.

HMJr: Hello.

Operator: There you are. Here you are, sir.

HMJr: Hello.

Colonel
Sexton: Hello, Mr. Secretary.

HMJr: Go ahead, please.

S: I've looked into that matter and we have, over here,
nobody -- what you'd call a political historian.

HMJr: Yes.

S: And our people seem to think that probably the
best person to give you information on that
would be the State Department.

HMJr: Well....

S: Probably Mr. Dunn -- some of Mr. Dunn's people.

HMJr: I see. (Laughs) Well, how shall I put it? That,
I knew. I didn't have to call up to get that,
but I didn't know whether you had some section
studying it.

S: Well, we don't have any section that is studying
political -- the political aspect of it....

HMJr: Well....

S:in the War Department.

HMJr: All right. Well, then, I'm going to just borrow
somebody. But, thank you very much.

S: All right, sir.

HMJr: Thank you.

S: Good bye, sir.

January 10, 1944
3:00 p.m.

ARGENTINA; JEWISH EVACUATION

Present: Mr. Paul
Mr. Pehle
Mr. Luxford
Mr. DuBois
Henry Morgenthau, III
Mrs. Klotz

H.M.JR: Let's start on the Argentinian thing first.

MR. PEHLE: You may not recall it, but this is the letter that you read Saturday afternoon (indicating letter to Secretary Hull, copy attached).

H.M.JR: Has Mr. Paul seen this?

MR. PEHLE: Yes, sir, he initialed it.

MR. PAUL: I think it is a very good letter.

H.M.JR: Now, do you people want to start from there? You still think it should go?

MR. LUXFORD: That is right.

MR. PAUL: You (Pehle) have some reservations.

MR. PEHLE: I have some reservations.

MR. PAUL: The rest of us feel very definitely it should go.

MR. PEHLE: I don't feel strongly one way or the other about it. State seems to be working on a big program. I think the letter is a very good letter, as we said before, for the record. The only question in my mind was whether State would be unduly irritated if they are in the middle of a big program by the Treasury coming along and saying, "Never mind about this other stuff. We want to freeze it."

- 2 -

H.M.JR: My own hunch was this, that I call up Mr. Bull and say, "Look, it has been several weeks since I have seen you about the Argentinian matter. At that time you were going to sound out different countries, and I would like to come over and see you and find out what progress has been made since we were over there." And if you gentlemen thought well of it, I would say, "I have been given a copy of Winant's cable, and I would also like to talk to you about that."

MR. PEHLE: I think that is very good.

MR. PAUL: That was John's hunch, exactly, that you ought not perhaps to go there, but to call him on the telephone instead of writing this letter.

H.M.JR: It was whose hunch?

MR. PEHLE: I mentioned it there, but you mentioned it Saturday.

(Mr. White entered the conference.)

MR. LUXFORD: Might I suggest one consideration to argue for sending the letter? Some of the boys in State who are now advocating, "Let's consider how many ways we can hit Argentina," are merely pulling that gag in order to avoid taking specific action.

MR. PAUL: They are broadening the question to make it more difficult.

MR. LUXFORD: To take any action--

H.M.JR: Saturday again--

MR. LUXFORD: Instead of saying, "Here you have a narrow problem of freezing Argentina," in order to avoid meeting us on the merits of that issue, they are now saying, "Oh, we should also consider breaking off relations with Argentina and getting every country in Latin America to break off, putting an export embargo on

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and refusing to buy any more meat. Get the British to do that." It sounds wonderful on paper, but the chances of success of a program of that magnitude are far less than freezing. If they can get the other, fair enough, but if that is only going to be used as an excuse for saying "We can't get all of that; therefore, let's do nothing," then we would be better off on record saying, "Let's do this now and talk about the rest."

There is a second thing, too, Mr. Secretary. If they are bona fide in discussing an over-all attempt to work out economic sanctions against Argentina, then freezing control is a very good vehicle for carrying that out. Witness what we did on Japan. They don't need to see how many agencies you can get in here to do this job that are not familiar with those techniques. We have the mechanism to do it, and that may not be clear to Hull. This letter would serve that purpose of making it clear to him.

MR. PAUL: That is the second point of that number of points.

H.M.JR: Well, of course, all of these things always get down to the question of human relations. I don't know how a Justice of the Supreme Court reacts. It probably takes him two years to shed the worldly contacts and worldly responsibilities, because before they can think in a really judicial manner--I mean, I have been told that. The first two years they are really no good. But, we are not dealing with a Justice of the Supreme Court; we are dealing with a very human person, and I think a man with very narrow vision. I don't know the man terribly well, but my own feeling is--and I think I was right last time--I think if he had noticed that I would like to see him, say, Wednesday morning, and what it was about, that they might get busy and do something, see?

The last time was pretty effective, asking to see him and giving him a couple of days.

MR. PAUL: Giving him the subject.

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MR. DuBOIS: There is no reason why you can't do both, Mr. Secretary, as we did in the other case. We first sent him a strong letter, and then you called him up.

MR. PAUL: Do it the other way around. Hand him this letter at the conference and say, "This is all I thought I had better hand to you."

H.M.JR: There is always the question of trying too much to build the case in writing.

MR. PAUL: Of course, we discussed that point before we came in. I think the case has been built in writing. Those beans are spilled. The record is so terrific now.

MR. LUXFORD: There is a wonderful record there, going back over a year.

H.M.JR: Why don't I do this, and then we can argue some more? If you people agree, I will ask for an appointment, you see, saying, "I want to be brought up to date," and then we can argue some more whether I want to send a letter over or hand him a letter there.

Have you any opinion on it, Harry?

MR. WHITE: Well, I have kind of changed my mind over the week end. Friday I was against sending the letter on the grounds that it was just needling Hull, and he would get sore. It is building a record. But I confess to a shift in point of view, I think partly influenced by my reading the report on developments in Chile, which was sent to me, I think, probably either by your office or some office, which led me to recanvass my own views. And I am afraid I have come to the conclusion that the thing to do is to hit hard and hit often and take for granted that you are going to be slugged for doing it. Sure, build up the record. He will know that that is what it is for.

It will worry him very considerably, because the record advances on your side, and this is another spike in the record. It will irritate him unquestionably, but

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I think along with the irritation will come the recognition that the longer he is stalling the more difficult position he is placing himself in, and I am inclined to think he is more apt to do something as a result of receiving the letter, though that unquestionably will be accompanied by accentuated irritation at you and at the Treasury. But I am wondering whether the time for all that hasn't gone in this matter.

Certainly you remember the meeting that took place about three or four weeks ago. He was going to do something. Well, nothing has been done. In fact, they have extended inquiries; they have, say, replies from South American countries. So I am afraid I have veered around today to the point of view of sending the letter, though I recognize the strength of your position that it will irritate him. I think it would be a mistake to send it and see him.

I don't see why you should expose yourself to that unpleasantness. Either send it without seeing him; or, if you see him, don't send it.

MR. PEHLE: There is another reason.

H.M.JR: I don't agree with you. I definitely want to see him.

MR. WHITE: I don't think I would send it then.

H.M.JR: I have made up my mind on that. Whatever you think--if you all disagree with me, I will recanvass it. But I want to go over there and see him.

MR. PAUL: I will say this, that this is not the type of question that admits of any firm black and white answer. Therefore, if you have made up your mind you are going to see him, I don't think anybody can tell you you are plainly wrong. It is too close a question.

MR. WHITE: I don't think I would send it if I were going to see him.

H.M.JR: I want to go over to see him, because I have to have some excuse to raise this question of Winant's.

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MR. PEHLE: Yes.

MR. LUXFORD: Winant? Let me mention one thing that bothers me.

H.M.JR: Have you seen this, Harry?

MR. WHITE: No.

MR. LUXFORD: What I regard at least as the lack of bona fideness on the part of men who came over from State on Christmas Day to Mr. Paul's house to discuss freezing Argentina--that to my mind is reflective of what you are going to get every time from State.

MR. PEHLE: I am not sure that an announcement now that the Secretary wants to see Mr. Hull on Wednesday on Argentina won't bring some deferred action. And I think you can take the letter with you. If the conference develops the way you want, and you want to leave a record, you can leave it.

H.M.JR: Look, they make the record. We dictated a record. I will make the record on the telephone.

MR. LUXFORD: Yes, but that is different. Supposing they tried to get out a White Paper, as I think they will have to in time, justifying what they have done on Argentina. It is much more difficult to omit a letter from the Secretary of the Treasury than it is a telephone conversation.

H.M.JR: But now look, Luxford, let's get this thing right. I am more anxious to get the thing done--

MR. LUXFORD: So am I.

H.M.JR: ...than I am to have a good record.

MR. LUXFORD: So am I.

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MR. DuBOIS: A record helps sometimes.

H.M.JR: Yes, but also if you build it too tough, it makes it more difficult for them to do it, too.

On the other matter--well, we built a case.

MR. DuBOIS: Yes, and a strong letter.

H.M.JR: But haven't we filed a lot of papers on the Argentine?

MR. PEHLE: You can argue that, Mr. Secretary, two ways, that one of the important things that they did, going back to the British Government on their views-- as I recall, we hadn't written to State about it at the time.

MR. DuBOIS: Oh, yes.

MR. PAUL: We sent my memorandum.

MR. PEHLE: You handed him the memorandum, if my recollection is right.

MR. PAUL: No, we sent it by letter.

MR. DuBOIS: They had our letter before they sent that.

MR. PEHLE: I guess you are right.

H.M.JR: Yes, that is right.

MR. WHITE: I think if you are going over to see him on that, then the reasonable thing would be after you have that business consummated to say that while you are here raising the other question--and if you are going to do that, I can't see the wisdom or the necessity of handing him this memorandum. Then you can save this memorandum for a week or two hence to see if nothing has been done.

Then you can write him another memorandum. Let this personal visit take the place of a memorandum at this time.

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H.M.JR: No, my inclination is to call him up and simply say--the last time I saw Mr. Hull was on December 20. Twenty days have passed, and I would like to have another conference with him. It will be three weeks--

MR. PEHLE: Was the December 20 conference on this, or the other matter?

H.M.JR: What other matter?

MR. PEHLE: Was it on Argentina or the attitude of the British?

MR. WHITE: I thought it was before then, Mr. Secretary.

MR. PEHLE: My recollection was that the December 20 conference had to do with the refugee matter.

MR. PAUL: At the end of it, the Argentine matter was fully discussed.

H.M.JR: No, we went over on the Argentine matter.

MR. WHITE: My recollection was it was earlier than that, because we met on Christmas Day on the Argentine matter. That seemed to me to be more than five days after the earlier one.

MR. LUXFORD: December 20 was the Monday you went over on the refugee problem, because it was the December 18 cable.

H.M.JR: (On phone) Miss Chauncey, along before Christmas I went over to see Mr. Hull on the Argentine matter. I took Mr. Paul and Mr. Pehle with me, and Mr. White. I would like to know the date that I went over there. You call me back.

MR. PAUL: I think that is right; it was about a week before that.

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I think you (White) were only at one conference. At this other one Pehle and I were present.

MRS. KLOTZ: That is the way to distinguish it.

H.M.JR: Anyway, I am still disinclined to give him a memorandum. I don't think that is the kind to give him, anyway.

How do we stand if we go over there? Could he say Collado asked if you would do it a certain way? What will be the answer?

MR. PEHLE: They have abandoned that.

H.M.JR: So that isn't pending.

MR. PEHLE: No, sir. What is pending is, the Treasury wants to freeze Argentina, and they no longer suggest you do it half-way. They realize that you have to do it all the way or not at all.

MR. PAUL: After that we got the reaction of the Ambassadors from several countries.

MR. PEHLE: And we know they are taking it up with the British.

H.M.JR: How would it be to say, "After seeing you, Collado approached the Treasury on the method of what the State Department wanted and said, 'We understand that that method has been dropped.'"

MR. PEHLE: I don't think I would bring the method into it. I think I would say that the Treasury is anxious about this thing. The Bolivian thing makes it sound even more ominous, and they want to know when there is going to be some action.

MR. PAUL: Well, they have broadened the question.

MR. LUXFORD: That is the big thing.

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MR. DuBOIS: Their excuse will be what we are hinting at in that letter, jumping the gun on that excuse.

MR. WHITE: It seems to me you have to have a peg to hang your hat on to raise the question of foreign policy, no matter how small the peg. I think the peg has to be that you have just heard about more gold shipments.

MR. PEHLE: There is the peg.

H.M.JR: Now you are talking!

MR. WHITE: Because anything else is a matter of foreign policy. We told them very definitely where we stood. We said we would wait until we heard from them. The decision must be theirs. We have nothing new to bring them except this.

H.M.JR: Now, you both approach me the same way. I would say that up to date so much gold has gone and so much is supposed to go. Frankly, this worries me very much.

MR. PEHLE: In a letter?

MR. PAUL: No.

H.M.JR: I was thinking I would send over a memorandum so that he could have the thing. This is one of the things that bothers me. He can have this thing to study.

MR. WHITE: Since it is on so narrow a basis, I think you can make it much more effective orally.

H.M.JR: All right.

MR. PAUL: Well, you must remember that two of his main men have come to talk with us at their own insistence about the broader question.

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MR. PEHLE: It wasn't at their insistence.

MR. PAUL: You have your jurisdictional foot in the door.

MR. PEHLE: I think this gives you every excuse you want to call them on the telephone. My God--

H.M.JR: How much are they planning to ship?

MR. PEHLE: Ten million in January.

H.M.JR: I just think I can call him up and say that several weeks have passed since I have seen him. "I have been worried about this thing for a long time, and I would like to reconvaass the situation with you."

MR. WHITE: I think you are on a little bit stronger ground if you say, "John Pehle has just brought me a statement saying there are eight shipments of gold going out this month, and I am worried."

H.M.JR: I am perfectly willing to say that.

MR. PAUL: This is an ingenious approach. We are not so much worried about these eight shipments.

MR. LUXFORD: And they are not either.

MR. WHITE: Of course not.

H.M.JR: I don't think you need any other excuse other than "Two or three weeks have passed." I think you are all making this thing so difficult. Normally I would just call him up and say that I want to see him.

MR. PEHLE: You can do that. Of course you can, about Argentina. He will know what it is about.

H.M.JR: And this other cable--

MR. WHITE: Is there anything in that Chile story?

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MR. PAUL: What is that?

(Mr. Fitzgerald reports date of meeting as November 24.)

H.M.JR: That is worse yet. It doesn't seem possible.

MR. PEHLE: That is it.

MRS. KLOTZ: You must have something in the record.

MR. PEHLE: Of course we have.

MR. PAUL: Just before Thanksgiving, I remember it now.

MR. WHITE: Sure. Berle was there when he said, "You must not say the naughty word." Oh, yes, that was much before Christmas.

(The Secretary held a telephone conversation with Mr. Brown of the State Department, as follows:)

January 10, 1944
3:25 p.m.

HMJr: Hello.

Operator: Mr. Gray is the senior secretary but he has stepped out and I have Mr. Brown, who is next in line.

HMJr: That's all right.

Operator: There you are.

HMJr: Hello.

J. E. Brown: Hello, Mr. Secretary.

HMJr: Good afternoon.

B: Good afternoon, sir.

HMJr: Look, Mr. Brown.

B: Yes.

HMJr: I think it was on November 24th that I last saw Mr. Hull in regard to the Argentine.

B: Yes.

HMJr: Of freezing of their funds.

B: Uh huh.

HMJr: And I'd very much like to see him again and just see where we stand.

B: Yes.

HMJr: I'm considerably concerned about it.

B: Uh huh.

HMJr: Particularly as a lot of gold is scheduled to go out this month.

B: I see.

HMJr: Now, I wondered if either Wednesday or Thursday morning would be convenient for Mr. Hull -- the first thing.

B: Yes.

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HMJr: And you -- if you could let me know.

B: I'll be very glad to do that.

HMJr: And then I, also, at that time would like to bring up Mr. Winant's cable 139.

B: Yes.

HMJr: Of which I have a copy, dated January 7th.

B: Yes. I see.

HMJr: I'm also disturbed very much about that.

B: Yes.

HMJr: So, will you call back?

B: I will, indeed.

HMJr: As to the appointment?

B: Either Wednesday or Thursday morning.

HMJr: Yes. The reason I'm making it that is because I know that Mr. Hull always sees War and Navy on Tuesday.

B: Yes. Yes.

HMJr: But I'm available either Tuesday, Wednesday or Thursday, the first thing, and the sooner the better.

B: All right, sir. I'll get that message along and I'll let you know just as soon as I can.

HMJr: Thank you.

B: Not at all. Good bye.

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MR. WHITE: Somebody ought to look up this matter of Chile. There have been some recent developments in Chile which looks as though there was a threatened overturn of the Chilean Government, inspired by some of the Argentine clique. In other words, I think it is spreading.

H.M.JR: Who is going to look it up?

MR. WHITE: I will find out where I got the report. I think it was from John's office.

H.M.JR: Let me just talk about this thing from the table. He says, "All right, you are disturbed about one thirty-nine, and so what?" It seems to me the thing to say to Mr. Hull is, "What are you going to do about this thing?" The reason--my excuse for going to see him is that they say in this cable that they are going to see him.

I am going to say, "Are you going to do it, or am I going to do it? If you are going to do it, what are you going to do about it?" I think the thing is to throw it right at him. It seems to me the thing to do is simply to throw it at them and say, "Now, what are you going to do?"

MR. DuBOIS: Probably his immediate reply will be, "I can't say until I see the news that is coming in. That is just part of it."

Even so, I agree that is the way to approach it.

H.M.JR: It brings it up, giving them several days' notice.

MR. WHITE: What is the meaning of the reference to the words, "embarrassing to our Government"?

MR. DuBOIS: Probably the Arab question, or something like that.

MR. WHITE: Isn't that what you want to explore?

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H.M.JR: How many people in the room here read the White Paper?

MR. PEHLE: I have.

H.M.JR: Who else?

(No response)

H.M.JR: I strongly urge that you read the famous White Paper.

MR. PAUL: Who has copies?

MR. PEHLE: I can get it.

H.M.JR: Haven't you read it, Harry?

MR. WHITE: I haven't read it yet. I read a description of it, but I haven't read the paper itself.

H.M.JR: If you had read the paper, you wouldn't have asked that question. Read it; then I think you will answer yourself. I strongly urge you all to read it. I read it at eleven-thirty last night after I got your (Pehle's) message.

MR. WHITE: Well, embarrassment is a mild word to put on the one hand against what is at stake, which is a question of saving lives.

H.M.JR: Well, we will have a meeting before we go over there.

Now, another thing, I have nailed this much down, that there is enough food around for at least two months for Italy. McCloy told me this.

I have also gotten the War Shipping--McCloy was wrong--there is a stockpile belonging to the Middle East Supply Council of somewhere around seventy thousand tons of wheat there now. I will get that in writing for you (Pehle).

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He is finding out for me what bottoms it went in, English or American, who paid for it, and who owns it now. I will have that all sometime.

MR. PEHLE: Where is the stockpile, Cairo?

H.M.JR: He simply said it was somewhere in the Middle East. He wasn't sure where.

Now, McCloy told me there wasn't any, that this was yet to be built. He was incorrect. And he said that they use that to draw on for Teheran and other places. But there is something like seventy thousand tons there now. So when they say they can't take care of four thousand poor people on an island off Jugoslavia--

MR. PEHLE: That hasn't been explored.

H.M.JR: It is the English who won't give up enough wheat to take care of four thousand--I mean, just how long. Now, another thing I have done--we will talk about it a little more -- I am just going along--as we get more and more of this stuff. There is one thing for me to continue to do the thing. I can go over, but my name wasn't mentioned in this cable from Winant. It would be difficult for me to raise the thing, to have an excuse other than the personal one, I mean, an official excuse.

So, along the lines I am thinking--and you all think about--is this, I called Judge Irving Lehman last night, and I have asked him to give me two or three names of some retired Judge or some outstanding protestant who has an open mind and who is sympathetic to this thing, whom the President could appoint as adviser to himself to review all of this.

MR. PAUL: There is one retired Judge.

H.M.JR: Who could review all of this.

MR. PAUL: He has just been appointed to something. I have just seen it in the paper. I didn't know he was retiring, Judge Holly of the Federal District Court of Chicago.

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H.M.JR: Do you know how he would feel on a matter like this?

MR. PAUL: I am pretty sure he would have the most decent reaction. He is a very fine man.

H.M.JR: More and more when you get the child thing from the Marshall field thing and all of this begins to come in, say, Sam Rosenman reviews it, see. The President hasn't had anybody who really feels like you people do about this thing. When you get somebody who really gets excited and is directly responsible to him and will lay all these facts before him--everybody else so far--

MR. PEHLE: In other words, give the President a memorandum and suggest to him who could advise him. I think that is very good.

H.M.JR: That is right. The memorandum would be addressed to the President, and I would say, "Now, look, Mr. President, I know you are terribly busy, but I want you to read a summary of this thing. Then may I suggest that you get one or two or a sufficient number of persons to take a week to read this thing and then write a brief for you?"

MR. LUXFORD: I see. You didn't envisage that as an operating group to really do this job?

H.M.JR: No, no, no. This is the way I am thinking. I still have a bona fide excuse as Secretary of the Treasury to do this thing, because it is a question of licenses, and so on, and so forth. But when you begin to get the Marshall Field story, why they won't issue visa--

MR. PEHLE: We are not in on that at all.

H.M.JR: It gets to a place where it is very easy for Mr. Hull to snub me.

(Miss Chauncey confirms date of meeting with State Department as November 24.)

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H.M.JR: And the thing is too important to give him any excuse. Maybe it would be a mistake to go in on visas, but Mr. Roosevelt has worked on the visa thing here for months and got nowhere.

Maybe they will say we are taking in too much territory. Maybe we had better keep within the thing I personally can hammer on and am most anxious to do, see? But if you people, when you hear the visa story or the other thing, say we have to take in the whole front, that is something else. I would like you to think about it.

Now, I am more than willing to stay within my own field so that I can keep hammering this thing every day myself with the help of you gentlemen.

MR. LUXFORD: What if they put you on a committee with Crowley and Stettinius, though, to handle this job? That is what should be done.

H.M.JR: Well, it gets back--we had lunch today, Henry and I, if you don't mind my being a little talkative for once--maybe I am always talkative--but we had General Monnet for lunch today. He was trying to tell us about the troubles of the French Comité. When he got all through he made an excellent presentation.

I said, "By the way, have you ever told the story to Mr. Hull?"

He said, "No."

I said, "Whom have you told it to? Has anybody told it to Mr. Hull?"

He said, "No, I have told Jimmie Dunn."

"Has anybody ever tried to ask to see the General Staff of the Army at the War College?"

He said, "No."

"Well," I said, "why don't you get Jack McCloy to take you to Mr. Hull and tell it to him?"

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He never thought of it.

Just on the perimeter, again, see? I said, "You have nothing to lose."

I don't want to lose my contact on this thing directly with Hull. So think it all over, whether we want to take on the visa thing or whether we can accomplish it--if I do that, I don't need any judge or anybody.

MR. WHITE: If you--

MR. PEHLE: It seems to me we are talking about two different things, Mr. Secretary. One is the operating problem of getting into the individual problem.

The other is when you go to the President, assuming that you do, as I know we all strongly recommend that you do, on the basic data that has now been dug up, whether you shouldn't be ready to advise him of somebody he could have to go into it for him and give him a recommendation.

H.M.JR: I am not going to the President until I have exhausted Mr. Hull.

MR. PEHLE: We would like to argue.

MR. DuBOIS: When we get this report ready, which will be ready in a day or two, you could decide then whether to go directly to the President or not. I think most of us feel you should.

H.M.JR: I will wait until I see the report, but I think we will have a hard time.

MR. WHITE: If your objective is to get judges appointed, I think it should be approved as you suggested, on a narrow basis. Then you can give everything we can lay our hands on to the judges, which would bear not only on matters of medium importance to the Treasury, but the visa business, and a lot of other business we could dig up. You could present to the judges the American role in this whole issue, the American and British, but I think

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the way to get to that is through what is strictly your business, if that is what you are going to go after, the judges, because in that way you can make a much better presentation of your case to the judges than you would if you attempted to approach it by making a big case ahead of time.

But if you are not going to have the judges, then I think it would be a mistake, and a serious one, to limit yourself to those things which happen to be of immediate Treasury concern. I think these matters are of your concern, not only because you are Treasury, but because you happen to be in the position you happen to be in in relation to the President, because of certain ideas you happen to have, and because this matter is of transcendent importance, in which case I don't think you should be bound by matters which happen to be on the face of it purely Treasury business.

H.M.JR: Let me ask you--I am responsible for suggesting that we get the files of Weiss and get the files of JDC, and now the files of this Child Refugee Committee. That is right?

MR. PEHLE: Yes.

H.M.JR: Every one of those suggestions have been mine, so I keep broadening the thing.

But when we get into this Child Relief business, we get into the visa question. I wonder if our case isn't strong enough without that. And believe me, the President has been hammered so on that child visa thing.

MR. PEHLE: He has been what?

H.M.JR: Hammered. Personally, I mean. I mean, Mrs. Roosevelt has tried her best, as has the President himself, without any success. The President, himself, I know has tried.

MR. PEHLE: I am sure it can be done.

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MR. LUXFORD: That is why I would like to see you, Mr. Secretary, take on the job of doing it. It is two jobs. The big job is getting some action here, and you won't do it by getting some judges in, on that part of it. It takes too much education.

H.M.JR: I have tried to tell you everything I have on my mind. I am waiting now for you to give me this case. I will read it. My own inclination is, when we have it, I will walk over to Mr. Hull with Mr. Paul and Mr. Pehle, as we did on the other thing, and lay it before him. Possibly we can give it to him a couple of days in advance so that he can read it before we go over there, with recommendations as to what to do. Then, not take "No," and not take from the 24th of November down to the 10th of December.

MR. PAUL: January.

H.M.JR: And simply insist that this thing be done and be done promptly. But anyway, I wanted to talk myself out a little bit and clear my own thinking.

MR. WHITE: The picture is a little bigger than that, and isn't the fault a little broader than that? If you take the role which our Government has played and which it has permitted England to dominate in the decisions with regard to the whole problem of the Jewish question in Europe, this Government has played a role that is little short of sickening, and there is only one man who can alter it, and one only, and that is the President. And there is only one who can make the President alter it, and that is yourself. There doesn't happen to be two other men in this situation capable of making a change in this particular role.

Roosevelt has the power to alter the complexion of this whole treatment in Europe if he feels keenly enough that he wishes to do so.

England will put obstacles, and there will be other obstacles, but he can do it by himself. And he will never

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do it by himself--he will never pay any attention to the problem, unless he is brought to the point where he has to make a decision.

Now, I don't know whether you could be successful, because it is a difficult job, but I know this, that if you can't, nobody can, and that nobody can have a chance to do it except you. I think the matter must be brought to the President's attention to just give him a survey and picture of what the United States hasn't done and what he has permitted England to do on this whole question, and the consequences of that action in the last two years. Most of it is his own responsibility.

Now, how that can be brought to his attention without indicting him in his responsibility is a delicate task, but I think it can best be done by trying to draw the best kind of a memorandum as brief as possible that doesn't lend itself to being too brief, but as brief as possible, and I think you have to have it out with him.

MR. PEHLE: I think that is right. The more we think about this, and the more we hear about the breadth of the problem, it isn't something that Mr. Cordell can push a button, even if he wanted to. And the more I hear, I am not sure he wants to push it.

MR. LUXFORD: Quite apart from any other adviser--

H.M.JR.: Another thought I had on this thing, and I know he is sympathetic just as much as anybody in this room, and that is Chief Justice Stone. He feels this thing very deeply.

MR. PEHLE: The only benefit that I see is whether you need somebody else to stir the President up.

MR. PAUL: He is having his troubles now.

H.M.JR.: Stone? With the President?

MR. PAUL: With the Court. He must be having an awful time.

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H.M.JR: Yes, but I have every reason to believe--

MR. DuBOIS: I don't know whether we passed this on to you before, a good point that Hiss of State made, and that is this whole issue will be fundamentally an attack on Long, and Long, according to him, is one of Hull's closest friends in the Department.

MR. LUXFORD: The candidate for Under Secretary.

MR. DuBOIS: Hiss felt strongly that Hull's immediate reaction would be one in defense of Long and would obliterate everything else.

MR. PEHLE: I will mention this one more point: When you were in Mr. Hull's office, he said, and I remember it very distinctly, that at the time of the Rio, or Havana conference--I can't remember which one--he had pleaded with the Latin American Governments to take in refugees, and they all turned him down cold.

Leavitt of the JDC, who approaches these problems very conservatively, told us today that all of the Latin American Governments were taking refugees in up to the time of the Rio conference; shortly after that, all of them at once stopped and that everybody knew it was because the United States told them to stop for security reasons.

H.M.JR: All right.

MR. LUXFORD: Can I drop to one lower level, Mr. Secretary, one further question?

H.M.JR: Surely. All right. Do I act as though I were crowded?

MR. LUXFORD: One of my attorneys is a good friend of Mr. Riegelman's, and the two of them would like to live together for three or four months while my attorney's wife goes down to Florida. It would save Riegelman hotel accommodations, which are quite crowded. Now, I wonder if there would be any objection on your part? Frankly, I think we can get some information, but I don't want to do it if you object.

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MR. WHITE: Why worry the Secretary about that?

MR. LUXFORD: I would rather tell him about that, though.

H.M.JR: That is all right. No, he is right to tell me. How well do you know this attorney?

MR. LUXFORD: I will vouch for him.

H.M.JR: What is his name?

MR. LUXFORD: Irving Moskovitz.

H.M.JR: A good name. Is he worried about the World Jewish Congress?

MR. LUXFORD: I hope he will be worried about it.

H.M.JR: I mean, has he preconceived notions like Riegelman?

MR. LUXFORD: As between those two, oh, no, no. He has done a little work on this problem, very little, but he has heard far more from Riegelman about this problem than he has heard from us.

H.M.JR: I think it is all right. Put a dictaphone in Riegelman's room. (Laughter) It has been done.

MR. PAUL: Yes, in certain celebrated cases.

H.M.JR: All right. Any other important decisions?

(No response)

My dear Cordell:

I continue to be deeply troubled at our failure to extend freezing control to Argentina when it is so obvious that Argentina is the base from which the Axis conducts its financial operations throughout the Western Hemisphere.

I think, too, that at least from the point of view of economic warfare, this Government's position becomes more and more ludicrous in appearing to be unwilling to face up to the real issue, namely, the freezing of all Argentine assets, and, contenting itself with the picayune measure of blocking the assets of the Banco de la Nacion and the Banco de la Provincia.

My people tell me that in their informal discussions with representatives of your Department on this subject there appears to be a growing sentiment in your Department for the freezing of Argentine assets - but that action on this score is being held up pending a determination as to whether a series of other economic and political sanctions should be imposed. If this is the case, and I can well understand this point of view in the light of recent developments, I would like to suggest for your serious consideration that we freeze Argentine assets at once and then proceed to weigh the feasibility and desirability of other and further sanctions.

This procedure has several advantages:

(1) Freezing control is essential as an economic warfare measure and if there is general agreement that this action as a minimum will be taken, the sooner we act the better.

(2) Freezing control is without a doubt the most flexible weapon of economic

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warfare at the disposal of this Government. As has been fully demonstrated in the past, this control can be speedily adapted to implement and further whatever other and additional economic measures you may ultimately determine to adopt. It is both a financial control and a trade control allowing perfect integration where desired. We have only to contrast its rigorous application to Japan with its benevolent assistance to China to understand the degree of flexibility possible.

(3) This very flexibility permits a developing policy with respect to Argentina and makes unnecessary any attempt to plot out every move and possible effect in advance.

(4) As you know, this Department will cooperate fully with your Department in any such program so that there will be complete integration between the economic warfare and political phases of the program.

How about it?

Sincerely,

Honorable Cordell Hull,
Secretary of State.

AFL:lhk 1/10/44

January 8, 1944

MEMORANDUM FOR THE FILES

New York Federal has advised that:

The 10th gold shipment of approximately \$1,250,000 to Argentina was scheduled to sail today on the SS Gualequay, but this vessel did not leave New Orleans today and it is indicated that it will probably sail the first part of next week.

The 11th gold shipment of approximately \$1,250,000 left the Federal at 10:30 a.m. today for New Orleans and is scheduled to sail on the SS San Juan on January 12.

A. U. Fox

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Treasury Department
Division of Monetary Research

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Date 1/18/44 19

To: Mrs. McHugh

A copy of ^{Mr. White's} ~~the~~ memo was sent to
Mr. Dean Acheson today (with note
from Mr. White that it was being sent
at the Secretary's request).

L. Shanahan

MR. WHITE
Branch 2058 - Room 214½

ASSISTANT SECRETARY OF STATE
WASHINGTON

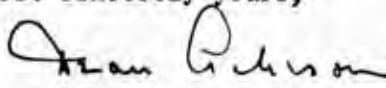
January 10, 1944.

Dear Henry:

After the meeting in Secretary Hull's office on Friday, you asked me to send you a copy of any memorandum of the discussion which I made. At Mr. Hull's request, I have dictated a memorandum, a copy of which I enclose. I have shown it to Mr. Hull, who finds that it accords generally with his recollection.

If Dr. White made any memorandum, would you please let us have a copy.

Most sincerely yours,



Enclosure:
Memorandum of
Conversation,
dated January 7, 1944.

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

DEPARTMENT OF STATE

Memorandum of Conversation

DATE: January 7, 1944

SUBJECT: Certain Items to be Eliminated from Lend Lease to the
British CommonwealthPARTICIPANTS: Secretary of State; Secretary of the Treasury;
Mr. Lee Crowley, Administrator of Foreign Economic
Administration; Mr. Oscar Cox, General Counsel, For-
eign Economic Administration; Mr. Harry White,
Treasury Department; Assistant Secretary Dean Acheson
The British Ambassador, Lord Halifax, Sir David Waley,
and Mr. Ben SmithCOPIES TO: Secretary Morgenthau, PA/D. M. Dunn, SA/Dr. Pavlovsky,
ES/Mr. Hinebowler. SR/Mr. Taft, SU/Mr. Matthews.

At Secretary Morgenthau's request a meeting was held at 9:30 in the office of the Secretary of State attended by the gentlemen mentioned above. This meeting was preliminary to the same group meeting at 10:00 with Lord Halifax, Sir David Waley and Mr. Ben Smith.

The Secretary of the Treasury opened the discussion by recalling the memorandum of January 1, 1943 regarding the recommended upper and lower limits of British dollar balances, the fact that their dollar balances had during 1943 exceeded the one billion dollars referred to in the memorandum, the various discussions which had occurred in the Interdepartmental Committee, and the recent memorandum of the Secretary of the Treasury and Mr. Crowley to the President, together with the President's instruction in regard thereto. The Secretary of the Treasury stated that it was the purpose of the meeting with the British representatives to take up with them the proposals that the items listed upon the attached sheets should be eliminated from Lend Lease transactions. He recommended that the approach to the British should be that the proposal to eliminate the items was based upon the fact that they were of such a character as might raise political criticism

of

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of Lend Lease and render more difficult the extension of the Act under the Lend Lease program when these matters came before Congress. He recommended that the approach should not be from the point of view of dollar balances and that it should be stated that for the present our concern in the matter was directed toward these items. Mr. Acheson expressed the view that the British would relate the two matters and that we should be prepared to state whether or not this proposal was for the purpose of reducing dollar balances. After some discussion it was agreed that Mr. Crowley should present the proposal to the British representatives and that any questions which they might ask regarding the dollar balance position should be referred to the Secretary of the Treasury.

The Secretary of State suggested that our attitude should be that during the present meeting, or at any subsequent discussions between British and American representatives, either side would of course be free to raise any matter which it regarded as relevant, which would be referred to the appropriate department of the Government for discussion.

At this point Lord Halifax, Sir David Valey and Mr. Ben Baith entered the meeting.

The Secretary of State said that the meeting had been called to discuss certain matters relating to Lend Lease and requested Mr. Crowley to present the subject for discussion. Mr. Crowley stated that he wished to take up with the British representatives certain items which he believed were embarrassing to the Lend Lease program and to its future legislative continuance. These related to certain items shown on the attached list, which at an earlier date had been included in items furnished under Lend Lease. Under the present circumstances he believed that this was no longer necessary and that, weighing all the considerations, the continued inclusion of these items would on net balance do more harm than good to the continuation of Lend Lease and to the furtherance of the war effort. He stated that he was solely interested in these considerations and stated the untruth of reports which had been circulated in the press and elsewhere regarding his alleged lack of sympathy with Lend Lease to the British. He discussed the political problem raised by these items

and

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and expressed his hope that the British representatives would cooperate with us in eliminating these items and with them the difficulties of which they were the cause.

Lord Halifax assured Mr. Crowley that neither he nor any of his associates took any stock whatever in the reports referred to by Mr. Crowley. He stated that he regarded it of importance that the matters presented by Mr. Crowley should not be considered as isolated items but should be thought of as part of a larger whole. He recalled that prior to his death, Sir Kingsley Wood had presented to the Treasury a statement of the British financial position, pointing out the difficulties of that position and the reasons why the British Government believed that a limit should not be placed upon British foreign exchange assets. He was under the impression that this statement of the British case had not been answered. While he was entirely willing to accept the views of this Government as to its political difficulties and the steps which were necessary to meet them, he hoped that, in order to help the British Government with its political difficulties, the discussion might take place against the background of an acceptance of the view expressed in Sir Kingsley Wood's memorandum. If this were done, he felt that the matters could be considered upon their merits without raising fears in Great Britain that the British position was not accepted and that the proposals were steps based upon the contrary point of view.

Mr. Ben Smith briefly reiterated and supported what Lord Halifax had said, stressing the difficulty of considering the items in isolation and without knowledge as to the American attitude on the broader problem of the British financial position.

Sir David Waley stated that this was the last day of his service in Washington and that he was leaving saddened by the direction in which he believed that certain aspects of the relations between our two countries were tending. He added he believed earlier in the year, at the time when he discussed reverse Lend Lease of raw materials with Mr. Stettinius, that we were moving toward a true pooling of our resources

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in the common task of the war. He believed that the decision to include raw materials to the United States in reverse Lend Lease from the British was an important step in this direction and had greatly strengthened the principle. He felt that the present proposal was a step in the opposite direction by this Government at a time when his Government was moving forward along the pooling principle. He stressed and acknowledged the great generosity with which this Government had acted toward his Government and stated his apprehension that this basic and important fact might be obscured by raising proposals to eliminate matters from Lend Lease without clarifying the general position of this Government toward the British Government's statement of its financial position. He asked whether it would not be possible for the Secretary of the Treasury to communicate with the Chancellor of the Exchequer stating in general his agreement with the position taken by the Chancellor in his memorandum, and that it was our intention to permit the dollar balance situation to run along.

The Secretary of the Treasury replied that he and his associates had given a great deal of consideration to the matter referred to, that he was anxious to eliminate the source of friction between the two Governments, and that therefore his approach to the present matter was not from the point of view of the dollar balances but from the point of view of eliminating the items referred to because of the considerations referred to by Mr. Crowley.

Sir David Waley said that this statement would be important for the Chancellor to know. After some discussion it was agreed that the Secretary of the Treasury would give Sir David Waley a letter to the Chancellor stating that the matter had been the subject of discussion at the meeting this morning, and that Sir David Waley was apprised of the Secretary's views and would communicate them to the Chancellor.

Mr. White stated that a reply had been sent to the Chancellor regarding his memorandum stating in general that the United States Treasury would be at all times willing to discuss the matter with representatives of

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the British Treasury. The Secretary of the Treasury asked Mr. White to send to the Ambassador a complete dossier of the correspondence.

Mr. Ben Smith stated that after obtaining instructions from London, he would be glad to discuss the items referred to with Mr. Crowley and stressed the importance of reaching agreement in regard to them and of preventing so far as possible statements appearing in the press that agreement had been reached prior to the actual reaching of an agreement. Such statements, he said, had appeared in the past and had caused him and his ministers considerable embarrassment.

The meeting was concluded at 11:15.

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We believe that certain questionable items such as the following should be discontinued from Lend-Lease:

- A. Shipments of capital goods such as machinery, installations, etc., effective as soon as possible.
- B. Off-shore purchases such as Iceland fish, Caribbean sugar, oil from outside the United States, etc.
- C. Civilian goods for Jamaica, Southern Rhodesia, the Middle East, etc.
- D. Pulp and paper.
- E. Tobacco for the armed forces.
- F. Certain other controversial items.

Certain Other Controversial Items:

Under this category are included such items as those parts of the rental or charter of vessels which are open to question, agricultural machinery and other types of equipment which have a relatively long life, certain raw, semi-fabricated and fabricated materials whose end use is subject to question, items procured from one part of the British Commonwealth for lend-leasing to another part in the same or similar form, and items lend-leased to the British Empire for which the United States has to make substantial imports from third countries, etc.

January 10, 1944
4:30 p.m.

DEFERMENTS

Present: Mr. Morgenthau, III
Mr. Thompson
Mr. Gaston
Mr. Wilson
Mr. Pehle
Mrs. Klotz

H.M.JR: We have quite a lot of these this week because we have until January 15 to clear the slate as to pre-Pearl Harbor fathers. Why January 15?

MR. THOMPSON: That is the rule of General Hershey and the Recruitment Committee.

H.M.JR: What is the significance?

MR. THOMPSON: They set that deadline that we could go to the local board and ask for deferments. After the 15th we will have to go to the Review Committee, direct, before we go to the local board.

H.M.JR: Now we go to the local board?

MR. THOMPSON: Yes.

H.M.JR: All right.

MR. THOMPSON: This is the Heller case that Mr. Roy Blough spoke to you about. He is very young, twenty-nine years old and single - no, twenty-eight and one child. However, he is only available for limited service. He had a medical examination and his eyes put him in limited service status.

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MR. GASTON: He wears very heavy glasses.

MR. THOMPSON: So we felt he would be better for desk work in the Treasury than he would be for desk work in the Army. That is the only basis I think you can put it on.

H.M.JR: This is the youngest we have ever had, isn't it?

MR. THOMPSON: I think so.

MR. WILSON: I believe it is.

MR. MORGENTHAU, III: There isn't supposed to be any limited service again.

MR. WILSON: They are doing it again, recently. One of the men we sent over for pre-induction physical was told that, that they had been taken for limited service only. We had one over today, again. He went to Fort Myer for examination. He was told that.

H.M.JR: (To Mr. Morgenthau, III) They change every day. We had General Hershey over here in person.

MR. MORGENTHAU, III: What did he say?

H.M.JR: I don't know as I can answer that.

MR. THOMPSON: They do change the rules every day. I was reading the rules one day last week and Miss Cullen came in with a new rule that changed the one I was reading.

MR. GASTON: I think men with special qualifications, such as men with some intellectual background, they will take for limited service, where they won't take a man, just a laborer or mechanic.

H.M.JR: I am inclined to go along. I agree. I think he would do us more good.

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MR. GASTON: He is a very smart boy.

H.M.JR: That is the Internal Revenue agent handling that Brown and Roup case down in Texas.

(The Secretary signed the deferment application of Walter W. Heller.)

H.M.JR: Wilbur C. Jackson.

MR. THOMPSON: We had two stays of induction for him. If we are going to keep him out we have got to get a deferment.

H.A.JR: Wilbur C. Jackson. Internal Revenue Agent.

(The Secretary signed the deferment application of Wilbur C. Jackson.)

H.M.JR: (To Mr. Morgenthau, III) The Brown and Roup case is a question where contractors made political contributions in what seems to be an irregular manner, in Texas.

MR. THOMPSON: That is a pre-Pearl Harbor father, Assistant Chief Accountant in the Mint. The Chief Accountant is about ready for retirement. He is ill. It would be serious if we lost both of them.

H.M.JR: This is Timothy E. Russell, Jr., Assistant Chief Accountant, Bureau of the Mint. O.K.

(The Secretary signed deferment application of Timothy E. Russell, Jr.)

MR. THOMPSON: This is an Internal Revenue Agent.

H.M.JR: Arthur C. Smith, two children. Would you want him in your Company, Henry? Thirty-five years old - two children.

MR. MORGENTHAU, III: What else about him?

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H.M.JR: He directs plans, supervises, accepts responsibility for the group of Internal Revenue agents, and he is engaged in the determination of Federal, State and gift taxes.

MR. MORGENTHAU, III: Leave him in the Treasury.

H.M.JR: Have you people thirty-five in your troop as privates? (Secretary signs deferment of Arthur C. Smith)

MR. MORGENTHAU, III: One or two.

H.M.JR: Are they any good?

MR. MORGENTHAU, III: Usually they are not.

H.M.JR: What happens?

MR. MORGENTHAU, III: Sometimes they are just as good as the others; sometimes they are better; but usually it is hard on them.

MR. THOMPSON: This one is a good deal like the Mint case.

H.M.JR: Michael J. Donovan.

MR. GASTON: Bureau of Engraving and Printing.

H.M.JR: You are crowding me a little on the age.

MR. THOMPSON: Yes. But we just can't replace him because of the fact that his boss is out sick and probably won't come back.

MR. WILSON: And the third man was drafted. That leaves only one man to do the purchasing work.

H.M.JR: All of the purchasing of the bureau of Engraving?

MR. WILSON: Yes, sir. The top man probably won't return.

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MR. GASTON: Highly specialized work.

H.M.JR: All right. (The Secretary signed deferment application of Michael J. Donovan.)

MR. THOMPSON: That is another.

H.M.JR: Howard A. Smith - thirty-four years old - two children.

(The Secretary signed deferment application of Howard A. Smith.)

MR. THOMPSON: Now, this is a case where, on the duties - it is a borderline case.

H.M.JR: Edwin J. Madill.

MR. THOMPSON: A pre-Pearl Harbor father with four children. Otherwise, if he was a single man we would probably not ask for deferment.

MR. GASTON: Where is he?

MR. THOMPSON: Personnel Officer in the Treasurer's Office. It would be a serious loss, but not the kind of a loss that would break your organization down. Mr. Julian, however, feels that the works will blow up, down there, if this man is taken.

H.M.JR: Not very strong on him?

MR. WILSON: No, he could be replaced. I believe there is a woman there who could take his job over.

H.M.JR: Well, he has four children.

MR. WILSON: That is the only thing we were afraid of - four children.

H.M.JR: He makes thirty-eight hundred.

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MR. WILSON: He has been there, oh, I guess, seven years.

MR. THOMPSON: A good man and it is important work. The difficulty is, we have one in personnel work, now. If it were not for the fact he is married with four children, I don't think I would approve.

(The Secretary signed the deferment application of Edwin J. Madill.)

MR. THOMPSON: This last case is the case of Saxon. I asked Mr. Pehle if he would stand by in case you want to talk to him. He thought he would like to come in and tell you the story about Saxon if you had any doubts about him.

MR. GASTON: That is purely a case of whether the man would be more valuable to the Army than he would be to us.

(The Secretary sent for Mr. Pehle)

MR. GASTON: This is a very able young fellow. He has been in Hawaii and the Philippines; he came out in the submarine with Sayer. He has been at Dakar.

H.M. JR: Didn't we have a case like that, that I personally put up to McNutt?

MR. THOMPSON: Yes.

H.M. JR: Where is Saxon now?

MR. GASTON: He is in Algiers.

H.M. JR: Didn't we have a similar case - somebody in Africa?

MR. THOMPSON: Yes, you did; the board approved that.

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MR. WILSON: That was Hoffman. He is slated to go to Italy. This man is slated to take Hoffman's place.

MR. GASTON: In Algiers.

H.M.JR: As I remember it, I wrote McNutt a letter.

MR. THOMPSON: And he cleared it.

H.M.JR: I asked him personally to clear it - to advise me.

MR. THOMPSON: All he did was pass it over to the Review Committee. They sent it back to us and I had to put it through the way you intended - have Mr. McNutt advise you whether he would clear it.

H.M.JR: He wrote me a letter saying it was all right.

MR. WILSON: That was Michael Hoffman; he was an older man.

MR. THOMPSON: This boy is single and very young.

(Mr. Pehle entered the conference)

MR. GASTON: He makes a fine impression and does a good job wherever he goes.

H.M.JR: What is the story on the Saxon case, John?

MR. PEHLE: Did you give him the factual?

MR. GASTON: A little.

MR. PEHLE: Saxon has been with the Department since 1937. He was with the Comptroller's Office, and

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when Foreign Funds started up, he was one of two people I initially borrowed and kept from Upham to help out.

He is young; he will be thirty next March. He has done a very outstanding job, and he has a record of experience that couldn't possibly be duplicated.

He was with us; he had good Treasury background on what the Treasury thinks and how it handles problems. He was sent to Hawaii and opened the office there. He went to the Philippines and stayed there when the Philippines were under attack. He was out to Corregidor. He was the only Treasury man selected by Sayer to go to Corregidor with him. He supervised the destruction of all the currency there.

He came out of Corregidor with Sayer and his party in a submarine. Sayer sent you a very strong letter about what a wonderful job he had done. Then he came back here.

We sent him to Hawaii once to set up the whole program of Hawaiian currency. We sent him to Puerto Rico when it was necessary to set up a good Puerto Rican office in case relations with Spain got bad because of the big Spanish investment down there.

He got along very well with Tugwell. Then he was offered a commission, about that time, in the Navy. It was about the time he was going to Puerto Rico. He postponed taking it out while he went down to Puerto Rico for us.

He came back and was about to take it out when Bernie was in North Africa and the request came back from North Africa for a number of men, including Saxon, by name.

I put it up to him squarely that he might never get the chance to get a commission again. He said he was willing to take that chance and go out to North Africa.

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He went to Dakar and was the only man at Dakar with a strong British Mission there. He represented the Treasury and the Government interests very well. He did an outstanding job. He got along very well with the people and still he took bold and affirmative action.

Then when we closed the Dakar action and consolidated the staff, he went to Algiers. He is there now, second man. If Hoffman goes on into Italy, he will be in charge in Algiers.

If we wanted to find somebody else to do that job - you just don't find that kind of a person.

H.M.JR: I tell you what we will do. General McSherry is in town, see? Why don't you write up what he has done and ask General McSherry if he doesn't want to commission this fellow, see?

MR. PERLE: I don't think that is the answer, Mr. Secretary. I think you ought to ask for his deferment. If they won't defer him, let's take him back and get him inducted.

H.M.JR: I am not going to ask for his deferment.

MR. THOMPSON: Before he went to North Africa he was to get a commission but they turned it down because of his age.

MR. PERLE: He recently was assigned to do the whole job over there on Reciprocal Aid. They had nobody over there in any of the other Government establishments that could do it. The Treasury let him do that job. Everybody has praised the job very highly. He has been working closely with the Army. I just think it is an outstanding case for deferment.

H.M.JR: I can't do it.

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MR. PEHLE: I just don't understand. I agree with the Treasury policy on deferments. I think that time has shown that you were right. But I just don't understand, if there are going to be any deferments, why a man with this record and this experience shouldn't be way up at the top of the list.

H.M.JR: I agree with you, except for his age and he is single.

MR. PEHLE: I know, but the only reason, I think, that he ought to be deferred is because he is very important in the war effort.

H.M.JR: There are an awful lot of people who are important who have been drafted.

MR. PEHLE: Well--

H.M.JR: I mean young fellows.

I appreciate what he has done, and all that. As I say, I would be glad to try to get the boy commissioned and assigned back to the Treasury.

MR. THOMPSON: That was the plan that was tried out and they turned it down at the War Department because of his age. They turned him down on a commission because they won't commission them unless they are thirty.

MR. PEHLE: If you won't request the deferment, McSherry might do something. I am sure that Bernie would regard him as an outstanding man. But it would take some special doing, no doubt about that - very special.

H.M.JR: It won't take any special doing. I mean, I know it is inconsistent to say I won't defer him, and at the same time, I am willing to get him commissioned, but--

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MR. PEHLE: No, no, that doesn't bother me. The trouble with me is deferring some people and not deferring other people who are much more outstanding.

H.M.JR: Yes, but I am not deferring anybody except pre-Pearl Harbor fathers.

MR. PEHLE: There must be some people who are being deferred, who aren't pre-Pearl Harbor fathers.

MR. THOMPSON: One who is a limited service man.

H.M.JR: Just one - limited service. Is this man physically all right?

MR. PEHLE: As far as I know, yes. I haven't any reason to believe he couldn't pass.

H.M.JR: The only other case was a man who would go into limited service.

MR. PEHLE: No, you passed on the deferment of Mr. Hoffman, who is not a pre-Pearl Harbor father. He is married.

H.M.JR: How old is he?

MR. PEHLE: Older than this man, but relatively a young man.

H.M.JR: How old?

MR. PEHLE: Thirty-one or thirty-two at the most.

H.M.JR: What did we do in his case?

MR. THOMPSON: The Review Committee would look favorably on cases over thirty, but not under.

MR. PEHLE: I think I could talk the Review Committee into this one, too.

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MR. WILSON: Didn't he have a higher position?

H.M.JR: But he is married.

MR. PEHLE: That is right.

H.M.JR: How pressing is this case?

MR. PEHLE: Right on the line.

MR. THOMPSON: The board has given him until January 15 to be inducted, enlist, or get a commission.

H.M.JR: Do you want to let the Review Committee pass on this thing?

MR. PEHLE: If that is what you would like to do, but I would like to have it go down there with no doubts in the Treasury's mind. I think we ought to tell them we want a deferment for him.

MR. THOMPSON: There is a very strong letter for Mr. Gaston to sign in case you approve the case.

H.M.JR: Where is that case of this other fellow?

MR. THOMPSON: Limited service?

H.M.JR: Yes, let's see that one. You say the borderline is thirty?

MR. THOMPSON: Yes, for age.

MR. PEHLE: This fellow is only three months away from that, Mr. Secretary.

H.M.JR: Well, you see, he is married. he is married and has one child, pre-Pearl Harbor father. He is limited service; his eyes are no good. You can't compare the two.

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MR. PEHLE: I wasn't trying to.

H.M.JR: I was. How do you feel about this, Herbert?

MR. GASTON: I think it is quite an exceptional case. I think this fellow is doing a war service that is comparable and more valuable than any service he can do if he goes into the Army. I think it is comparable to the service a great many officers are doing there - fairly high ranking officers in the Army. He has undergone some risks, and to do the kind of thing he does, it takes an active man. You can't take a middle-aged, sickly fellow and have him do that sort of thing.

Another thing, he has got a background of experience that you just can't duplicate for the work he has to do.

H.M.JR: What do you think?

MR. WILSON: I first wrote a memorandum recommending that it be disapproved because of the man's age and because he is single. I also checked with the Review Committee - the Manpower Commission. They told me they would disapprove it if you sent it over there. But Mr. Pehle appeared before our Committee and made a good case - in fact, impressed all three committee members with the importance of this man's work, so we went along with it.

But I do believe that the Review Committee will disapprove it if it gets over there. In fact, I am sure of it, because of his age and because he is single.

H.M.JR: You have already sounded them out?

MR. WILSON: Yes, sir - Barnett, the Chairman of the Committee. Of course, I didn't present the case in as great detail as Mr. Pehle has.

- 14 -

H.M.JR: Well, won't the thing be weakened if we present it and get turned down, and then went to General McSherry and tried to get him appointed? It looks as though we were trying to get around it.

MR. WILSON: I don't believe that will weaken it with McSherry, but it would be too late to go to McSherry. I think if the board gives him until the 15th we would have to get this over. It might be too late, then.

MR. PEHLE: I don't think you need to worry about the time. If the board doesn't go along, we will have to call him back here.

H.M.JR: What do you think?

MR. THOMPSON: If he is inducted, we could probably have him put on active status and detailed back. It would be better to try that than to try to get a commission. The commission went all the way up to Chief of Staff and was turned down, originally. They won't commission anyone unless he is thirty years old.

I think that if you are willing to let Mr. Gaston's letter go over to the board and let Mr. Pehle appear before the board and see what they do - if they turn it down, then we could try the commission and let him be inducted and try to get him out in that way.

There is a new board, by the way, isn't there - appointed today?

MR. WILSON: I don't know whether it has started to operate.

MR. THOMPSON: There is a new board appointed today, I think.

H.M.JR: I hate to recommend this fellow.

- 15 -

MR. PEHLE: Well, I wouldn't press the thing if I didn't think we are doing the right thing. I think it is much, much more to the point to make a case for deferment of a man on these grounds than deferment of one who happens to be a pre-Pearl Harbor father but has no real dependency situation. There are plenty of those. I mean, the sole ground for asking for this man's deferment is the ground that deferment, if granted at all, should be granted on the grounds that he is more important. You haul him home by Clipper; you put him in the Army here; the next year, of how much value is he going to be in the Army?

H.M.JR: Well, I am going to sleep on this one. Right now, if I had to decide it now, I would say no.

MR. PEHLE: Well--

H.M.JR: You can't do anything more tonight, anyway. As I feel now, it will be no.

Is there any moral commitment on the part of the Treasury to this boy?

MR. PEHLE: No, I wouldn't say that.

H.M.JR: Have we any commitment of any kind?

MR. PEHLE: This case was one of two cases raised with you when you asked what were the cases outstanding. On this case you said that you would regard it sympathetically, and I advised him that the case had been raised with you.

H.M.JR: Did I say that?

MR. PEHLE: Yes, sir, you did say so; and I told him so.

MR. THOMPSON: That was when we made the last survey. You said you would give him sympathetic consideration.

- 16 -

H.M.JR: Why didn't you say that right in the beginning?

MR. PEHLE: I thought that had been explained to you. This is one of those cases you said you would regard sympathetically, and I advised him of that. But it shouldn't be done on the basis that we owe moral commitment to him.

H.M.JR: If you quoted me as saying that, that ends it.

MR. PEHLE: I did.

H.M.JR: That is the first time that has been said this afternoon. Nobody has raised that.

MR. GASTON: Yes, that is right.

H.M.JR: You told him I said that?

MR. PEHLE: Yes, sir, in writing. It had to be in writing because he was in North Africa.

MR. THOMPSON: I didn't consider your statement that you would give sympathetic consideration to these cases as meaning that you were approving them. Each case would have to come up on its merits.

H.M.JR: No, but if the boy was told that, and he went to Africa on this case - how many are there like that?

MR. PEHLE: There aren't any others, because the other one that you said that about has been deferred.

H.M.JR: I gave you that understanding?

MR. PEHLE: You advised Mr. Thompson to advise me in writing. I asked for it in writing so I could tell him.

- 17 -

H.M.JR: Well, then, that ends it; because I said that and you went on that basis.

MRS. KLOTZ: You ought to be a trial lawyer.

MR. PEHLE: I didn't win on the point I argued.

H.M.JR: No, I think he needs a trial lawyer. I asked him.

That reminds me of when I was a kid and I was arrested and went up before the Judge. He said, "Morgenthau, you weren't driving more than thirty miles an hour."

I said, "Oh, yes. I was going forty."

"No, you weren't; you are mistaken."

I said, "No, sir. I was going forty-five." (Laughter)

So I finally, at the end, said, "Did I make any moral commitment?" And then you suddenly recalled.

No, he doesn't get a very good mark on that one.

MR. PEHLE: Maybe I convinced Mrs. Klotz.

MRS. KLOTZ: Yes, you did.

H.M.JR: All right. I thought you said that he was a trial lawyer.

I will say this, that he has stick-to-it-ive-ness.

All right, gentlemen. (The Secretary signed the deferment application of James J. Saxon.)

JAN 10 1944

Dear Tom:

The report of Miss Marie E. Wallace on the Health Service of the Treasury has been given to me by Mrs. Morgenthau, and I have considered its contents as well as the two recommendations that you mention in your letter to me of December 29, 1943.

The In-Service training course for nurses seems to be a constructive forward step, but in connection with the participation of Treasury nurses I wish to call one aspect of the situation to your attention. Some years ago I took the position that wherever numbers of women were employed a nurse should be on duty at all times, and I continue to be of the same opinion. Attendance by all nurses at these courses, during the day, would necessitate the closing of several of the Treasury emergency rooms during the absence of the nurses. I would hope, therefore, that classes at night could be arranged.

In further discussion of the continuous operation of the emergency rooms, I call your attention to the following statement in the survey. "There is an uneven distribution of nurses in proportion to the population. This distribution is also due to many factors. Some of these factors are, the size of the budget of the particular agency receiving the service, shifts being worked, the composition of the nursing-staff, the wide scattering of the employee-groups, the composition of specific groups and to other factors." If the closing of the one-nurse stations is the remedy for this "uneven distribution", you will understand that in our opinion such discontinuance of service is not in the best interests of our employees.

The recommendation in the survey concerning privacy for patients, and in particular more room for Dr. Whitehead, meets with my entire approval and it is hoped that space can be found to put this recommendation into effect.

A program of a Visiting Nurse service is another constructive suggestion, and its development in the Treasury under the direction of the medical officer will be welcomed.

As to the Bureau of Printing and Engraving, I am interested in an enlargement of the service there in order that employees could be interviewed by the nurses on return from illness and that adequate records of causes of illness could be maintained. This would entail more space and more professional and clerical service. Although enlargement of the service along this line in the Bureau was not specifically mentioned in the survey, our officials here have been conscious of this need for some time and I would appreciate your giving it consideration.

There are in the recommendations suggested changes in administrative details on which I shall need more information before commenting. I shall be glad to discuss this survey with you at any time.

Sincerely,

(Signed) Neary

Dr. Thomas Parren
Surgeon General
U. S. Public Health Service
Washington 14, D. C.

MWD:map
1/7/44

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

January 7, 1944

TO: Mr. Thompson

FROM: Mrs. Doyle *MWD*

The sentence in the last paragraph "There are in the recommendations suggested changes in administrative details on which I shall need more information before commenting" has been used because some of the suggested administrative changes seem to be of doubtful value and in my opinion should be given further attention.

January 4, 1944.

Dear Tom:

I received your letter of December 29th, and am interested in your Central Employee Health Service, as a preventive health course to reduce absenteeism and promote employee health. Every consideration will be given to the recommendations that have been made following a survey of the emergency rooms in the Treasury.

The Treasury, as you well know, wants to benefit from any program that will help its employees and will give earnest consideration to any extension of the fine work already in progress.

I shall be glad to talk to you about the program as soon as I have had a chance to study this report.

Sincerely,

[Signed] Reary

Dr. Thomas Parran
Surgeon General
U. S. Public Health Service
Washington, D. C.

MEM: NHT:aja

Ry Moore 1:10 PM

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

January 4, 1944

Norman Thompson

The Secretary.

Please answer Tom Farran's letter for me and let me have it before noon today so that I can send it and let him know that we are studying the thing. I'll be glad to talk to him about it as soon as I go into the facts. Please write a friendly letter so that he will know that we are giving the matter consideration. Mrs. Berle called Mrs. Morgenthau again yesterday and wanted to know when we were going to act. Mrs. Morgenthau told her that it would take at least three or four days.

RECEIVED
JAN 10 1944

RECEIVED
JAN 10 1944



UNITED STATES
PUBLIC HEALTH SERVICE

WASHINGTON 14

December 29, 1943.

Dear Henry:

As you know, for a number of years, the Public Health Service has operated an emergency room in the Treasury Department Building as well as a similar service in the Bureau of Engraving and Printing and in other units of the Treasury.

During the past two years, we have established a comparable service in most of the new war agencies. Last year we established a Central Employee Health Service to supervise and coordinate the whole program. Also we attempted to expand the original concept of emergency treatment of employees into a preventive health service to reduce absenteeism and promote employee health.

Recently we have made a survey of the emergency rooms in the Treasury Department. A copy of this survey is in the hands of Mrs. Morgenthau and carries certain specific recommendations. Because of your interest in this service, I am taking the liberty of bringing two of these recommendations to your personal attention:

(1) In order to train the nurses in the preventive aspects of employee health, our Central Service is starting some in-service training classes which nurses now employed attend during work hours. This will mean at the most two hours once a week for 27 weeks for each nurse. With your concurrence, we should like for the nurses in the Treasury emergency rooms to participate in this course.

(2) Because of the increased scope of the present, we are trying to get an additional doctor to serve in the Treasury and have suggested a re-arrangement of the schedule of the present medical officer so as to make better use of his time. There is also need for an additional room in the Treasury Building which will allow the doctor to have some privacy in examining and interviewing patients. If such a room can be provided for Dr. Whitehead, it will be very much appreciated.

Sincerely yours,

Hon. Henry Morgenthau,
2434 Belmont Road, N.W.,
Washington, D. C.

Tom
Surgeon General.

already done this more 328

1. girl with poor
eating habit

2. psychiatrist

November 23, 1943

To: Beatrice B. Berle, M.D.
Medical Director
Employees' Health Service
United States Public Health Service

From: Marie E. Wallace
Public Health Nursing Consultant
Employees' Health Service
United States Public Health Service

Subject: Health Service, Treasury Department

November 23, 1943

HEALTH SERVICE - TREASURY DEPARTMENT

Based on this survey the following recommendations are made: -

1. The present health service shall be expanded to include the concept of preventive medicine with the nursing service placing emphasis on helping the individual to solve his health problems rather than upon giving a first-aid service.
2. The work and responsibility attached to administering the budget which is ordinarily handled by an administrative officer shall be taken completely from the Chief Nurse and her office and shall be placed under the administrative supervision of the administrative officer of the Employees' Health Service.
3. The Chief Nurse and the Assistant to the Chief Nurse shall devote their entire time to management of the health service and to supervision of the nursing staff.
4. The practice of securing nurses from the Hospital Service shall be discontinued. This shall be replaced by the practice of securing nurses directly from Civil Service registers. This change shall be effected as follows: -
 - (a) nurses now employed in the Health Unit of the Treasury Department shall be allowed to choose whether they wish to remain with the Treasury Department or to return to the Hospital Service;
 - (b) those who wish to leave shall be released as soon as they can be replaced by nurses secured direct from the Civil Service Register for Graduate Nurses or for Junior Public Health Nurses;
 - (c) this removal and re-placement shall begin immediately and shall be effected as quickly as possible in order to stabilize the staff of the Health Unit of the Treasury Department.

It is recommended that a separate register may soon be set up by Civil Service for those who are especially equipped through training and innate capacity for working on this specific type of public health nursing within departmental agencies.

Visiting nurse service shall be established as soon as possible. This service shall be developed according to the following plan: -

- (a) a nurse shall be secured for this position who has had experience as a staff nurse in a non-official visiting nurse association, and whose personality particularly fits her for this type of work;
- (b) if it is not possible to secure such a nurse immediately following the establishment of this position - the position

shall be filled on a temporary basis until a qualified public health nurse can be secured;

(c) transportation shall be provided for the nurse while on duty;

(d) a nursing bag and bag equipment shall be provided for the service;

(e) regulations governing the work of the visiting nurse shall be such that initial visits only shall be the rule. These shall be made for the purpose of assisting the employee to secure adequate medical and nursing care through the use of community resources. Revisits shall be the exception, and shall be made in exceptional cases where there is doubt of the patient's having been able to secure adequate care following the initial visit. Such a revisit shall be made for the purpose of following through on or completing work done in the initial visit;

(f) bedside care shall be given whenever indicated on the initial visit and in an emergency upon the exceptional - subsequent visit;

(g) the visiting nurse shall keep records of the cases which she visits;

(h) the visiting nurse shall work in close cooperation with the private physician of the patient;

(i) the visiting nurse service shall be developed with the guidance of the Public Health Nursing Consultants and shall adopt the routines and techniques set up by them for a visiting nurse service.

6. Two white nurses who have had experience and are well qualified public health nurses shall be placed in the Health Unit in the Bureau of Printing and Engraving as soon as this is possible. This shall be done according to the following plan:

(a) one shall be assigned to be in charge of the nursing service of the unit;

(b) the other shall be assigned to be assistant to this nurse in charge;

they shall be responsible not only for the management of the nursing service but in addition shall be responsible for health education and individual guidance of all patients seeking or needing this service from these two nurses in this health unit;

these nurses shall be selected on the basis of training and previous experience as staff nurses in non-official visiting nurse associations, or as staff nurses of official public health agencies, or as staff nurses with departmental agencies whose practical experience has been supplemented with college courses in public health nursing. Should there be such nurses on the staff they should be used - if not new appointments should be made to meet this need.

7. Assistant to the Chief Nurse shall include as a part of her ability having regular periods of observation in each Health Unit these observations to -

(a) be made at least as often as once each month to each unit;

(b) be of at least one-half day's duration;

(c) be scattered over the shifts in such a way as to facilitate observation of every nurse at least once in each three-month period;

(d) be made for the purpose of unifying the service both in quality, and in scope of service, as well as to encourage the nurses to participate to the limit of their ability in the program of prevention of illness and promotion of optimal health and productivity;

(e) be made for the purpose of emphasizing the importance of attitudes and to assist the nurse with developing a fuller understanding of the psychology of dealing with people.

8. The practice of rotating nurses every month shall be abolished. This shall be replaced by a plan—the aim of which is to permit each nurse to remain at least a year in one location and shift in so far as this is possible. This for the purpose of -

(a) enabling the nurse to develop a nurse-patient rapport which is conducive to joint effort in constructive solution of the health problems of the individual;

(b) giving each nurse a greater share in the health program, and a concomitant sense of co-responsibility and achievement, in order that she may be an increasingly effective worker in the total health program.

9. Necessary changes shall be made for the express purpose of enabling the nurse to function more fully as a public health nurse. Four of these changes are :-

(a) more effective use shall be made of records as tools for giving the patients more continuous and consistent care;

(b) a plan of follow-up shall be established for the purpose of helping the individual deal effectively with his health problems. This plan shall include follow-up of conditions and symptoms of employees remaining on duty, as well as follow up work with employees who report back on duty after having been absent;

(c) greater correlation of the work of each staff member, one with the other, shall be made in the care of the patient. This shall be particularly true of the work of the visiting nurse and each staff nurse;

(d) the Standing Orders set up by the Employees' Health Service shall be adopted and used by the nurses in the Health Units.

10. Privacy shall be provided in every health unit for the patient while being treated. This shall be done through construction of built-in cubicles where this is feasible - and through the use of partitions or screens where built-in cubicles are out of the question. In addition, effort shall be directed toward providing space in each unit for private conferences between the nurse and the employee.
11. All nurses on the staff in the Health Service of the Treasury Department shall be required to participate in the In-service Training Program which is to be offered by Employees' Health Service. Each nurse shall be required to attend each course offered in order to further unify the nursing service of the Treasury Department.
12. Further observation and study of the situations within each individual health unit shall be made by the Public Health Nursing Consultants. From this study, recommendations shall be made for specific modifications in each room if such are needed.
13. Further study shall be made of the situation relative to the distribution of the service of Negro nurses. From this study further recommendations shall be made if such are needed.
14. The Public Health Nursing Consultants shall continue to observe the service and shall assist with effecting the changes recommended.

SURVEY OF THE HEALTH SERVICE OF THE TREASURY DEPARTMENT

The
Situati

There is a long standing need for the Health Service of the Treasury Department, which at present conducts a restricted first-aid program, to embrace a genuine public health perspective and to place major emphasis upon preventive medicine. There is definite need among the 31,496 employees for more individual guidance and health education to be used as a means of helping the employee maintain maximum health and productivity. This need has been recognized by the Chief Nurse and by a large number of the nurses.

This recognition is clearly revealed in the following statements made by the Chief Nurse, "There is a growing need for more individual guidance and health instruction among government employees and it is the nurse to whom the employee turns for help. It is the nurse with whom he can discuss his problems for he believes the nurse is interested in him." "..... It must be remembered that although this health program has been limited to a first-aid service, this limitation has not been due to the inability of the nurses nor to their lack of desire to do more than first-aid - it has been due to their not having been allowed to do more."

Facilities
Service

The service as it exists at present is provided through a full-time Chief Medical Officer, two full-time Surgeons who are employed in the Bureau of Printing and Engraving, a staff of 37 graduate nurses (34 of whom have ratings of G.P. 5, and 3 of G.P. 6), a Chief Nurse, an Assistant to the Chief Nurse, and 15 Emergency Rooms.

Funds for the operation of eleven of these fifteen rooms are obtained from the United States Public Health Service while the remaining four rooms are operated on a re-imbursable basis.

The names and addresses of these health units are appended.

Population
Make-

The population considered as a whole includes men and women all ages, degrees of health, and economic levels. There is preponderance of white workers with the next largest racial group being that of the Negro. There is a comparatively meager sprinkling of various nationalities scattered throughout. Here, as with every old-line agency, there is a large group of employees who have been "in the government" for many years. They form a solid bed-rock of workers whose customs and ways have taken on a pattern approximating mores. They look upon other employees, whose periods of affiliation are less long, as being novices. Nevertheless, in keeping with the present need, there has been a generous influx of new workers added to, or imposed upon, this foundation of experienced personnel.

The physical presence alone of these new workers creates many problems such as over-crowding, inconvenient arrangement of work-space, increased noise and confusion, increased hazard of spread of communicable disease, and prolonged delays at cafeterias, transportation depots, etc. All of these factors create emotional tensions and increase fatigue. Just as sharing equipment and the intermingling of young, inexperienced, care-free workers with older, settled ones, intensifies emotional pressures. Thus, to the usual problems of an aging and settled group are added strange new ones concerning young folks. These young people may be experiencing their first gainful employment, their first contact with a large cosmopolitan group, their first absence from home, or their first social or economic freedom. These situations create a variety of problems which require skillful guidance and care by doctors and nurses.

Employees'
Use
of
Services

As may be expected with such a heterogeneous population, some groups use the Health Service Rooms more freely than do others. This again is due to many factors, such as age-range of employee-groups (older employees are prone to use the rooms less often lest this reflect to disadvantage in their work-records), types of work being done, place of employment, etc.

Table
#1

The accompanying table, Table #1, outlines pertinent facts regarding the work of these Emergency Rooms as shown in the statistics for the month of October, 1943.

STATISTICS FOR MONTH OF OCTOBER 1943

	Population Served by Each Unit	Individuals Served	Percent of Population Treated	Average No. of Visits per day, per unit Showing Spread of Shifts
Treasury Bldg. (approx. 2600-ib. bldg., balance in small groups within walking distance)	3,230	496	15.3	24 day 7 twilight
Treasury Annex #1	976	403	41.2	29 day
Internal Revenue Bldg.	4,696	858	18.2	54 day
Regional Surplus Property Office, Procurement Div.	100	43*	43.0	3 day
Register's Office	539	112	20.7	7 day
Engraving and Printing East Annex	1,935	537	27.7	41 day
Procurement Division	2,349	566	24.1	33 day 5 twilight
Liberty Loan Annex	2,650	986	37.2	45 day 20 twilight 10 midnight
Bureau of Engraving and Printing	6,378	1,591	24.9	54 day 36 twilight 6 midnight
Engraving and Printing, West Annex	1,234	259	20.9	17 day
War Relocation Division	475	129	27.1	9 day
TOTAL	24,562	5,980		

* This nurse is employed in a combination nurse-clerical position.

CIVILIAN AGENCIES

Recreation Finance (St. Ave.)	3,163	640	20.2	43 day
Recreation Finance (St., N.W.)	665	165	24.8	16 day
Department of Labor	2,545	552	21.7	42 day
Bureau of the Budget	561	98	17.4	9 day
TOTAL	6,934	1,455		
AND TOTAL		31,494	23.5	

There is an uneven distribution of nurses in proportion to the population. This distribution is also due to many factors. Some of these factors are; the size of the budget of the particular agency receiving the service, shifts being worked, the composition of the nursing-staff, the wide scattering of employee-groups, the composition of specific groups, and to other factors.

Table #2 shows this distribution and ratio of nurses to employees.

There is an uneven distribution of nurses in proportion to the population. This distribution is also due to many factors. Some of these factors are, the size of the budget of the particular agency receiving the service, shifts being worked, the composition of the nursing-staff, the wide scattering of employee-groups, the composition of specific groups, and to other factors.

Table #2 shows this distribution and ratio of nurses to employees.

-5-

DEPARTMENTS

	Population	No. of Nurses	No. of Shifts	Ratio of Nurses to Population
Treasury	3,230	3	2	1 to each 1,076
Treasury Annex #1	976	2 ⁽¹⁾	1	1 to each 488
Internal Revenue	4,696	3	1	1 to each 1,565
Bureau of Surplus Property (Procurement Div.)	100	1	1	1 to each 100
Register Office	539	1	1	1 to each 539
Engraving and Printing, East Wing	1,935	2	1	1 to each 868
Procurement Division	2,349	3	2	1 to each 783
Liberty Loan Annex	2,650	4	3	1 to each 662
Bureau of Printing and Engraving	6,378	7	3	1 to each 797
Printing and Engraving, East Wing	1,234	1	1	1 to each 1,234
<u>AGENCY OFFICES</u>	473	1		
Department of Finance (1000 St., N.W.)	665	1	1	1 to each 665
Department of Finance (1000 Ave.)	3,163	2	1	1 to each 1,581
Department of Labor	2,545	3	1	1 to each 848
Department of the Budget	561	1	1	1 to each 561
	<u>31,496</u>	<u>36</u>	<u>1</u>	<u>1 to each 851</u>

87

Typical
and
Atypical
Situations

On the whole the health hazards within these several buildings are those inevitably found within all large office buildings of comparable size, layout, and employee-composition. However, in some of the buildings, exceptional situations occur where inadequate floor space, "duration" filing stacks erected in unusual places, over-crowding of mixed groups, or the very nature of the work itself tend to present additional occupational hazards. This is especially true of the Bureau of Printing and Engraving and the Liberty Loan Building.

The
Bureau of
Printing

In the Bureau of Printing and Engraving, where many types of machinery are used, a genuine industrial plant exists. Here industrial accidents occur daily. These demand and are given immediate attention. But there are other needs equally as important and compelling. These are the needs for health education, individual guidance, prevention of illness, and promotion of maximum health and well being of all of the employees. This latter group of needs stands in constant danger of being pushed aside and half forgotten because of the obviousness of torn, bleeding hands, crushed arms, strained muscles and broken bones. There is and should be a place for all phases of preventive medicine in this industrial plant.

Here there are 6,378 workers employed, of whom approximately one third are Negroes. Many of the employees of this agency belong to one or the other of two labor organizations, the A.F. of L. and the C.I.O.

The Health Unit serving this population is open twenty-four hours each day for seven days each week. This unit employs two Medical Officers, a staff of seven graduate nurses, six of whom are Negro, and a clerk. The Medical Officers are on call if needed in an emergency during the hours from 12 midnight until 2:00 A.M.

All first-aid nursing service is given by the staff nurses. The Nurse-in-Charge does none of it. Because of this division of duties many employees refuse to use the Emergency Room for any purpose. Many others use the service, accepting first-aid from the staff nurses. Some reach around the staff nurse to the Nurse-in-Charge for advice and guidance, or for a discussion of their problems. The staff nurses attempt to guide certain employees who seem in need of individual guidance to the Nurse-in-Charge. As one nurse said, "All employees who are crying are called to the attention of the Nurse-in-Charge."

Five
Buildings
in Southwest
Group Given
Service from
the Bureau of
Printing and
Engraving

The Medical Officers of the Bureau of Printing and Engraving, in addition to their work in the main building, give medical service to the employees housed in the Register's Office, Engraving and Printing Annex, East Wing, West Wing, and the Liberty Loan Building.

Employees who require the service of a Medical Officer are either sent to the physician in his office in the Bureau of Printing and Engraving or, in an emergency, the Medical Officer is called to see the employee in the building in which he may be.

An effort is made to keep track of the employees, and to reduce the amount of time which is spent away from machines - allowing machines to stand idle. Each employee who goes to see the Medical Officer from any of the five Southwest buildings is now required to secure written permission from his supervisor for visiting the Health Room. The time of his leaving his place of work and in turn, of his leaving the Health Room to return to work, are entered on this permit-slip. One section of the slip is kept in the Health Unit for three months; the other section is sent back to the supervisor with the employee.

Liberty
Loan
Building

The Health Unit in the Liberty Loan Building is open for 24 hours each day for 6 days each week. In this building there are 2,650 employees of whom about 500 are Negroes. There are four nurses assigned to this unit. One nurse is on duty alone during the midnight shift (12 midnight to 8:00 A.M.).

Interaction
of Medical
Officer
Employee
Nurse

Returning to a consideration of the over-all program, the offices of the chief Medical Officer, the Chief Nurse, and the Assistant to the Chief Nurse are located in the main building of the Treasury. The Medical Officer spends a certain number of hours each work-day in this office. In addition, he makes daily rounds to other buildings including the Bureau of Internal Revenue, the Department of Labor, and the Procurement Division, etc.

The office space used by the Medical Officer in the Treasury Building is a single, small room adjoining the Emergency Room. The space for the Medical Officer in both the Department of Labor and the Bureau of Internal Revenue is comparatively spacious and is ideally arranged for medical examination of patients.

Employees within these buildings who are in need of medical

care are given appointments by the nurses with the Medical Officer at the time of his rounds. When emergencies occur the patient is sent by a nurse to the Chief Medical Officer or, if necessary, the Medical Officer comes to the patient in his place of employment.

Throughout the service, whenever an employee is referred to a Medical Officer the nurse sends duplicate copies of a brief history of the case to the Medical Officer. He in turn, makes duplicate entries on these forms regarding his findings and recommendations. One of these copies is kept by the Medical Officer and one is returned to the nurse in order that more consistent and intelligent care may be given to the employee.

All records of medical care, for those cases which the Chief Medical Officer sees, are kept by the nurse as a part of the nursing-service record in the Emergency Room in the building in which the patient is seen.

Office of
the Chief
Nurse

A tremendous amount of administrative detail is being cared for by the office of the Chief Nurse. This is a responsibility that has accumulated throughout the years and is related to the management of an \$87,000 budget. This responsibility exists over and beyond the duties connected with the supervision and management of a nursing staff and health service and is now of sufficient proportion to require that some other arrangement be made for handling it.

Budget of
\$87,000
Entails
Detailed
Administration

The material designated as "Exhibit A" lists the responsibilities and tasks falling within this category. Included are the forms which are in current use in connection with this. It is indicated on each form how many copies of each are required. In spite of the length of this list and in spite of the bulk of this sheaf of forms it is impossible to fully indicate the volume of work or the amount of time spent in caring for this area of responsibility. As may be imagined, often interminable telephone conversations and delays enter into the situation.

Attention of
Chief Nurses
Depleted
from Personal
Supervision
of

The time and attention which is being given to administrative detail by the Chief Nurse and the Assistant Chief Nurse is being drained from the time which should be spent in actual face-to-face supervision of the health service and the nursing staff. This in itself has occasionally made it necessary for the office of the Chief Nurse to employ less flexible means in staff management. Careful methods of control have been devised to anticipate deviations from established procedure.

Health
Service
Room
Management

Each Emergency or Health Service Room is provided with essential equipment. The amount of equipment is purposefully kept at a minimum, consistent with the purpose of the program, with a view to reducing the operating costs. Each room is kept in immaculate condition and each unit is managed and maintained in identical manner one with the other in so far as this is possible. Cabinets are stocked and supplies are arranged very similarly throughout. Filing and filing titles exactly duplicate each other unit for unit.

Every effort has been made to provide space in each health unit as a private dressing room for the nurses. Here cupboard space is planned to provide sufficient shelves for the clothing and private belongings of the nurses. Everything has a place and is kept there. The nurses are expected to be as neat and as immaculate as the rooms in which they work. Uniforms are changed regularly twice each week, on designated days, and shoes are kept well polished. No lipstick or nail polish is worn on duty and there is no odor of smoke about a nurse's uniform for smoking is not allowed within any unit.

Lack of
Privacy

Privacy has not been provided for the patient in each Emergency Room while he is being treated. However, with the program having been set up originally as emergency medical relief, in the past possibly this has not been of major importance. Even now lack of floor space in some rooms tends to prevent arranging for adequate privacy. This is especially true in the Treasury Building where there is no waiting space for employees except inside the treatment room itself, nor is there always a place to which a nurse may take a patient for a private conference. Such is the case when both bed-rest-rooms are occupied.

Orders of
Private
Physicians

Upon the receipt of written orders from private physicians the nurses may carry out simple treatments for employees who are able to remain on duty. A very limited number of hypodermic injections are given - these mainly by the Chief Nurse to a few patients under special circumstances.

Standing
Orders

There is a manual of standing orders by which the nurses are guided in giving care to the employee. Employees who are in need of medical care - beyond that available within the program - are referred to their own private physicians.

Nurses
Report
Unusual
Cases

Immediately following the occurrence of an unusual situation, or following care of an unusual or seriously ill case, the staff nurse gives the Chief Nurse a report by telephone. This telephone report is followed by a written report. These reports are filed in the office of the Chief Nurse.

Records

A case record is kept for every patient who is treated. There is marked uniformity in the phraseology of recording complaints and treatments. It is natural that this should be true in those rooms where the nurses on the twilight, or the night shifts, type all the records for the day from the daily log. However, effort is made to keep it true to a degree throughout the service. The records are neat and easily read. (It is not unusual for nurses to attend evening classes in typing to learn or to "brush up" on this skill.)

Induction
Period
for Each
New Nurse

When a new nurse is taken on the staff she is given a three-week-induction period in the Health Unit in the Treasury Building. During the first week she observes the work of a senior nurse, during the second she writes records, during the third she is allowed to give first-aid.

During this period the Chief Nurse has at least one conference with the new nurse. In this conference the nurse's role in the program is explained to her. During this discussion the need for being interested in the problems of the individual and of trying to do something to help him is stressed. The nurse is urged to be aware of health problems and to do as much as she can to help. She is encouraged to refer cases with which she is not equipped to deal to the Chief Nurse.

If the health unit to which the new nurse is to be assigned is one which is just being opened the nurse is first sent for a period to a small unit which has been functioning for some time. In the meanwhile an experienced nurse gets the new unit under way and helps the employees there to become accustomed to the type of service which shall be available to them. In due course the "new" nurse is able to follow in the footsteps of the "old" nurse.

At the close of the orientation period and after the new nurse has been sent to another unit she prepares sample copies of several forms which she submits to the Chief Nurse for criticism. In this way the Chief Nurse determines whether the new nurse has a satisfactory understanding of her responsibility in the care of such things as compensable injury and illnesses, etc.

Rotation
of Nurses

There is monthly rotation of staff nurses from shift to shift or from unit to unit. This has been done for a three-fold purpose of preventing employees from becoming "too friendly" with the nurse, eliminating the necessity for having a nurse remain uncomfortably long on an evening or a night shift, and to avoid having a nurse stay too long in a room where few patients are treated.

Chief Nurse
Personnel

Nurses who have been on the staff for some time are brought back into the Emergency Room in the Treasury Building about every ten months for "refresher periods". This is done to keep the nurses who are employed in less busy rooms from "getting rusty".

Observation of
Health Units

The Chief Nurse attempts to observe in each Health Room several times each year. In 1942, 82 visits were made. These visits, being largely thirty to forty minutes long, are too brief to permit satisfactory observation of the work. The reason for this brevity lies in the fact that the Chief Nurse is forced to spend too much time in caring for administrative matters. During these brief observations the Chief Nurse checks on the condition in which drawers, filing cabinets, cupboards and closets are kept. She notes the degree of cleanliness of the total unit, and the grooming of the nurse. No single item of management is over-looked.

When nurses are rotated to take over work in other health rooms each nurse thus entering a new room is required to submit a written report to the Chief Nurse describing the condition in which the room was found. The degree of cleanliness and order in which a room is kept is important to the program from the aspect of safeguarding the service.

Group
Meetings

From time to time the Chief Nurse holds group meetings with the staff. Following these meetings the nurses are required to submit written summaries of the discussion. From these summaries the Chief Nurse determines which nurses failed to secure the intended interpretation. These nurses are then helped to understand the "correct" interpretation.

Nurses
Previously
Secured from
Marine Hospital
Group

It is current practice to assign nurses from the Hospital Division, U. S. N. to the health service of the Treasury Department. After varying lengths of time, the nurses are then returned to hospital service. The usual period of time spent in the departmental service is three years.

There were both gains and losses by such a practice. It offered a way by which less satisfactory nurses could be disposed of from the Treasury health service, but it also contained the possibility of inhibiting the growth of group-solidarity and preventing the development of a spirit of mutual achievement and cooperation. In addition such a practice interfered with establishing a source of supply of officers whose training and capacities especially fit them for carrying on a general public health nursing program within Departmental agencies.

annual
assigned

The office of the Chief Nurse grants annual leave to the staff nurses in one two-week period at least once during the year. This is granted in so far as this is possible at the request of the nurse at a time particularly desired

by the nurse. The balance of a nurse's annual leave is assigned to the nurse to use throughout the year when it seems better for the service from the point of view of management.

Annual Physical
Examinations
of Nurses

Annual physical examination of the nursing staff is provided through the use of the Medical Officers in the Bureau of Printing and Engraving.

Lay Volunteer
First-aid
Service

First-aid kits - about 38 in all - are provided for the use of lay volunteer first-aid people throughout the total employee-population. This service is carefully circumscribed and supervised by the office of the Chief Nurse. (The volunteers are employees within these groups.)

The volunteer is asked to observe a nurse in an Emergency Room for an hour or so before a first-aid kit is turned over for use. The Chief Nurse or her assistant discusses the scope of first-aid service and the responsibility which the volunteer is assuming. The work which is to be performed by a volunteer is carefully explained to her. She is shown the contents of the kit and is given a list of the supplies the kit contains together with specific instructions for the use of these supplies. Periodic inspection is made of the kit and criticism, or commendation is given to the volunteer for the condition in which the kit is found. All of this adds to the volunteer's sense of responsibility and increases her appreciation of the worth of her service. Careful instructions regarding how, when, and where to secure further help are also included with the kit.

Emergency
Service Kits
for Nurses

Fully equipped emergency bags are provided as a part of the equipment in each health service room. These are for use by the nurse should she be called to care for an emergency somewhere in the building.

Department
Program

There is obvious need for the health program of the Treasury Department to embrace a genuine public health perspective and to place major emphasis upon preventive medicine. There is need for this to be accomplished through devoting more attention to individual guidance and health education as a means of helping the employee maintain maximum health, well being, and productivity.

Nurse
Administration

This report, as it stands, would never have been possible had it not been for the complete cooperation of the Chief Nurse and the Assistant to the Chief Nurse. These two nurse-administrators cooperated fully and freely in presenting a

a picture of the health program in the Treasury Department. Hours were spent in discussing the service and in addition records, forms, reports, and statistics were reviewed. Copies of material were made in the office of the Chief Nurse and were submitted for inclusion in this report. The Chief Nurse accompanied the observer to eleven of the health units to introduce her to the workers and to throw the rooms open for further study by the observer. Nothing was left undone which would help in giving a clear, accurate picture of the work being done and of the problems confronting the health service in the Treasury Department.

TRADING STATIONS

Treasury Building

Treasury Annex #1

Internal Revenue Building

Regional Surplus Property Office,
Procurement Division

Register's Office

Engraving and Printing Annex,
East Wing

Procurement Division

Liberty Loan Annex

Bureau of Engraving and Printing

Engraving and Printing Annex,
West Wing

War Finance Division

ADDRESS & ROOM NUMBER

15th St. & Penn. Ave., N.W., #49

Madison Place & Penn. Ave., N.W., #205

12th St. & Constitution Ave., N.W., #1304

1229 - 20th St., N.W., First Floor

14th St. & Independence Ave., S.W., #3104

13th & C Sts., S.W., #709

7th & D Sts., S.W., #4114

401 - 14th St., S.W., #358

14th & C Sts., S.W., #320

14th & C Sts., S.W., #201-3

15th & New York Ave., N.W.,
Washington Building, #504OUTSIDE AGENCIES

Reconstruction Finance Corporation

Reconstruction Finance Corporation

Department of Labor

Bureau of the Budget

Normandy Building, 1626 K St., N.W., #101

Lafayette Building, 811 Vermont Ave., N.W.,
#369

14th St. and Constitution Ave., N.W., #5126

1724 F St., N.W., #315 F

EXHIBIT A

Clinical and administrative duties performed, in addition to nursing duties, in the Office of the Chief Nurse, Emergency Medical Relief Activities.

REPORTS to U.S. Public Health Service Bureau.

- a. Monthly letter naming and locating personnel whose salaries are reimbursable.
- b. Quarterly Personnel Report. Form AP-901 (1917-A), attached.
- c. Semimonthly War Bond Savings Campaign Committee Report.
- d. Annual List of Personnel for Income Tax.
- e. Annual Health Unit Reports:
 1. Narrative ?
 2. Statistical ?
 3. Cost
- f. Occasional and incidental personnel lists requested.

All reports submitted from the 14 stations must be checked for accuracy in the Central Office.

ALLOTMENT RECORDS

- a. Maintain memorandum allotment accounting records concerning expenditures for the following:
 1. Chief Medical Officer's car
 2. Purchase of Car Tokens
 3. Laundry
 4. Local Open Market Emergency Purchases
 5. Minor repairs to typewriters, medical equipment, etc.

Forms 8979, 8984-A, 8974-A-1, attached.
1034a, 1034, 1960-B, 1968-B.

REQUISITIONS

- a. Medical Stock rooms are maintained in three stations, i.e., Treasury Building, Internal Revenue Building and Bureau of Engraving and Printing.

Requisitions are prepared in each of these stations, checked at the Treasury Building and submitted to the U.S. Public Health Bureau quarterly. Form No.1 attached.

Sufficient drugs, medical supplies, etc. are maintained in the Treasury Building to supply seven stations and, similarly, the Bureau of Engraving and Printing supplies two stations.

- b. Stationery Stock rooms are maintained in three stations, i.e., Treasury Building, Internal Revenue Building and Bureau of Engraving and Printing.

Requisitions are prepared in each of these stations, checked at the Treasury Building and submitted to the U.S. Public Health Bureau quarterly. Forms 1905, DF 266, etc. attached. (Unable to furnish serially numbered forms for duplication work.)

Sufficient stock of all blank forms used in the operation of this unit is maintained in the Treasury Building; also a sufficient stock of all U.S. Employees' Compensation Commission forms to supply all stations of the unit.

PROPERTY ACCOUNTING

- a. The unit property return is prepared and submitted annually to the U.S. Public Health Bureau. Prepared by consolidation of all station inventories into one; proper disposal of all unserviceable and surplus property. Forms 100, 1903-B, 1903-C, 1904-A, 1909-A, 1909-C, 9203-C attached.

ROLL

Officer's Pay Vouchers (three) prepared, checked at Treasury Building and forwarded to U.S. Public Health Service Bureau monthly.

Semimonthly (each pay period) report by memorandum to the Appointment Section, U.S. Public Health Service Bureau

(where unit payroll is prepared) any changes in personnel affecting the payroll, such as transfers, resignations, leave without pay, etc.

- d. Distribute semimonthly salary checks to 38 employees in 14 stations of the unit.

TIME AND LEAVE

- a. Maintain current individual card record file of annual or sick leave, leave without pay, etc.
Form AP-622 attached.
- b. Maintain consolidated individual card record file of all leave. Compiled and recorded annually.
Form 2240 attached.
- c. Monthly Leave Statement, for entire unit, is submitted to the U.S.Public Health Bureau.
- d. Annual Leave Statement, for entire unit, is submitted to the U.S.Public Health Bureau.
Form AP-605b attached.
- e. Memorandum report is forwarded to the Superintendent of Nurses, U.S.Public Health Bureau, of any individual leave amounting to more than one week; or any unusual case of illness, absence, etc.

CONTRIBUTIONS, DRIVES, ETC.

- a. Community Chest)
Red Cross) Literature and cards pertaining to
War Bonds) each must be prepared and distributed
Etc.) to 41 personnel in 14 stations of the
unit; reports completed and forwarded
to the U.S.Public Health Bureau.

MAINTENANCE

- a. Secure interstation trucking service, renovation of all emergency stations and repair of their equipment.
- b. Secure relief matron service during the absence of the regular matron in the Treasury Building station, on sick or annual leave.

(This entire maintenance service has been furnished by the Office of Superintendent of Treasury Buildings.)
Form 1 (Supt. of Treas. Bldgs.) attached.

MISCELLANEOUS -- PERSONNEL

- a. Maintain roster of personnel and location in the unit.
- b. Interview, and enroll new personnel.
Forms W-4, AP-483, 6, 57, 61, 1769, 2380, 2390, 2413, attached.
- c. Transfers of personnel, between this unit and other stations of the U.S. Public Health Service, require the preparation of the following forms, as indicated by the case concerned:
Forms 1917E, 1012, 1012a, 1012e, 1036, 1908, 1071, 1071a, as well as Government Bill of Lading, Transportation Requests, etc.
- d. Prepare forms for annual physical examinations for the majority of the personnel. Form DF-248 attached.
- e. Upon request, furnish proper forms for requesting information from clinical records of the unit.
Form 1946 S attached.
Prepare Abstract of Clinical Record in compliance with proper request. Form 1946 - T attached. (Often such requests are made when an individual is contemplating court action or filing a claim.)

Mrs. Mark Wayne Clark
The Kennedy-Warren
Washington, D.C.

Dear Mr. Morgenthau,

Thank you deeply for sending me the letter from Wayne and your fine reply. I was afraid he would hear of this and knew he would be shocked.

I am constantly appalled at publicity. For example, Collier's Weekly carried quotations from letters Wayne had sent to me. They never asked my permission, which needless to say I would never give, nor did I even know they were to be printed or how they were obtained. I am asking the War Department to investigate. Over a period of many months, in my bond talks, I gave occasionally a few sentences. Apparently some agent accumulated them all and probably sold to Colliers. Never again shall I utter one word from a letter!

I hope I can sell some bonds on the 4th War Loan Drive. I'll be in New York on the 17th to help open the drive there, then on to New Orleans and Dallas for the Four Freedoms.

Thank you again for your kindness.

Sincerely,

(Signed) Maurine Clark

Jan. 10th

MRS. MARK WAYNE CLARK
THE KENNEDY-WARREN
WASHINGTON, D. C.

Dear Mr. Morgan Kousser -

Thank you deeply for sending me the letter from Wayne and your fine reply. I was afraid he would hear of this and knew he would be shocked.

I am constantly appalled at publicity. In example Collins weekly carried quotations from letters Wayne had sent to me. They never asked my permission, which needless to say I would never give, nor did I even know they were to be printed or how they

have obtained. I am asking the War
Department to investigate. Over a period
of many months, in my bond talks, I
gave occasionally a few sentences.
Apparently some agent accumulated
them all and probably sold to Coburn.
Once again shall I utter me not
from a letter!

I hope I can see some birds on
the 4th War Loan Drive. Will be in New
York on the 17th to help open the drive
there, then on to New Orleans and
Dallas for the Four Freedoms.

Thank you again for your
kindness.

Sincerely,
-57-6

Maurice Clark

Jan. 10th

THE SECRETARY OF THE NAVY
WASHINGTON

January 10, 1944

JA

Dear Henry:

I wish to acknowledge your letter of January 6 in which you give me information on the Fourth War Loan Drive.

Steps have already been taken to insure the full participation of the Navy Department in this drive, and you may be assured that we will cooperate in every way possible.

Yours sincerely,

Frank Knox

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

Office of the Postmaster General

Washington, D. C. - 25

January 10, 1944.

Henry Morgenthau, Jr.,

The Secretary of the Treasury.

Dear Henry:

You may be sure that our postmasters will be kept supplied with an adequate number of bonds for the anticipated unprecedented volume which we have every reason to hope will be sold during the Fourth War Loan Campaign.

Mr. Ramsey S. Black, Third Assistant Postmaster General, is in personal charge of seeing to this, and I have also placed him in charge of coordinating the activities of the entire Postal Service in the Fourth War Loan Drive.

I find we now have a larger stock of bonds on hand in the field than ever before. There are also large reserve stocks placed at 14 strategic points throughout the country. Should there be additional demands at any office, the arrangements are that such demands may be supplied within 24 hours or less.

I am giving the matter my personal attention and feel sure we have it well in hand. The Post Office Department will continue to send out bulletin notices during the course of the campaign, and I shall be pleased to inform all postmasters and the entire personnel of the Postal Establishment of the appreciation you have shown of the capable manner in which they have handled War Bond sales.

The arrangements that have been made by Mr. Black along publicity lines and for meeting the requirements of bond purchasers are in accord with the suggestions in your letter of January 5, 1944. You may be assured of our enthusiastic cooperation in the Fourth War Loan Drive.

Sincerely yours,

Frederick A. Jones

Postmaster General

A MESSAGE TO ALL POSTAL PERSONNEL

To All Postal Officials and Personnel:

Our Government again is asking your help in winning the war. The period of preparation for the great offensives that will destroy the Axis tyranny is almost over. The period of victory has already begun; decisive campaigns are nearing. And victory is more costly than preparation.

The Treasury has now announced that the Fourth War Loan will begin on January 18 and continue through February 15. This is your own personal opportunity to lend a strong helping hand toward victory, through purchases of the War Bonds that are essential to maintain and increase the flow of equipment and supplies to our fighting forces.

The dollars you lend now will hasten the end of the war. They will save the lives of many of our fighting men by providing them with more of the best arms ever produced. They will help to win the peace by providing each of you with a reserve of money to buy the goods that will be available after the war, thus forestalling possible reasonable difficulties for you and for the nation.

Postal personnel brought credit upon themselves, and again demonstrated the full measure of their patriotism, when they over-subscribed their quota in the Third War Loan. In the earlier loan campaigns, the funds were needed for the titanic task of preparation, and you did your share in providing them.

Now even more money is needed. This time, you are buying not preparation, but victory. Your quota is necessarily larger than in the Third War Loan. I know you will meet the need now as you did then.

Some of our leaders are predicting defeat of the Nazis this year. With your help, generously provided, our fighting men may be able to achieve that goal—the goal of an earlier end to the slaughter in Europe. It is an objective toward which you will want to contribute to the full limit of your ability.

The quota for the Postal Service is \$17,500,000, which is \$2,500,000 more than that set for the Third War Loan. All purchases from January 1 to February 29 will be credited to the quota. Omitting the purchases made during the September drive, postal personnel bought war savings bonds and stamps under the Voluntary Purchase Plan during 1943 at the rate of \$4,500,000 a month. To achieve our quota, therefore, it is necessary that our purchases during both January and February shall be twice as large as our past average.

I believe that the Postal Service can and will substantially exceed the quota. The incentive to buying—the incentive of an earlier victory—is the strongest I can imagine. I ask postal officials in the Department and in the field to direct their best efforts toward a successful campaign.

You have an outstanding record to uphold. To exceed our quota will not be easy. It can be done only if each individual in the Postal Service meets the challenge squarely and responds in a manner that will reflect credit upon himself and upon the service. I have full confidence that everyone in the service will do so.

Frank C. Walker
Postmaster General

ORDERS OF THE POSTMASTER GENERAL

OCCUPATIONAL DEFERMENT FOR PRE-PEARL HARBOR FATHERS

JANUARY 4, 1944.

The following instructions entitled "Occupational Deferment for pre-Pearl Harbor Fathers," dated January 3, 1944, have been received from the War Manpower Commission:

"1. Occupational Deferment Memorandum No. 14, dated December 24, 1943, is hereby reclassified.

537287-43

"2. The following letter has been sent to the Chairman of the War Manpower Commission by the President:

"DEAR MR. CHAIRMAN:

"When Executive Order No. 9309 was issued on March 6, 1943, registrants who had persons dependent upon them for support were entitled to deferment on the basis of their classification in class III-A. At that time registrants entitled to be classified in class III-A were also engaged in essential activities were to be classified in class II-B.

"Registrants without dependents who were necessary because of their employment in war production or in support of the war effort were classified in class II-A or class II-B.

"Hence Executive Order No. 9309 was issued primarily with respect to registrants who were not entitled to deferment by reason of dependency. Part VI of that Order, however, made provision for the establishment of standards under which departments and agencies of the Government could request reclassification from class III-A to class II-B of their employees who would be otherwise entitled to deferment by reason of dependency.

"Since the issuance of Executive Order No. 9309 and the enactment of Public Law No. 23, it has become necessary to remove dependency as a ground for deferment, and accordingly the classification of registrants in class III-A and class III-B has been discontinued. With the removal of dependency as a ground for deferment those registrants employed by agencies of the Federal Government previously entitled to reclassification in class III-B, by reason of their employment in war production or in support of the war effort, must now be considered for classification in class II-A or class II-B.

"The Congress, in Public Law No. 197, approved December 3, 1943, made provision for accord maximum consideration for the deferment of pre-Pearl Harbor fathers under the Selective Training and Service Act as amended. The Director of Selective Service has prescribed general principles and policies under which local boards should grant occupational deferment to fathers.

"Therefore, pre-Pearl Harbor fathers now employed by the Federal Government and covered by Part VI of Executive Order No. 9309 and by Public Law No. 23 must now be given consideration for occupational deferment similar to that accorded to fathers employed outside the Federal Government.

"Under Part VI of Executive Order No. 9309, you are accordingly instructed to prescribe standards under which Agency Committees may make requests for the occupational deferment of such fathers employed by government agencies. The standards to be established should, to the extent you find appropriate, authorize the government agencies to file deferment requests for fathers in their employ who are necessary men in war production or in support of the war effort, and who otherwise meet the requirements of Selective Service Regulations and Selective Service directives for occupational deferment laid down for fathers not in government service.

Very sincerely yours,

[s] FRANKLIN D. ROOSEVELT

"3. In order to implement this letter, Agency Committees are hereby authorized to request 60-day deferments for pre-Pearl Harbor fathers believed to be necessary to the effective operation of their agency's war program. Such requests will be made by filing Forms 42 and 42 Supplement with the appropriate local board.

"4. In making these 60-day requests, Agency Committees should be careful to specify that this deferment is being requested in order to afford opportunity for the Review Committee to pass on the particular case so that the local board will be on notice that a longer period of deferment may be requested if approval of the Review Committee is given.

"5. These 60-day deferments are intended to afford opportunity for the following new procedure to be put into effect:

"6. Agency Committees will immediately submit to the Review Committee for approval the cases of those pre-Pearl Harbor fathers believed to be necessary to the effective operation of the agency's war program.

Agencies should give for each such employee:

- Name.
- Date of birth.
- Position (title and organization).
- Grade and salary.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

*Smith spoke to
Levy about this*

DATE

January 10, 1944

TO Secretary Morgenthau

FROM Fred Smith *FS*

The "We the People" broadcast has been moved to February 6.

Levy would like to do it from Valley Forge. I think that is a good idea, largely because it was winter then and it is winter now. We could probably find out exactly what was happening at Valley Forge on February 6 during that terrible year.

There are a lot of Washington and Tom Payne quotations that could well be hashed up at this particular time, and this will give us an opportunity to do it.

Levy also suggests that we try to get messages from Churchill, Stalin and Chiang for use on the broadcast.

What do you think?

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

to Secretary Morgenthau

January 10, 1944

FROM Fred Smith *FS*

Correction please: Coyne just called to say that the news-reel, scheduled for Wednesday morning, has been indefinitely postponed because Marshall is out of town.

Mrs. Smith says "done"

Fred Smith.

January 10, 1944

The Secretary.

Mrs. Morgenthau has brought to my attention that January 30th is the night of the President's Birthday Ball. In the first place, we always go to his house on his birthday, and in the second place, when I went to see him Saturday, I followed Basil O'Connor and I gather that Basil O'Connor let the President have plenty of criticism about me for interfering with the whole President's Birthday Ball, and if I went on that night of all nights, that would just add vinegar to the sore and I think that that night would be a bad night because they will be having, and should have, plenty about the President's Birthday Ball. So let's change the night and after you have read this memorandum I wish you'd talk to me about it. The President told me O'Connor, who is in charge of the Drive, has worked out a slogan "Buy a bond and give the change to the Warm Springs Foundation."

Mrs. Smith says 'done'

January 10, 1944

Fred Smith.

The Secretary.

Mrs. Morgenthau has brought to my attention that January 30th is the night of the President's Birthday Ball. In the first place, we always go to his house on his birthday, and in the second place, when I went to see him Saturday, I followed Basil O'Connor and I gather that Basil O'Connor let the President have plenty of criticism about me for interfering with the whole President's Birthday Ball, and if I went on that night of all nights, that would just add vinegar to the sore and I think that that night would be a bad night because they will be having, and should have, plenty about the President's Birthday Ball. So let's change the night and after you have read this memorandum I wish you'd talk to me about it. The President told me O'Connor, who is in charge of the Drive, has worked out a slogan "Buy a bond and give the change to the Warm Springs Foundation."

January 10, 1944

George Haas.

The Secretary.

Where is my report on apples? *In 1/11/44 -*

I note that in 1937 the Department of Agriculture held an exposition for handicraft of rural people. I wish you would find out what they have done since then, and who is in charge in the Department of Agriculture of encouraging that kind of work. I'm very much interested and would like to know. *In 1/12/44 -*

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE Jan. 10, 1944

TO Secretary *Margenthau*
FROM Mr. *Haas*
Subject: The Business Situation,
Week ending January 8, 1944.

Summary

National income: November figures reveal a further rise in national income payments to a new peak at an annual rate of \$148.8 billions, as compared with \$146.5 billions in the previous month. This is practically double the rate of income payments in April 1940, just before the national defense program got under way. Income payments for the year 1943 are estimated by the Department of Commerce at \$142 billions, versus \$115.5 billions in 1942.

Commodity prices: Commodity prices were irregular last week, and the BLS index of 28 basic commodities was unchanged from the peak levels of the previous week. A ceiling was imposed on hard wheat at the parity level, which resulted in a decline in cash wheat prices of about 3.5 cents per bushel.

Food stocks: By far the largest quantity of food in commercial storage continues to be privately held in regular commercial channels for civilian use. Food stocks of the War Food Administration on the whole constitute a relatively small proportion of the total stocks in commercial storage.

Food stamp plan: The War Food Administration last week approved the food stamp plan to give low-income families food at cheaper prices. It was emphasized, however, that such a plan should not be employed as a substitute for general food subsidies. Press reports, however, indicate that it is being considered in Congress as a substitute for subsidies, which would be inflationary.

Railroad traffic: Further expansion in record-breaking railroad traffic is being forecast for 1944. The Association of American Railroads expects an increase of 10 to 20 percent in passenger traffic and 2 to 5 percent in freight traffic.

- - - -

- 2 -

National income payments still rising

In view of the widespread discussion of the significance of recent tapering off in some phases of the war program, it is interesting to note that national income payments continue to rise. Figures just released for November reveal that while actual payments declined from the previous month, the drop was less than seasonal, and the annual rate of income payments forged ahead to a new record high of \$148.8 billions. This figure compares with \$146.5 billions in the previous month. It is almost exactly double the level of income payments in April 1940, just before the national defense program got under way. (See Chart 1.)

Seasonal factors caused cash farm income as well as interest and dividend payments to decrease in November, but Government payrolls (including military), and salaries and wages in commerce and industry continued to rise. In connection with the November income payments, the changes in composition of payments which have occurred since November 1941, the last month before our entry into the war may be noted.

Reference to the lower section of Chart 1 will reveal that while all major components have shown gains since November 1941, the increases in interest and dividend payments and "other income payments" have been relatively insignificant. On the other hand, payments for salaries and wages in the commodity producing industries (chiefly manufacturing), and distributive and service industries, have increased 64 percent and 24 percent, respectively, while the income of farm operators and other proprietors has risen 49 percent.

Payments for salaries and wages accounted for nearly 72 percent of total income payments in November 1943, as compared with 58 percent in November 1941. Reflecting the vast expansion in the armed services, Government salary and wage payments have increased 155 percent since November 1941, showing by far the widest gains.

Stock prices higher

Despite the unusually large volume of liquid funds in the hands of individuals, and the re-investment demand which generally develops after the turn of the year, considerable caution was evident in financial comment as 1944 stock trading got under way at the beginning of last week. In addition to uncertainties over the forthcoming invasion of Europe, pending labor problems and political developments, some observers

- 3 -

expected the Fourth War Loan Drive this month to have a dampening effect on stock market activity.

After a slow start at the beginning of the week, however, prices began to show greater strength on increased trading volume, and at the close on Saturday the Dow-Jones average of 65 stocks was about 2 percent above week-earlier levels. (See Chart 2.) Last week's rise carried the utility stock average fractionally above the 1943 high, but the industrial and railroad stock averages are still about 5 and 9 percent, respectively, below the July 1943 highs. Industrial stock prices in London last week were a trifle firmer, and now stand about 1 percent below their war-time peak.

Commodity prices irregular

Commodity prices moved irregularly last week, with the BLS index of 28 basic commodities unchanged at the peak of the preceding week, 179.2 percent of the August 1939 average. While wheat futures edged higher, cash wheat prices declined over 2 percent due to the imposition of ceilings on hard wheat last week. Cotton prices rose moderately on mill buying, and steer prices were somewhat higher. (See Chart 3.)

While hog prices for weights covered by the support program were steady, prices of other weights declined, as marketings in the Middle West last Monday were the heaviest in 19 years. Several markets, including the Omaha, Peoria, Cincinnati, and the National Stockyards (East St. Louis) declared temporary embargoes on hog shipments. No embargo was established at the Chicago market, although it was reported to be the most congested. Soldiers from Fort Sheridan were enlisted to help handle the heavy volume of hogs at the Chicago stockyards.

In the week ended January 1 the BLS all-commodity index rose slightly to 103.0 (1926-100). The index is now only 1.8 percent above that of the corresponding week of last year, although it is 37.3 percent above the pre-war level of August 1939. Higher prices for grains and livestock were responsible for the rise in the index. Marked declines, however, were noted in the prices for fresh fruits and vegetables and for eggs.

In connection with the declines in fresh vegetable prices, the Bureau of Agricultural Economics indicated last week that fresh vegetables will be more plentiful during the current winter season than for the same period last year. It will be recalled that last winter fresh vegetable prices rose very sharply. Acreage now planted to 13 winter vegetables is

- 4 -

estimated to be 21 percent larger than last year. The expected increase in fresh vegetable supplies, however, will be needed to offset the smaller civilian supply of canned vegetables, which will allow only three-fourths to four-fifths as much per person as last year.

Ceilings placed on hard wheat

Ceiling prices on hard wheat were established by the OPA last week, and soft wheat ceilings (imposed two months ago) were revised upward, setting levels for all classes that will reflect at least 100 percent of parity. Government benefit payments to wheat growers were not considered in fixing the price ceilings. The establishment of ceiling prices on all wheat was a necessary counterpart to the flour subsidy, inaugurated last month, to enable flour millers to pay parity prices for wheat and at the same time to sell flour for no more than the OPA ceilings.

Wheat prices have risen sharply during the past year, particularly in the past three months. Reflecting the tight feed situation, other grain prices also showed sharp advances in 1943. It is of interest that grain prices as a group have risen fully as much in this war as during the comparable period of the First World War, as shown in a chart recently prepared by the Department of Agriculture. (See Chart 4, upper section.) The actual level of grain prices now, however, is considerably below the high levels of 1917-1920.

Since price ceilings have now been imposed on most grains, some leveling out in the upward trend of grain prices may be anticipated. Wheat and corn prices are under permanent ceilings, and oats, barley, and grain sorghum prices are now under temporary ceilings pending the issuance of permanent regulations. There is no ceiling on rough rice prices, however, and no ceiling can be imposed on rye prices since they are below parity.

Milk subsidy extended

Continuation of dairy payments to farmers through January, to help maintain the output of milk and other dairy products, was announced recently by the WFA. The payments, which have been in effect since October and are designed to offset higher feed costs, were increased somewhat this month in certain areas. Nevertheless, total milk production continues about 2 percent lower than last year, and the Department of Agriculture expects butter production in early 1944 to be materially lower than a year earlier, partly because of increased fluid milk consumption.

- 5 -

Farm prices of dairy products as a group in the present war have risen somewhat more than during the comparable period of the First World War, but on a seasonally-adjusted basis they have been declining in recent months. (See Chart 4, lower section.) The decline in the adjusted prices has been due largely to fixed price ceilings, which were not adjusted upward for the normal seasonal rise in the latter half of the year. Farm prices of dairy products in December 1943 were 3 percent higher than in December 1942.

WFA holds small proportion of food stocks

With commercial cold storage space tight, due in part to the record 1943 food production, by far the largest quantity of food in commercial storage now is privately held in regular commercial channels for civilian use, the War Food Administration indicated in a statement last week. Storage stocks of food are normally high at this time of the year to tide over the months January through April, when production of many foods is at low levels.

Food inventories in commercial storage fall in three major categories: (1) privately-owned stocks for civilian distribution, (2) stocks owned by the military forces, for which no data are made public, and (3) stocks in the hands of the Food Distribution Administration, the agency which does the food buying and storing for the WFA. Stocks of the WFA are held for emergency use by our military forces, for lend-lease shipment, and for Puerto Rico and Hawaii.

Refuting charges of Government food hoarding and spoilage, the WFA report tended to show that stocks of that agency are not excessive in the light of present requirements. At least four commodities which accounted for a large increase in freezer holdings on December 1 as compared with a year ago--frozen eggs, frozen fruits and vegetables, frozen cream, and chickens--were neither owned nor controlled by the WFA. Of these commodities 90 to 95 percent were held in regular commercial channels for civilian use.

The WFA stocks of canned meats were very large on December 1, amounting to 246 million pounds, but at the present rate of shipments these stocks will be exhausted before the middle of next month. Although the WFA controlled 102 million of the 176 million pounds of butter in commercial storage on December 1, no butter will be purchased by the Government until April, when production will increase seasonally to considerably higher levels. Moreover, all of the butter held by the WFA has been scheduled for distribution to the armed

- 6 -

forces, lend-lease, Red Cross, etc., except 20 million pounds for a contingency reserve.

The WFA reported its stocks of evaporated milk on December 1 at 5 million cases, as compared with only $4\frac{1}{2}$ million cases privately owned. However, war requirements for this commodity are expected to be extremely heavy in the next few months. At the average rate of shipment last year, these supplies would last about 3 months. Canned fruit and vegetable stocks of the WFA totaled 9 million cases, as compared with processors' and wholesalers' stocks estimated at 140 million cases. While the WFA stocks are equivalent to a 7 months' supply, they must cover requirements until next summer, when the 1944 fruit and vegetable pack will become available.

Careful watch is maintained on all the WFA stocks to avoid spoilage, it was indicated. From the beginning of the lend-lease program in March 1941 to December 1, 1943, the WFA losses due to spoilage amounted to .02 percent of total purchases, or to a loss of less than \$1 on every \$5,000 of purchases.

Lend-lease shipments increase

Lend-lease exports of food have shown a considerable increase in 1943 as compared with 1942. Deliveries of lend-lease food for export in the ten months from January through October 1943 amounted to 8,688 million pounds, while deliveries in the 22 months from the inception of the lend-lease program through December 1942 totaled only 8,164 million pounds. Milk products, meats, wheat and wheat products, and edible fats and oils bulked largest in the 1943 shipments.

Despite an increase in total food production in 1943 of 5 percent over that of 1942, a larger proportion of the supply was exported under lend-lease in 1943 than in the previous year. Only 6.1 percent of the total supply of all meats went for lend-lease in 1942, while shipments during the first 10 months of 1943 were 9.5 percent of the supply. (See Table I.) Canned fish, canned fruits and juices, dried fruits, and dried beans and peas showed considerable increase in the proportion allocated to such shipments.

On the other hand, relatively small amounts of butter and canned vegetables, which are in short supply, were exported under lend-lease. Only 2.7 percent of the total butter supply and only 1.1 percent of the supply of canned vegetables were exported.

- 7 -

WFA approves food stamp plan

The War Food Administration last week approved a food stamp plan to give low-income families food at cheaper prices. Assistant War Food Administrator Grover B. Hill made clear, however, that such a plan "should not be regarded as a substitute for the Administration's price stabilization program" embracing subsidies to keep retail food prices down. Rather the plan was expected by the WFA to supplement the stabilization program by compensating low-income families for "recent or prospective price increases". Press reports, however, indicate that it is being considered in Congress as a "compromise" for subsidies.

The cost of the food stamp plan as outlined in the Aiken bill was placed at \$3 billion a year if all eligible families participated, according to a WFA estimate. All families receiving less than \$2,350 a year would be eligible for food stamps, with the number of such families estimated to be around 18 million. (A proportion of these relief-recipients would be in income brackets subject to the income tax.) In making the \$3 billion estimate, the WFA indicated that it did not intend to recommend the appropriation of any specific amount.

The Aiken bill, however, in addition to its food stamp plan, also prohibits food subsidy payments. It would thus be highly inflationary in that it would provide people with additional funds to buy food, while prohibiting the subsidies which have helped to stabilize food prices. Furthermore, the subsidizing of low-income families under the food stamp plan would probably tend to increase pressure from the farm bloc for higher farm prices, since it could then be argued that the price increases would be borne by those able to pay.

Further rise in railroad traffic expected in 1944

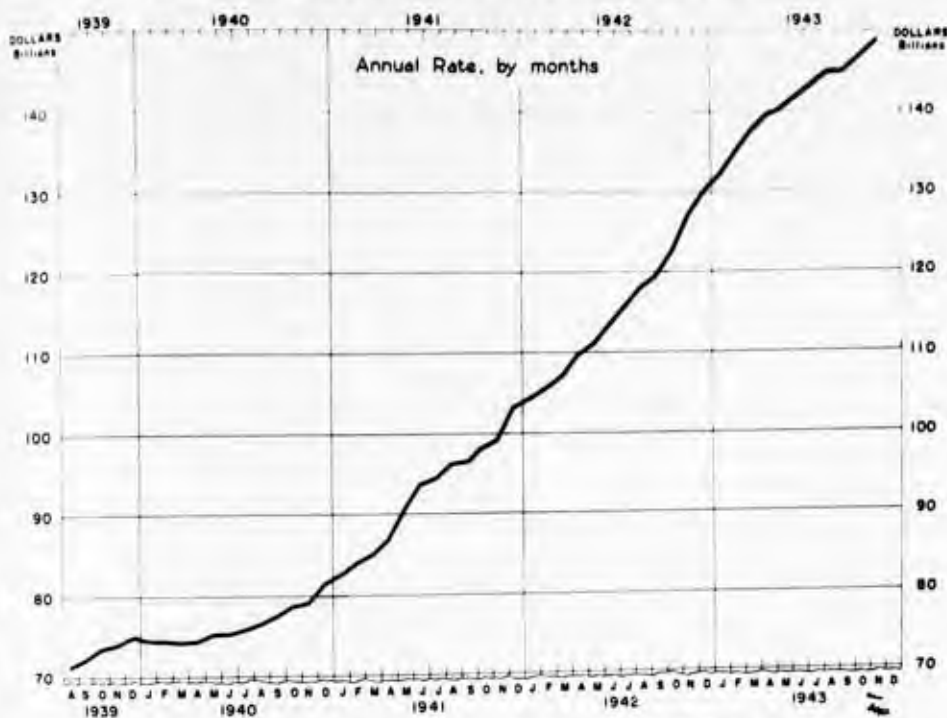
Although railroad freight and passenger traffic in 1943 rose substantially above all previous records, still further increases in traffic are being forecast for 1944. The Shippers' Advisory Boards recently estimated that freight carloadings in the first quarter of 1944 would rise slightly more than 1 percent above the corresponding period last year, while the Association of American Railroads is expecting freight traffic for 1944 as a whole to run from 2 to 5 percent above last year's levels. At the same time, passenger traffic is expected to show a gain of from 10 to 20 percent over 1943.

- 8 -

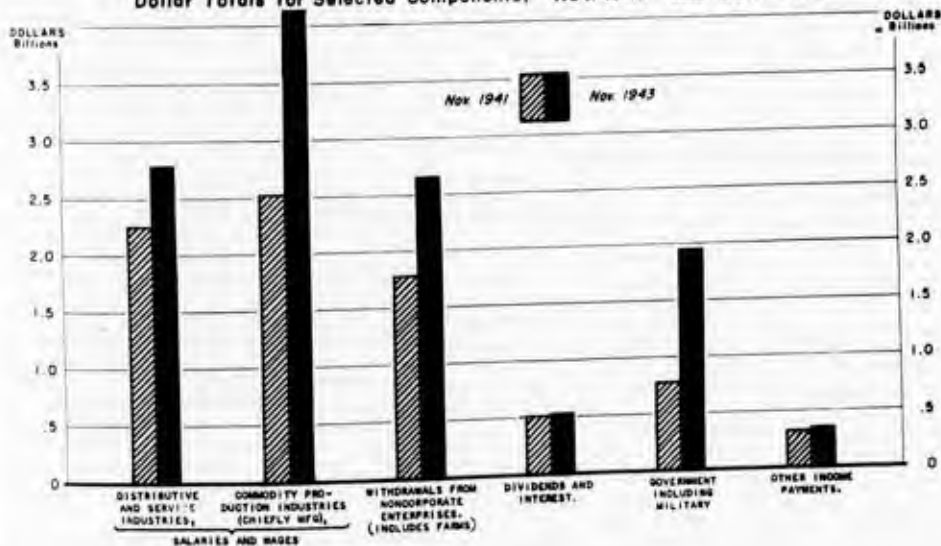
During the first quarter of 1944 the largest gains over year-earlier levels are expected in loadings of agricultural implements, sugar, (including molasses and syrup), fertilizers and citrus fruits, while the largest declines are expected in cement, gravel, bricks, and allied building materials, thus reflecting significant shifts now under way in the war program.

Freight carloadings in 1943 actually declined about 1 percent from the previous year's levels, but preliminary data indicate that the volume of freight carried, measured in ton-miles, increased about 14 percent. This increase was due to the heavier loading of cars, and longer haul per ton, which has characterized war-time railroad operations. Thus reference to Chart 5 will disclose that freight carloadings in November were only 1 percent higher than in the pre-war month of November 1941, but revenue ton-miles of freight were 43 percent higher. Moreover, passenger traffic during the same period has shown an expansion of much greater proportions. The railroads last year handled almost twice as much passenger traffic and one and three-quarters times as much freight traffic as in 1918, despite a marked reduction in the number of locomotives and cars on hand.

NATIONAL INCOME PAYMENTS AND COMPONENTS



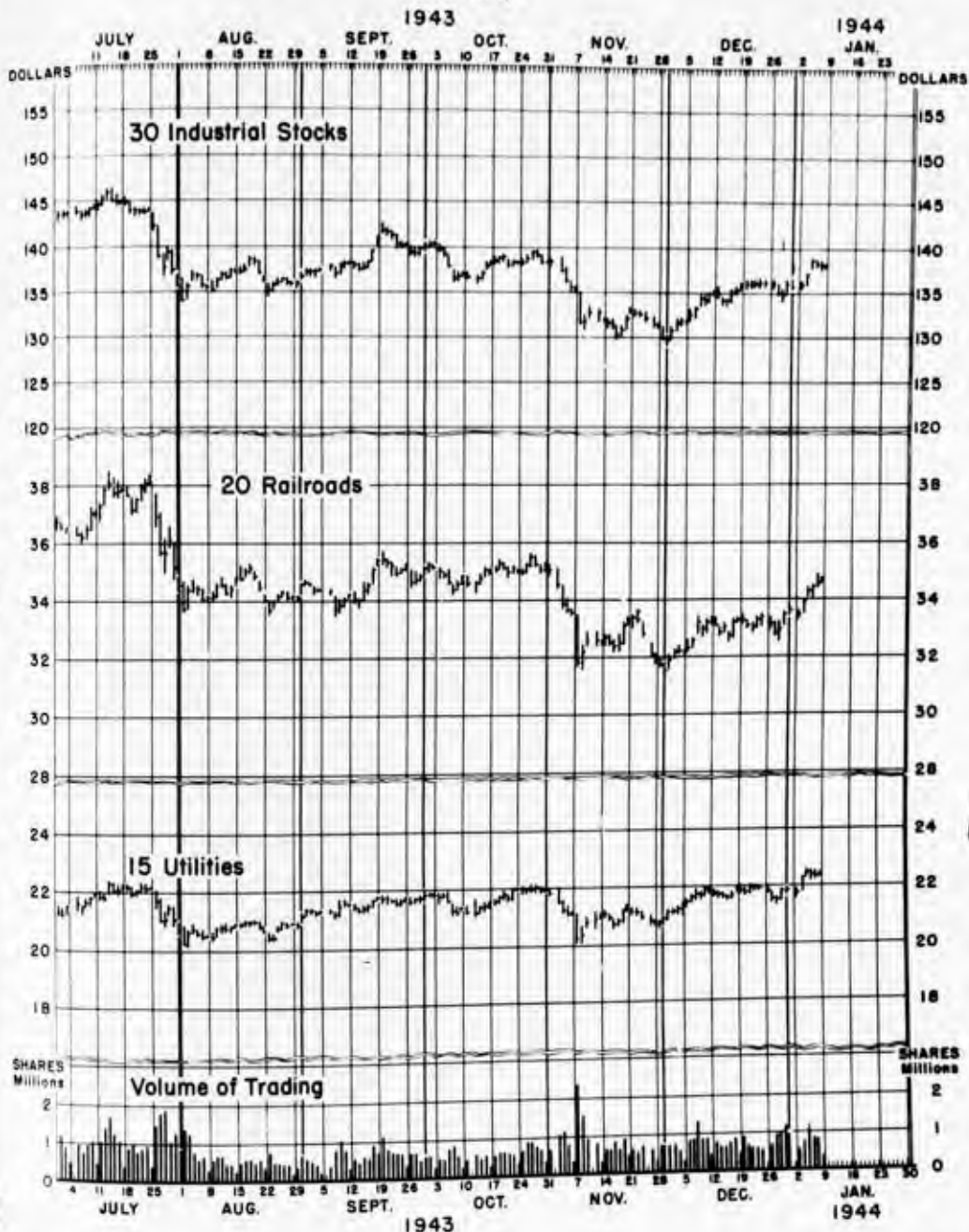
Dollar Totals for Selected Components, NOV. 1941 and NOV. 1943



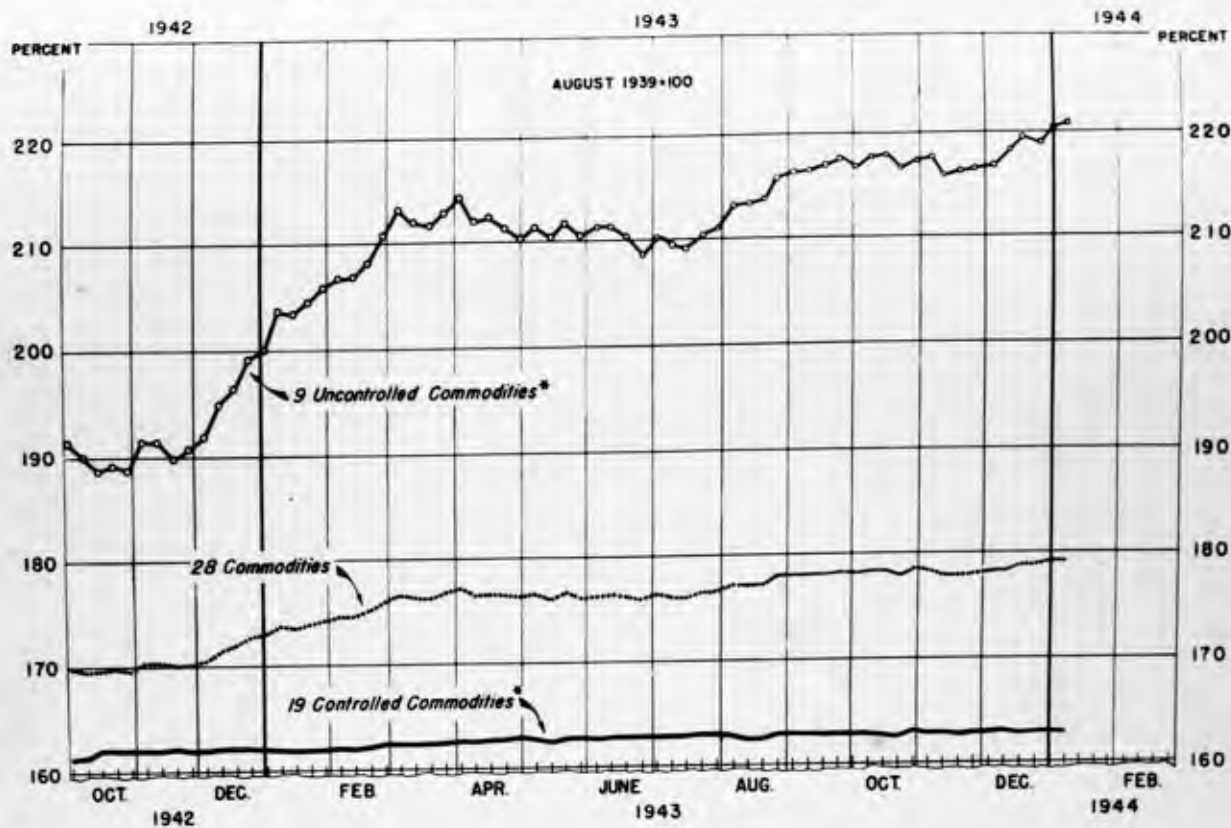
Source: Department of Commerce

STOCK PRICES, DOW-JONES AVERAGES

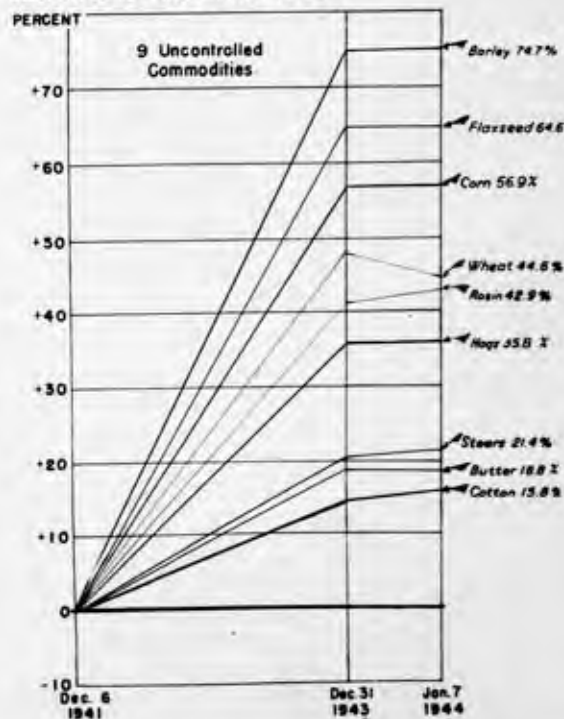
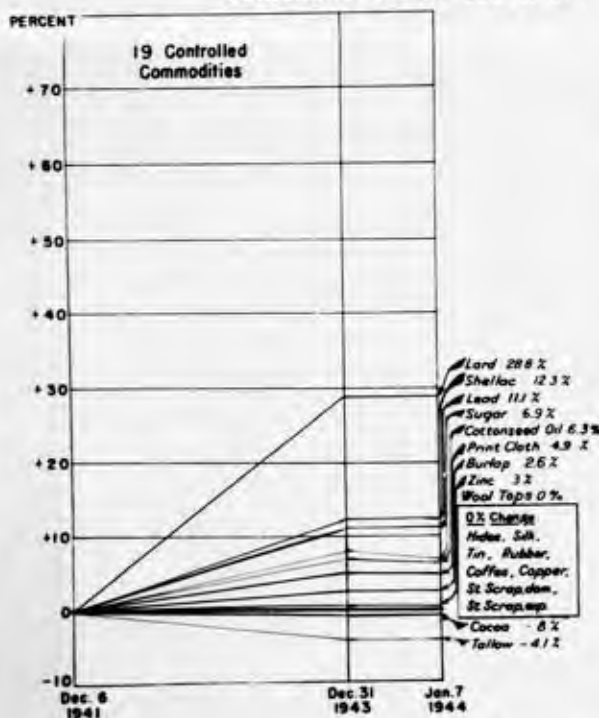
Daily



MOVEMENT OF BASIC COMMODITY PRICES



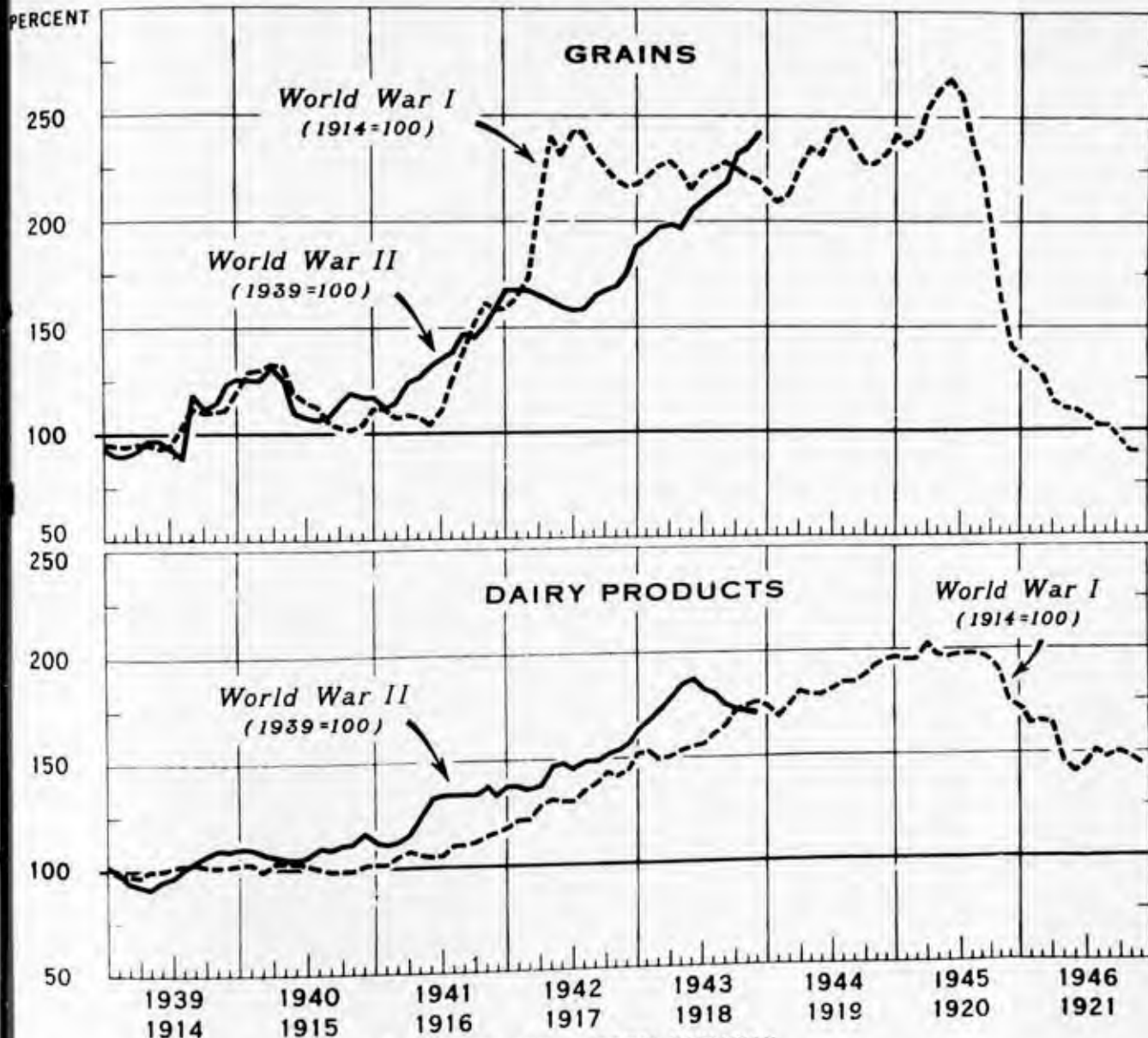
PERCENTAGE CHANGE DEC. 6, 1941 TO DEC. 31, 1943 AND JAN. 7, 1944



* 20 Controlled & Uncontrolled previous to June 26, 1942

PRICES RECEIVED BY FARMERS FOR GRAINS AND DAIRY PRODUCTS, UNITED STATES, 1914-21 AND 1939-43

INDEX NUMBERS*



* ADJUSTED FOR SEASONAL VARIATION

Table I

Lend lease food exports in relation to supply

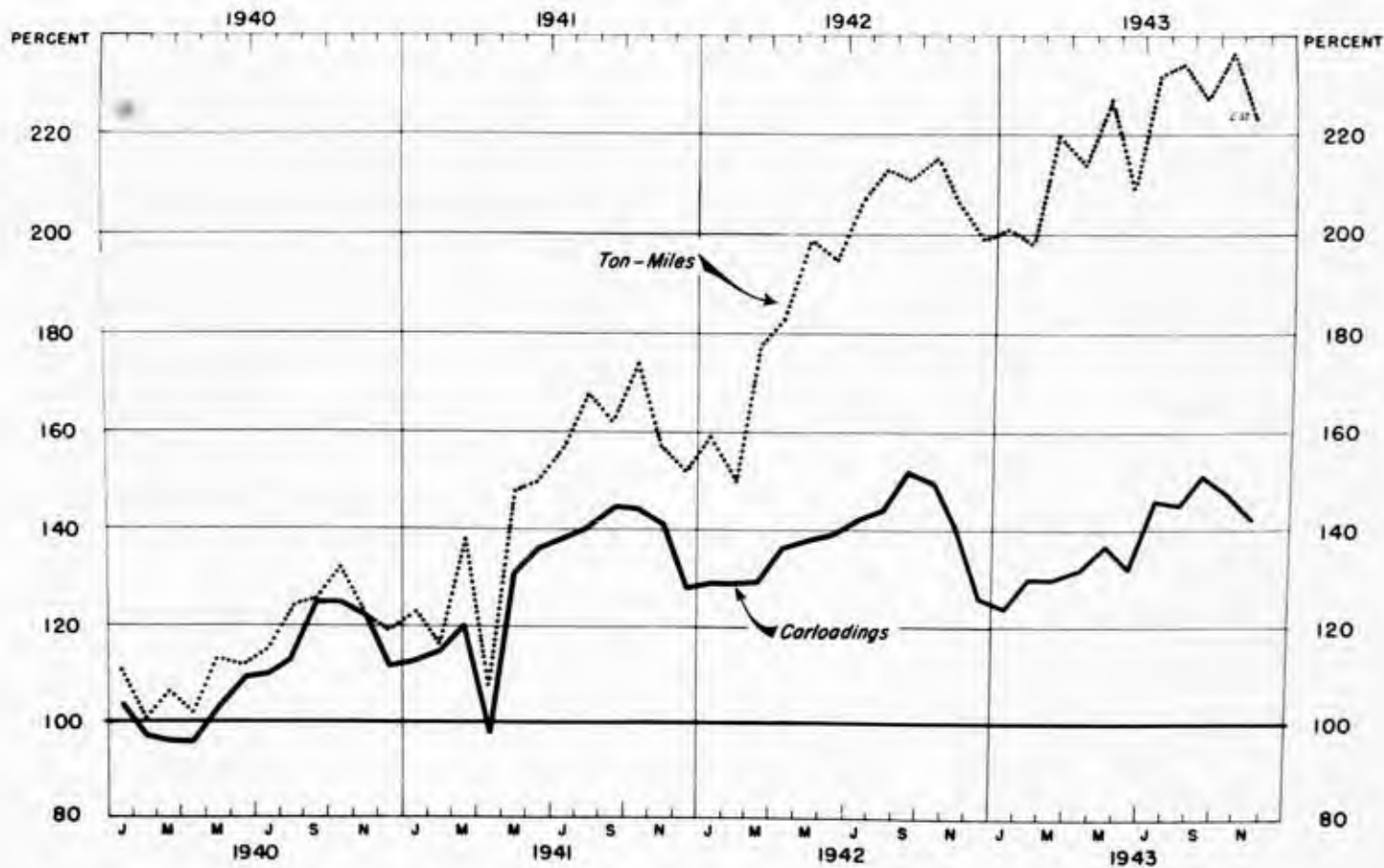
	Exports Jan. - Oct. 1943 (Million lbs.)	Exports in percent of supply	
		Year 1942	Jan.- Oct. 1943 ^{1/}
All meats (dressed wt. basis) ^{2/}	1,902.9	6.1	9.5
Beef and veal ^{2/}	100.7	0.3	1.2
Lamb and mutton ^{2/}	96.7	0.4	11.7
Pork ^{2/}	1,705.5	11.9	15.6
All milk products (fluid milk equivalent) ^{2/}	3,372.6	3.6	3.3
Dry whole milk.....	14.5	6.6	13.1
Dry skim milk.....	181.2	23.0	33.8
Condensed and evaporated milk.....	469.1	9.7	13.6
Butter.....	50.1	0.8	2.7
Cheese.....	117.6	23.6	12.7
Eggs, dried (shell egg equivalent) ^{2/}	757.8	9.5	11.6
Edible fats and oils.....	909.6	11.0	15.5
Canned fish.....	197.3	17.6	23.4
Fruits:			
Canned fruits and juices ^{2/}	337.1	4.1	9.0
Dried fruits.....	231.0	15.9	21.1
Vegetables:			
Canned vegetables.....	70.1	0.9	1.1
Dried beans.....	242.4	4.1	10.0
Dried peas.....	108.0	7.5	16.4
Corn and corn products (grain equivalent) ^{2/}	322.6	0.2	0.1
Wheat and wheat products (grain equivalent) ^{2/}	1,053.4	0.4	1.1

- ^{1/} Assumes the supply for the first 10 months of 1943 as tenths of the total estimated supply for the entire year.
- ^{2/} Not the weight of the finished products as processed and delivered for export.

Source: Thirteenth Report to Congress on Lend-Lease Operations.

RAILROAD FREIGHT TRAFFIC

1935-'39 = 100



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United States Senate

COMMITTEE ON NAVAL AFFAIRS

10 January 1944

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

My dear Secretary Morgenthau:

It was fine of you to take the time and trouble to send me a message of approval of our minority report to the renegotiation statute. Such messages as yours are heartening and encouraging, and I feel confident we will succeed in retaining the renegotiation law practically as it now stands.

With best wishes,

Sincerely yours,

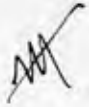
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United States Senate

COMMITTEE TO AUDIT AND CONTROL THE CONTINGENT
EXPENSES OF THE SENATE

Washington, D. C.
January 10, 1944



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

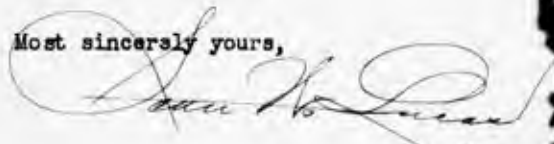
My dear Mr. Secretary:

Please accept my kind thanks for
your warm and cordial letter of January seventh.

I have a feeling that the Senate
may sustain the Minority Report.

With best wishes and kind personal
regards, I am

Most sincerely yours,



SWL:McG

January 10, 1944

TO: Mr. Lynch
FROM: The Secretary

To be disposed of.

OFFICE OF WAR MOBILIZATION

ADVISORY UNIT FOR WAR AND POSTWAR
ADJUSTMENT POLICIES
323 Washington Building
Washington, D.C. 25

Bernard M. Baruch
John M. Hancock

January 7, 1944

The Honorable Henry L. Mergenthan
The Secretary of the Treasury
Washington, D. C.

Dear Mr. Mergenthan:

Mr. Baruch thought you would like to have
a copy of our report transmitting to Justice Byrnes the
Uniform Termination Article and Cost Statement.

Sincerely yours,

Samuel Lubell

Samuel Lubell

Enclosure

January 7, 1944

Dear Justice Byrnes:

Herewith we are transmitting with our approval and the recommendation that they be made effective, a Uniform Termination Article for Government fixed-price war supply contracts and a Statement of Principles on the Determination of Costs, which have been drafted and unanimously agreed upon by the Joint Contract Termination Board, established at your direction on November 12, with representatives of the major war procurement agencies - War and Navy, Treasury, Maritime Commission, the RFC subsidiaries and the Foreign Economic Administration.

To facilitate war procurement and because of the need to insert this Termination Article into new war contracts, and to give contractors the earliest opportunity to have this Article included in their existing contracts, the Joint Board has asked that the Termination Article and Cost Statement be announced immediately, in advance of the broader program of contract termination policies on which we are working and which we will recommend to you.

This Termination Article and Cost Statement deal with only two of the many aspects of contract termination policies. They fill a long-felt need for a clear definition of what are the rights of

Government and contractors when war contracts are terminated - a definition that will be fair to contractors while protecting the Government, and the same definition to bind all of the war procurement agencies.

The Termination Article and Cost Statement are not intended to cover and should not be confused with the many other aspects of contract termination policies including such questions as payments and loans, settlement procedures, the keeping of adequate records and protection of the public interest, the special problems of subcontractors, appeals, company-wide settlements, the disposal of property and the need for legislation. All of these problems are enmeshed in many difficulties which are being cut through and will be reported on to you.

The fact that the termination provisions in Government war supply contracts are to be simplified and made uniform is an important contribution to and can be described as the first step in developing a full set of clearcut, workable policies on contract termination; but it is only the first step.

We trust there will be no speculation that our release of this Termination Article reflects a belief in an early end of the war. Contracts are being terminated and settled regularly as the needs of war change. The unifying and simplifying of the Government's contracts is a war measure, as well as a preliminary step in preparing for demobilization.

To clarify some of the questions that are not covered in this Termination Article and Cost Statement, our objectives on some of the unsettled problems might be stated:

1. How to apply the principles of this Uniform Termination Article to subcontractors, is under careful consideration. A number of serious administrative problems are involved that require further study. Our objective is to have the same principles of contract settlement apply to subcontractors as well as prime contractors.
2. As to payment, our objective is quick payment of what the Government owes so that our great productive capacity can be fully utilized for war and peace - destroying the dangers of unemployment and inflation.
3. The development of the necessary safeguards to protect the Government's interest in both the settlement of contracts and the disposal of property; including not only adequate records but also protective methods for the prevention and detection of fraud.
4. On the clearance of Government-owned materials and equipment from the plants of both prime and subcontractors, we have set for ourselves the objective of assuring prompt clearance with a deadline of not later than 60 days after the filing of inventory lists, and with manufacturers having the right to remove and store this property at an earlier date at their own risk.

Manufacturers will benefit from having this Termination Article in their contracts. It will assure uniform handling of their claims by all of the agencies with which they have contracts, eliminating possible conflict and confusion over varying contract provisions; it will make for swifter and more equitable settlement, give manufacturers a clear definition of their rights; reduce litigation.

The desirability of having a standard Termination Article for all agencies has been generally recognized. It has been advocated by business groups; independent organizations; the procurement agencies themselves as well as several important committees of Congress including those headed by Senators George and Murray.

Efforts to develop such a uniform termination clause have been going on within the Government for more than a year and a half. The fact that agreement has been obtained in these last weeks is a tribute to the fine, cooperative spirit with which the Joint Contract Termination Board and its staff has functioned and to the preparatory work that has been done by other agencies, particularly that done under the auspices of the War Production Board.

The Article applies only to domestic contracts, not foreign. Consideration is being given to certain other exceptions and an approved list of such exceptions will be issued soon. Obviously, where the sums involved are so small or the time of the contract is short, the Termination Article is not needed.

In drawing up this Article, the Joint Board was under instructions to protect the Government's interests fully, not giving contractors more than they are entitled to under existing contracts, but to assure them their just and fair rights. The Termination Article necessarily is a merging of the many types of contract termination provisions that have been used by the agencies and will not fit all cases perfectly. Differences between this Article and

existing contracts will be outweighed by the advantages of the unified, simpler and speedier procedure for settling contracts which this Uniform Termination Article makes possible.

Both the Termination Article and Cost Statement are confined to broad, workable principles, with details left to be covered in administrative regulations, manuals and instructions. Many points were not included because they were questions of detail which will require constant refinement in the light of experience and could be handled best by regulations which can be revised readily and which are more easily adjusted to special cases.

Briefly summarized, the Termination Article provides that the Government may terminate a prime contract at any time by giving notice, which is the common provision in existing contracts. What the contractor must do on receiving his termination notice is set forth. Contractors will be paid for all completed articles at the contract price.

Two types of settlement are provided for: one, for the contractor and the Government to agree upon a fair and reasonable settlement through negotiation; the second, if such negotiations prove unsuccessful, for settlement through the application of a specified formula.

Of particular interest, is the margin of profit allowed on work which the contractor has begun but has not completed. Clearly,

the simplicity of a flat, uniform rate of profit would yield enormous administrative benefits in easing the problems of settlement for both contractors and the Government. However, under certain conditions, a single flat rate might give excessive profits, as where a manufacturer's costs consisted largely of assembling an inventory of raw materials.

Accordingly, a profit formula was devised which (a) limits the aggregate profit in all cases to a maximum of 6 percent; and (b) further limits to a maximum of 2 percent the profit on unprocessed inventory, and only to the extent that this inventory is properly allocable to the contract. Both these rates of profit are maximums and there will be instances where only a fraction of a percent profit will be allowed on raw materials. Obviously no profit will be allowed except on work done or costs incurred.

We have felt that it would contribute to fair and speedy settlement, with protection for both the Government and the contractor, to set forth a specified, though not too rigid, yardstick for measuring profit.

The Cost Statement is based upon the recognition only of those costs that are properly allocable to the contract and only to the extent that they are quantitatively reasonable for the performance

of the whole contract. In determining these costs, recognized accounting practices are to be used. The Cost Statement goes further to clarify some of the uncertainties that have arisen in the minds of contractors as to which costs are properly allocable to the contract and which are definitely excluded.

In bringing the drafting of this Termination Article and Cost Statement to decision and conclusion, our thinking has been that the interests of both contractors and the Government will be best served by a clear definition of their mutual rights and obligations and by preparing the ground for prompt settlement on the basis of those rights and obligations.

Sincerely,

Bernard M. Baruch

John M. Harbock

Honorable James F. Byrnes
Director
Office of War Mobilization

JAN 10 1944

My dear Mr. President:

There is attached a report of Lend-Lease purchases made by the Treasury Procurement Division for the Soviet government indicating the availability of cargo for January.

The inventory of materials in storage as of January 1, 1944 was 337,674 tons or 565 tons less than the December 1st inventory. Production scheduled for January shows a decrease of 92,112 tons as compared with December.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

5
The President

The White House

MS

TREASURY DEPARTMENT - U. S. S. R.
MATERIALS AVAILABLE FROM STORAGE AND PRODUCTION DURING JANUARY, 1944

<u>COMMODITY</u>	<u>STORAGE</u> <u>JANUARY 1, 1944</u>	<u>PRODUCTION</u> <u>DURING JANUARY</u>	<u>TOTAL AVAILABLE</u>	<u>PRIORITY CARGONS</u> <u>TO PORT AREAS</u> <u>SPECIFIED TO DATE</u> <u>FOR JANUARY</u>
AGRICULTURAL MACHINERY AND IMPLEMENTS		61	61	
ALUMINUM	791	648	1,439	1,439
BEARINGS	203	83	286	90
BRASS AND BRONZE	9,954	5,951	15,905	10,192
CHEMICALS	9,674	353	9,927	8,008
CONSTRUCTION MACHINERY		758	758	
COPPER IN VARIOUS FORMS	54,590	7,386	61,976	10,808
FERRO-ALLOYS	788	1,246	2,034	896
GRAPHITE PRODUCTS	532		532	
HAND AND CUTTING TOOLS		557	557	
INDUSTRIAL MACHINERY	97,282	13,484	110,766	23,234*
LEATHER AND LEATHER PRODUCTS		59	59	
NICKEL AND NICKEL PRODUCTS	349	177	526	336
PAPER AND PAPER PRODUCTS	13,544	384	13,928	616
PLASTICS	1,611		1,611	
RUBBER	1,622	8,099	9,721	6,328
STEEL, ALLOY AND SPECIAL	43,305	7,445	49,750	17,668
STEEL, CARBON	50,148	4,967	55,115	9,872
STEEL, PIPE AND TUBING	45,811	753	46,564	6,835
STEEL, RAILS	277		277	277
TIN PLATE	8,193	1,972	10,165	3,360
ZINC		<u>1,792</u>	<u>1,792</u>	<u>1,792</u>
TOTAL	337,674	55,075	393,749	100,751

*In addition, all available tonnage applicable to the Oil Refinery Program is classed as priority cargo for prompt shipment to ports.

297

14-00000

THE JOINT CHIEFS OF STAFF
WASHINGTON 25, D. C.

c 5617

10 January 1944.

THE JOINT CHIEFS OF STAFF
RECEIVED
JAN 10 1944

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

Dear Mr. Secretary:

The Joint Chiefs of Staff have considered your letter of January 1 pertaining to the proposed conversion of an estimated twenty to thirty million pounds sterling of Portuguese balances into gold.

From a military point of view the Joint Chiefs of Staff perceive no objection to the proposed conversion but suggest that in your reply to the British Treasury there be included a recommendation substantially as follows:

"While the U.S. Treasury Department can see no objection to the proposed conversion, it is suggested that it be accomplished under such safeguards as are possible which will prevent the use of the converted gold balances from in any way being placed to the credit of any of the Axis nations or being permitted to be used as a basis of trade interchange which might prove of valuable assistance to the Axis nations."

Sincerely yours,

For the Joint Chiefs of Staff:

William D. Leahy
WILLIAM D. LEAHY,
Admiral, U.S. Navy,
Chief of Staff to the
Commander in Chief of the Army and Navy.

SECRET

January 10, 1944

MEMORANDUM

Between November 4, 1943 and the end of the year, approximately \$12,000,000 of gold held here under Argentine earmark was shipped on Argentine instructions to Buenos Aires.

Eight shipments of such gold of \$1,250,000 each have been scheduled to be made to Argentina during January as follows:

January 8	SS Gualequay
January 12	SS San Juan
January 14	SS Primero
January 18	SS Mendoza
January 18	SS Segundo
January 25	SS Jachal
January 25	SS Juramento
January 30	SS Parana

The gold to be shipped on the Gualequay and San Juan is at present in New Orleans. The Gualequay, scheduled to sail January 8, has been delayed and is now scheduled to sail from New Orleans on an unspecified date during this week. The shipment scheduled to sail on the Primero is leaving New York by Railway Express this afternoon.

A. U. Fox

Mr. Margathan

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMEMBASSY, London
DATED: January 10, 1944, 6 p.m.
NUMBER: 242

CONFIDENTIAL

The following is for your information:

With respect to the license which was issued to the World Jewish Congress recently to transmit funds to Switzerland for arranging the evacuation of refugees in France and Rumania, referred to in your telegram of December 15, 1943 No. 8717, and with particular reference to the second sentence of our telegram dated December 18, 1943 No. 7969, this situation differs in the following respects from those relating to the prevention of the enemy from obtaining foreign exchange:

1. Rumanian Aspects of the Plan:

Persons in Rumania are to make available the funds actually to be used to finance the evacuation and the funds are to be in local currency. Claims against a blocked account in Switzerland will be received by persons furnishing funds in this way, which claims

are

-2-

are not assignable for the duration of the war and are only to be honored upon certification by a World Jewish Congress representative that funds or services have actually been provided in connection with the plan by the claimant.

2. French Aspects of the Plan:

The French francs are to be bought either in France or in Switzerland under substantially identical conditions, except that if the seller of such French francs is in Switzerland and is not an enemy national, his claim against the blocked account may be assigned if the French francs have been held by such seller since before France's fall or, if acquired subsequent to the fall of France, the French francs have accrued to the seller from investments or dividends in France or similar transactions which were not beneficial to the enemy.

The representative of the World Jewish Congress, Dr. Riegner, is further directed to insure the possibility of foreign exchange being made available to persons in enemy occupied territory or to persons who have furnished neither funds nor services in connection with the plan, is reduced to a minimum,

and

-3-

and furthermore he is required to insure to the best of his ability that the suppliers of the local currency are persons satisfactory to the United States Legation. Also he is required to give to the Legation periodic reports concerning the operations carried on pursuant to the license.

We believe the foregoing safeguards will effectively prevent the enemy from acquiring any foreign exchange as a result of these operations and therefore it is our view that the Germans will not be encouraged by these operations to further persecution for the sole purpose of extracting foreign exchange.

You are informed that a substantially identical operation on the part of the American Jewish Joint Distribution Committee has been approved by us. The American Jewish Joint Distribution Committee operation is confined to France but allows the financing of arrangements designed solely for the purposes of relief in addition to arrangements looking toward the evacuation of persons in imminent danger of their lives. Similar safeguards against the enemy acquiring foreign exchange are provided and in this case the above comments with respect to the program of the World Jewish Congress are also applicable. We have

received

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received your telegram of January 7, 1944 No. 139
and it is presumed that in the near future discussions
regarding the subject will take place.

HULL

THE FOREIGN SERVICE
OF THE
UNITED STATES OF AMERICA

393-A

No. 13208.

AMERICAN EMBASSY
London, January 10, 1944.

Subject: Draft Minutes, IGC Executive Committee,
January 4, 1944.

The Honorable
The Secretary of State,
Washington.

Sir:

1/ In despatch no. 13011 of December 31, 1943 the Embassy referred to the agenda for the January 4 Executive Committee meeting of the Intergovernmental Committee on refugees. I now have the honor to enclose a copy of the draft record of the meeting, which draft has been circulated to those attending the meeting for any corrections.

In the draft are references to previous memoranda which were enclosed with the Embassy's despatches no. 12968 and no. 12969 of December 28, 1943 and despatch no. 13011 of December 31, 1943.

In attending the meeting on January 4 I carried out fully the Department's instructions (see the Department's telegram 35, January 2, 1944), as indicated in the draft record.

Respectfully yours,

/s/ John G. Winant
John G. Winant

Enclosure:

1/ Draft record of the proceedings of the fourth meeting of the Executive Committee of the Intergovernmental Committee, January 4, 1944 (IG/EX/4; single copy).
CC/PB

NOT TO BE RE-TRANSMITTEDCOPY NO. 12BRITISH MOST SECRET
U.S. SECRETOPTEL No. 11

Information received up to 10 a.m., 10th January 1944.

1. NAVAL

H.M. Ships escorting a southbound convoy in South Western approaches probably sank two U-boats on 8th/9th. An east-bound convoy northeast of BENGHAZI was twice attacked yesterday by enemy aircraft, one of which was shot down.

2. MILITARY

ITALY. To noon 9th. 8th Army. Increased enemy patrolling and considerable activity against our forward positions by artillery and mortars. Some improvement in weather.

5th Army. Some advance has been made northeast of CERVARO.

3. AIR OPERATIONS

ITALY. 7th. 184 Fighters successfully attacked communications and other objectives in the battle area.

8th. 92 medium and light bombers effectively attacked railway communications near ROSE.

YUGOSLAVIA. 8th. 48 medium Bombers (one missing) bombed METKOVIC dropping 66 tons with good results and shooting down 3 enemy aircraft.

TREASURY DEPARTMENT

Regraded Unclassified