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DEPARTMENT OF STATE
WASHINGTON

May 30, 1944

in reply refer to
C

Dear Henry:

In accordance with the request contained in your letter of May 22, 1944, the telegrams which you wished sent for Mrs. Morgenthau were transmitted immediately to Mrs. Churchill, Madame Chiang Kai-Shek and Madame Molotov.

I shall of course forward the replies to you as soon as they are received.

Sincerely yours,

The Honorable

Henry M. Morgenthau, Jr.,

Secretary of the Treasury.



COPY

2

9032 45 COLLECT GOVT

TOWD BEACON NY MAY 30 19441232p

FREDERICK SMITH

OFFICE OF SECY OF THE TREASURY

I LIKE AND APPROVE OF YOUR TWO BULLETINS ONE WHY ARE WAR
BONDS NECESSARY AND TWO WHERE IS THE MONEY COMING FROM. CAN THESE
TWO PHAMPHLETS BE READY FOR THE FIFTH WAR LOAN, PLEASE SPEAK TO
ME ABOUT IT WEDNESDAY ENNX IS

HENRY MORGENTHAU JR.

112p

WHY ARE WAR BONDS NECESSARY?



This is the first in a series of five pamphlets for War Finance volunteers explaining the whys and wherefors of our War Finance program.

By Henry Morgenthau, Jr.
Secretary of the Treasury

We have been through four successful War Bond Drives.

Each time you volunteers have done a better and more thorough job than before. You have managed to increase your ranks from a few thousand volunteers to more than five million volunteers -- the largest and most active Home Front Army in the history of the world; and with each drive, you have increased the number of customers you have personally contacted and talked to -- and personal contact, in the final analysis, is the foundation of success in these drives.

From time to time, many of you have asked questions about our War Financing program. It is encouraging to have you ask questions, because they show that you have a wholesome interest not only in selling Bonds, but in the whole problem of War Finance. In this series of pamphlets I hope to explain many things often asked about our program.

I want to explain the background of the War Financing program; I want you to know why we need the money, and where it lies; I want to tell you frankly how much progress we have made thus far; and I want to explain why various series of Bonds with different features have been issued.

As everybody knows, the Government levies taxes and makes expenditures -- and insofar as the taxes do not cover the expenditures, it becomes necessary to borrow money.

This pamphlet -- Why Are War Bonds Necessary? -- tells the story behind the money we borrow.

WAR COSTS HAVE INCREASED STEADILY

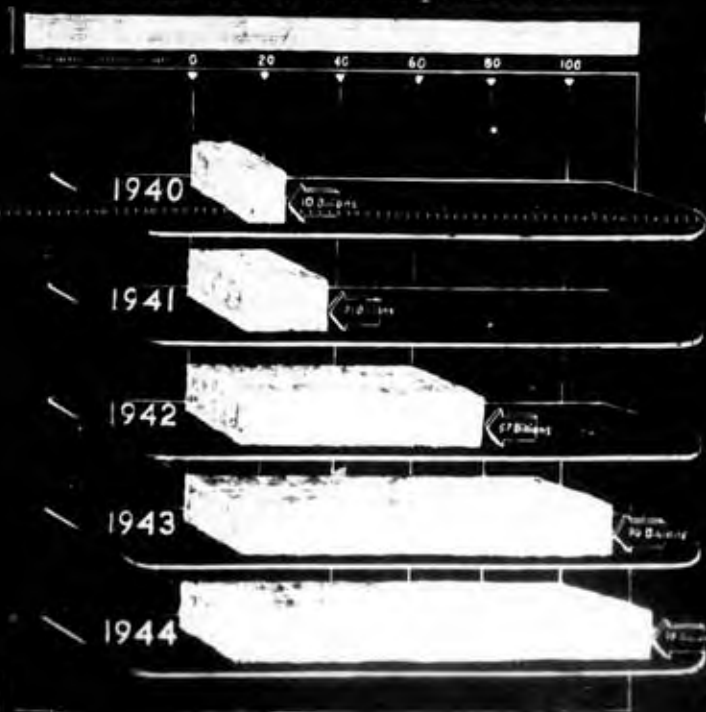
In 1940 our defense program began. The war had started in Europe in September 1939; France fell in June 1940; the Office of Production Management, which later became the war production Board, started functioning in July 1940; the anti-Axis nations began large purchasing programs in the United States early in 1940, and Lend-Lease was not begun until the Spring of 1941.

Defense expenditures in 1940 amounted to \$3 billions. Non-war expenditures by the Federal Government amounted to \$7 billions, making total expenditures of \$10 billions.

For the calendar year 1944-it looks as though Federal expenditures will amount to \$99 billions, or about 10 times the 1940 rate.

All of this increase has been for war. The non-war costs of Government have remained virtually stationary.

Here are our Federal Expenditures:

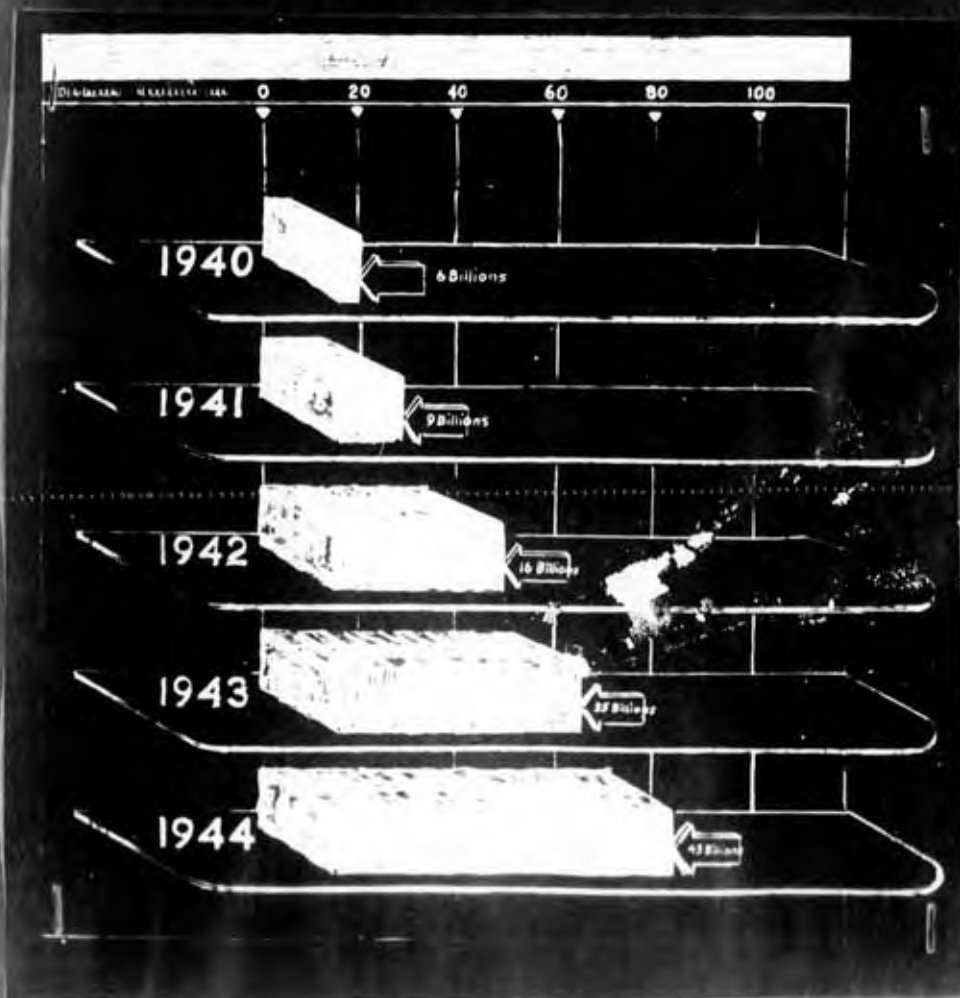


TAXES HAVE GONE UP ... BUT NOT ENOUGH TO NEARLY COVER
THE INCREASED COSTS

It is hardly necessary to mention that taxes have gone up sharply during the war period.

In the calendar year 1940 Federal taxes brought in about \$6 billions. This year they will amount to \$43 billions, or about seven times the 1940 amount.

Here are our Federal Taxes:



... SO WE HAVE AN UNPRECEDENTED DEFICIT

This year the deficit is estimated at \$56 billions, or 14 times the 1940 figure.

Here is the record of the Federal Deficit:



\$56 billions is a lot of money to borrow. It is over twice as much as we borrowed during all of World War I. It is as big as our entire national income a few years ago. It is bigger than our whole tax bill will be in 1944 including state and local taxes of every variety as well as Federal taxes.

NINETY-FIVE CENTS OF EVERY DOLLAR SPENT GOES FOR WAR

Munitions output is taking 64 cents of each dollar being spent this year by the Federal Government. Aircraft alone is taking 21 cents, and ships 14 cents.

Military pay and subsistence is costing 17 cents out of each dollar and other war expenditures 14 cents, making a total of 95 cents for war.

Non-war expenditures take 5 cents of each dollar of expenditures.



WILL CUT-BACKS REDUCE THE DEFICIT THIS YEAR?

A number of military production programs have been cut back and others may be cut back in the future. Military equipment programs are subject to constant readjustment as time passes and as military operations proceed. As rapidly as these cut-backs have taken place, however, increases have been announced in other programs so that, from the standpoint of dollars, the over-all extent of the total program remains about the same. There have been, for example, new increases in landing craft and in artillery. Orders for radar and other electronic devices have been increased lately also. The military and production authorities assure us that with the crucial stage of the European war still ahead of us, over-all production needs are likely to increase, or at least hold steady, rather than to decrease.

For example:



It looks as though we shall have to count on war expenditures staying up where they are now and maybe even rising some in the next few months.

Possibly you have read about certain appropriations being turned back by the Army and Navy. This does not in any way reduce the costs of war.

The way Congress authorizes spending is by passing an appropriation law. This means that the legal right of an agency to spend a certain amount is established but no actual money is handed to the agency. The money will be provided by the Treasury from taxes or borrowing when the need arises for the expenditure within the terms of the appropriation law.

Total appropriations for the war have amounted to well in excess of \$300 billions, but actual spendings for the war have totaled less than \$200 billions up to the end of April. Occasionally an appropriation will be "returned" up to a given amount by the Army or Navy through agreement with the Budget Bureau. Or, the legal right to use an appropriation may expire. We can be sure that not every dollar appropriated will be spent, although new appropriations will continually swell the available spending authorizations as long as the war continues.

In summary, the deficit is probably not going to be reduced this year even though appropriations are "returned" in part occasionally and cut-backs are announced for certain programs.

We shall have to face facts and plan on financing a deficit of about \$56 billions during the fiscal year 1944.

We have a choice of two ways of financing this deficit. One is by selling bonds to individuals and corporations; the other is by going to banks and getting money. There are definite reasons why "bank money" is not the best money to use to finance so large a deficit. Getting money this way does not contribute to our program of holding war-time inflation in check. It does not drain off the spending power of the American people, which is higher than it has ever been in history; in fact, "bank financing" tends to put more money into circulation, thus undermining our stabilization control program.

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To the greatest extent possible, therefore, we should finance this deficit of 56 billion dollars through the sale of bonds.

That is your job, and when you do it you are not only financing the war, but you are also helping to build a sounder economy for the men who will return to their old lives and their old jobs after the war.

THE FIFTH AND SIXTH WAR LOANS

We have some heavy work facing us in the Fifth and Sixth War Loans.

The goal in the Fifth Loan is \$16 billions, and the goal for individuals has been raised to \$6 billions, the highest so far. We shall have to enlist more volunteers, call on more people, and handle a larger number of Bonds than ever before.

In the fourth war loan we had 5-1/2 millions volunteers and total sales amounted to \$16.7 billions. Seventy million individual bonds were sold.

For the Fifth Loan we shall probably have to call on more people than ever before, and we may need to enlist more volunteers to accomplish the job.

As in the third and fourth loans, the goals for the Fifth war loan are for sales to non-bank investors. Commercial banks will be eligible to buy a limited amount of securities under a formula permitting them to invest part of their savings accounts, but these purchases will not count toward the goal. The banks are planning a big program than ever before in helping to sell securities to individuals and corporations. Plans are being worked out to get every bank depositor to suggest that he should be prepared to draw down deposits and invest in government securities. The banks are also prepared to help individuals and corporations buy war bonds in anticipation of the Fifth war loan sales. Loans for the purpose of buying government securities are being discouraged.

The Sixth War Loan will be coming up sometime towards the end of the year. It is still too early to tell what the goals will be, but the Treasury's need for funds to finance the war will continue to be large for some time.. Here is our past War Bond record:

• Dollar Amount of Bonds Sold -



• Number of 'E' Bonds Sold -



• Number of Volunteers -



WHERE IS THE MONEY COMING FROM?



This is the second in a series of five pamphlets for War Finance volunteers explaining the whys and wherefors of our War Finance program.

By Henry Morgenthau, Jr.
Secretary of the Treasury



Our national economy is like a huge spiral. Money going into the production of goods becomes our national income.

In peace-time, our national income is equal to the amount of money spent in producing everything from automobiles to bottle openers, including all the things that contribute to our high standard of living. In times of war, our national income is the sum total of money spent in the production of guns, tanks and planes and other war equipment, plus the money spent in what is left of civilian production.

Therefore, we know how much money is earned by the American people and American corporations, because we know how much is being spent in war and civilian production. We know, for example, that \$201 billions will be spent in production in 1944 (according to current estimates) and therefore our national income will be \$201 billions.

Therefore, to get a line on the amount of money which the American people have, let us first look at the production picture: The total value of production in 1944 is expected to be more than twice as high as in 1940. The increase is accounted for almost entirely

by war production; as you will see in the chart below.

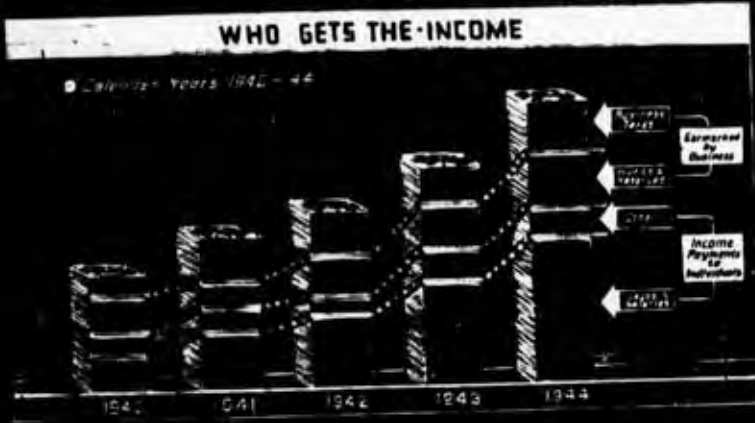


These figures represent the dollar value of production, of course, and since many prices have risen, overstate the increase in real physical volume. We can ignore this point here, however, because we are interested in the dollar figures as they flow through to income rather than in figures on tonnage or yards.

The next thing to consider is: Who gets this income -- how is it distributed between business and wage- and salary-earners?

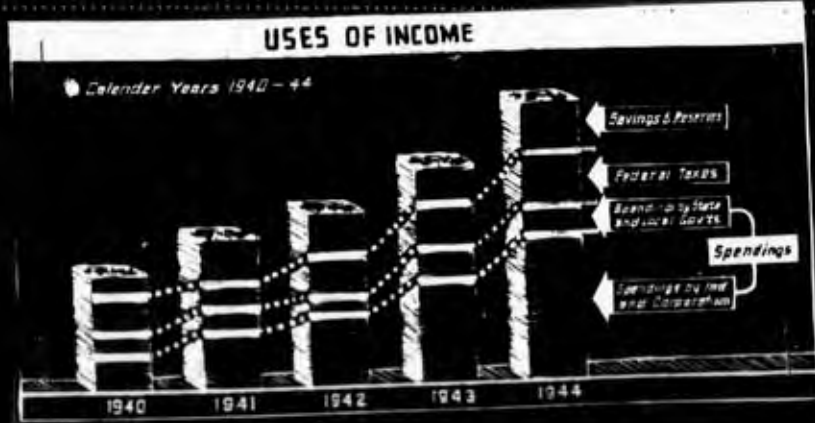
Generally speaking, we can say that about three-quarters of the income generated by production is paid out to individuals. The remainder is earmarked by business to pay taxes and to accumulate profits and

reserves. Here is the breakdown:

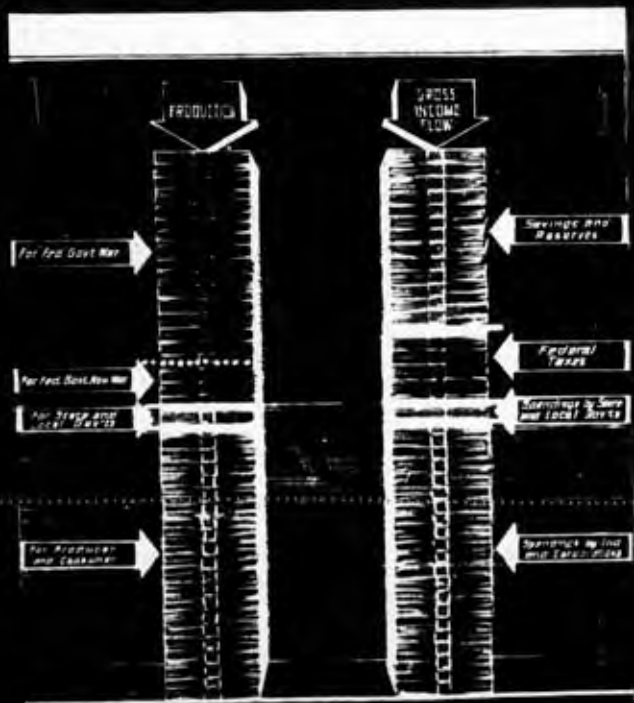


Now: What becomes of this income?

All income is used in one of three ways: to buy goods and services, to save or increase reserves, and to pay taxes. This is true of income received by individuals or income earmarked by business. Individuals buy food and clothing and other consumers' goods and services. Businesses buy plant and equipment and accumulate inventories.



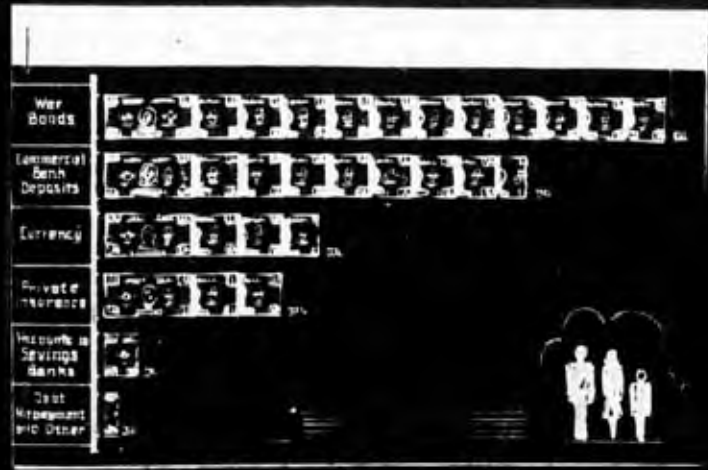
Spending, Federal taxes, and savings and reserves have all increased during the war period. The increase in savings and reserves has been from \$4 billions in 1940 to \$56 billions estimated for 1944. As you will remember in Pamphlet No. 1, we pointed out that the national deficit in 1940 was \$4 billions, and in 1944 would be \$56 billions. Thus you can see that the increase in savings and reserves corresponds with the increase in the Federal deficit. The fact is that the Federal deficit is matched by the savings and reserves of everybody else:



The 1944 deficit of \$56 billions will be matched by savings and reserves of \$56 billions, \$38 billions of which will be saved by individuals, \$12 billions by corporations, and \$5 billions by governmental agencies, mostly social security funds.

WHAT BECOMES OF THESE SAVINGS?

From the beginning of 1940 through February 1944, individuals saved a total of \$81 billions, of which \$32 billions saved in war bonds was the largest item. (The term War Bonds is used in this report to include all Federal securities). Here is a chart showing the savings of individuals from January 1, 1940 to February 29, 1944.



Commercial bank accounts are the second largest item -- \$24 billions. Currency -- folding money -- is next with \$12 billions. Part of these large accumulations in commercial bank accounts and in currency are needed because of the great increase in business activity during the war period; another part, however, is idle and could easily be placed in War Bonds, where the temptation to spend would be reduced. The American Bankers' Association is planning a special drive in connection with the Fifth War Loan to sell War Bonds to people whose bank accounts and currency are in excess of their actual needs. Every banker is being urged to contact every depositor to ask him to use some of his money in bank accounts and currency to buy War Bonds.

We have shown that individuals invested 32 billions in War Bonds. Now, how about the corporations, and government agencies where \$18 billions of the \$50 billions is saved? Here is the record of what was done with those savings -- plus the individual savings that went into the hands of banks and insurance companies:

INSURANCE COMPANIES AND SAVINGS BANKS:

In the four years and two months ending with February 1944, private insurance companies received \$10 billions of individuals' savings, while savings banks received \$1 billion.

All of these funds were invested in War Bonds. Savings banks also shifted other assets into war bonds during the period.

Insurance Companies -



Savings Banks -



CORPORATIONS:

Since the beginning of 1940, corporations have added to their savings certain new liquid reserves. They have thus set aside about \$30 billions. About three-fourths of these funds have been placed in War Bonds, while one-fourth was used for debt repayment, bank accounts and other uses.



GOVERNMENTAL AGENCIES:

In the four years and two months ending with February 1944, State and local governments had budget surpluses of \$6 billions, and Federal agencies and trust funds accumulated \$10 billions, mostly in social security funds.

About a third of the budget surpluses of State and local governments was invested in War Bonds while the remainder was used to repay debts and to build up bank balances. Federal agencies and trust funds invested all their new funds in War bonds, and also shifted some other assets to war Bonds.



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As you can see from the previous charts, a very large portion of our national income is going into War Bonds. However, as you may have figured out for yourselves, much of our saving might go into Bonds, and are not at this time. It is our job to get more and more of this money.

We can measure our success in the Fifth and Sixth War Loan by the amount we have decreased currency holdings and excess money in commercial bank accounts.

May 30, 1944

My dear Mr. Gathings:

I have already received an invitation from Blytheville, but unfortunately I have had to turn it down because I must be in Los Angeles the day after my broadcast in Texarkana. Therefore, it will be necessary for me to leave on the morning of June 13 for Los Angeles.

I should like very much to go to Blytheville, and perhaps I can do it during some future War Loan drive. Thank you for calling Mr. Isaacs' letter to my attention.

Sincerely,

(Signed) H. Mergenthaler, Jr.

Honorable E. C. Gathings
House of Representatives
Washington, D. C.

FS:mlf

CONGRESS OF THE UNITED STATES
WASHINGTON, D. C.

May 27, 1944

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

Dear Secretary Morgenthau:

I am enclosing herewith a letter which I have received from Mr. L. E. Isaacs, Vice President of the Blytheville, Arkansas, Junior Chamber of Commerce.

As you will note from the enclosed letter, Mr. Isaacs' organization is exceedingly anxious to have you present at the opening of the Fifth War Loan Drive in Blytheville. Inasmuch as it is understood that you will be in Texarkana on June 12th, it was thought that you might be able to arrange to visit Blytheville on June 13, 14, or 15th.

I should like to join with the Blytheville Junior Chamber of Commerce in extending you this invitation, and I hope that you may find it possible to accept.

With kindest wishes, I am

Yours very truly,

E. C. Gathings

E. C. Gathings

RC

BLYTHEVILLE JUNIOR CHAMBER OF COMMERCE



BLYTHEVILLE, ARKANSAS

May 25, 1944

Hon. E. C. "Tooks" Gathings
House Of Representatives
House Office Building
Washington, D. C.

Dear "Tooks".

The Blytheville Junior Chamber Of Commerce would like to secure the services of Secretary Morgenthau in promoting the Fifth War Loan Drive here in Blytheville. We would like for Secretary Morgenthau to visit our city and start off officially this drive either on June ~~13, 14, or 15~~ 13, 14, or 15.

Noting where he is to visit Texarkana on June 12, we thought perhaps he could come direct to Blytheville from Texarkana. We have ample facilities here to take care of him and we could make his visit here very interesting and we feel sure that he would not regret it.

Secretary Morgenthau could do a lot toward promoting good will between States and promoting the Fifth War Loan Drive and making it a success. We would appreciate it very much if you would contact him for us and help us try to get him down here.

Anything you can do to help us in this matter will be greatly appreciated.

Very truly yours,
BLYTHEVILLE JUNIOR C. OF C.

L. E. Isaacs
BY
L. E. ISAACS
Vice-President.

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E. W. HIGGINS

Home of the National Cotton Picking Contest

Heart of the World's Largest Cotton Producing County

25

May 30, 1944.

My dear Mr. President:

On May 18 you sent me the letter you had received from Governor Thomas L. Bailey of Mississippi, requesting cooperation in connection with the War Loan program on which the State Committee is working. This involved the use of Army planes, and I felt that the Secretary of War should perhaps draft the letter to be signed by you in answer to Governor Bailey.

I therefore took the matter up with Secretary Stimson, and today have received from him a letter transmitting a suggested draft for your signature. I am sending you the letter herewith for your own approval and signature.

Faithfully yours,

(Signed) H. Mergenthaler, Jr.

The President,
The White House.

GEF/abc

Enclosures.

Honorable Thomas L. Bailey,
Governor of Mississippi,
Jackson, Mississippi.

Dear Governor Bailey:

I am sorry to have to inform you that favorable consideration cannot be given to the request in your letter of May 15 for Army Air Forces flights in connection with your statewide campaign for Fifth War Bond sales and support of other parts of the Government war program. I understand that General Hall has already written you to this effect in reply to the letter which you sent him.

The urgency of the training program has required the Commanding General of the Army Air Forces to rule that no airplanes will be flown for demonstrations, salutes or maneuvers during the War Bond drive. I am sure you will realize that, however desirable it might be to detail planes and their crews for participation in the programs which each of the states is developing, to do so would disrupt carefully worked out schedules which must be met.

Let me assure you of my own appreciation of your full cooperation in holding the line at home and my confidence that you will carry through your program to a successful conclusion.

Sincerely yours,

cc Secretary of the Treasury *SNB*

WAR DEPARTMENT

WASHINGTON, D. C.

MAY 29 1944

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

I have your letter of May 23, with which you forwarded the White House request for a prepared reply to the letter from Governor Bailey to the President asking for flights of Army Air Forces planes in connection with Mississippi's program for the Fifth War Bond drive.

You will find attached the reply which has been prepared for the President's signature. After reading it, I hope you will be good enough to forward the letter to the White House.

I regret that it has not been possible to grant the request, but I know you understand how impossible it is to furnish this type of cooperation in view of the current importance of training schedules.

Sincerely yours,



Secretary of War

4 Incls:

Ltr for sig. of
President

DL to President 5/17/44

Ltr fr Gov. Bailey to
President 5/15/44

cc ltr fr Gov. Bailey to
Gen. Hall 5/15/44



**THE WHITE HOUSE
WASHINGTON**

May 18, 1944.

MEMORANDUM FOR
THE SECRETARY OF THE TREASURY:

FOR PREPARATION OF REPLY FOR
MY SIGNATURE.

F.D.R.

STATE OF MISSISSIPPI
EXECUTIVE DEPARTMENT
JACKSON

THOMAS L. BAILEY
GOVERNOR

May 15th, 1944

His Excellency, The President
Hon. Franklin Delano Roosevelt
Washington, D. C.

My dear Mr. President:

I enclose a copy of my letter to Brig. General Hall, Air Staff, War Department, Washington, D. C., requesting his cooperation in a state wide program for Fifth War Bond sales and for price stabilization and support of the local War Price and Ration Boards of the Office of Price Administration. The campaign to secure the help required by the Board and War Services in our Counties is under the direction of the American Legion and other state wide groups.

The spectacular demonstration planned will not only attract many of our citizens who wish to contribute to the war effort, but we shall make our people, not only price conscious, but impress upon them in a very forceful way, the solemn fact that the responsibility for "holding the line", as suggested by you, on the home front is the responsibility and duty of each citizen in America. It is hoped that you will give your approval to the program and so advise General Hall. Following notice of your approval, we shall contact the Commanding Officer at the Gulfport Field and work out details as to the date and other matters with him.

Thanking you for your cooperation and with my highest esteem and respect, I am,

Very sincerely yours,

Thomas L. Bailey
Governor

TLE/vms

STATE OF MISSISSIPPI
EXECUTIVE DEPARTMENT
JACKSON

May 15th, 1944

Brig. Gen. William E. Hall, A.C.
Air Staff, War Department
Washington, D. C.

My dear Sir:

Inflation is a terrible thing. Its ravages are widespread. This you know. Mississippians are determined to do something about it. Hence my attached proclamation to support the activity of the American Legion.

You will also find attached appropriate documents and maps outlining what we believe to be effective action.

We need the help of the Air Corps. This is to ask for such help. In the name of the people of Mississippi, the American Legion, and other organized groups in this fight against inflation, please permit the Gulfport Flying Fortress School to participate in the attached plan of action against inflation. Moreover, an air problem such as this, might prove an excellent training problem as part of their regularly scheduled curricula.

In addition to the above, leaflets stressing the importance of the Fifth War Loan might be dropped from the plane at the same time. In my opinion, the bombing of the points indicated on the attached map with anti-inflation literature and Fifth War Loan literature would be of greatest benefit to the cause.

With deep appreciation for the assistance of the Air Corps in this matter, I am,

Sincerely yours,

Governor of Mississippi

TLE/ma

CC/ The President
The White House
Washington, D. C.

MAY 17 4 48 PM 1944

WB32 DL

JACKSON MISS MAY 17 1944 305P

THE PRESIDENT

THE WHITE HOUSE

WE ENTHUSIASTICALLY SUPPORT REQUEST OF OUR GOVERNOR TO YOU, MAY 15,
FOR AIR CORPS COOPERATION IN OUR STATE WIDE PROGRAM FOR FIFTH WAR
BOND SALE AND PRICE STABILIZATION EARNESTLY HOPE YOU WILL MAKE
EARLY AND FAVORABLE DECISION.

W L HINES PRESIDENT MISSISSIPPI FEDERATION OF LABOR

RANSOME E ALDRICH PRESIDENT MISSISSIPPI FARM BUREAU


EVON A FORD PRESIDENT FARMERS UNION

CHARLES BROWN PRESIDENT MISSISSIPPI TRAVELERS ASSN

DAVE CRAWLEY STATE COMMANDER AMERICAN LEGION

JOSEPH W LATHAM COMPTROLLER BANK DEPARTMENT AND WAR BOND
COMMITTEE

SUSIE V POWELL PRESIDENT WOMENS COORDINATING COUNCIL FOR
WAR SERVICE.

May 30, 1944 

MEMORANDUM FOR THE SECRETARY

From: Mr. Blough

Subject: Consulting with business executives and others on postwar taxation.

1. The proposal is to invite several small groups (four to seven each) of persons from various fields of industry, agriculture, labor, and so forth, to serve as temporary visiting consultants. Each group would come to the Treasury for two meetings. At the first meeting the basic problems which underlie postwar tax revision would be presented and discussed. The group would be asked to work on the problems at home and to attend a later meeting to present information and their considered judgment. The same process would be carried out separately with other groups until a substantial cross-section of experience and points of view had been covered.

2. It is not intended that these conferences should be at a high policy level. It is desired rather to secure information and points of view on underlying questions. Accordingly, the persons invited would not ordinarily be the heads of organizations. Likewise it would not be necessary to the success of the conferences for Secretary Morgenthau to take a personal part in them, although it would be helpful if he indicated to the various groups his appreciation and interest in what they were doing.

3. No formal publicity would accompany these conferences. Persons invited would be told that the meetings were of a confidential nature. Undoubtedly there would be "leaks" but these would not be harmful and would indeed be desirable. Any statements by the Treasury to the press would come as a result of such leaks and would be simply to the effect that the Treasury is consulting with various persons regarding problems of tax adjustment after the war.

- 2 -

4. A small group of persons should confer with the visiting consultants. Federal Reserve, Economic Stabilization, and Budget should be invited to have representatives present since these agencies would normally be consulted in the preparation of a tax program. It is believed that Mr. Stam should also be invited.

5. Before adopting this proposal it should be discussed with Chairman Doughton and Senator George and their approval or acquiescence secured. Emphasis should be placed on the exploratory nature of the proposed conferences and the fact that they would merely enlarge and somewhat formalize the consultation process that is going on continually.

RB

30 May 1944.

MEMORANDUM FOR THE CHIEF OF STAFF:

Subject: Excessive Spending by Troops Overseas

I. Discussion

1. Representations have been made to the War Department to the effect that spendings by American troops in England, North Africa and Italy have been excessive and have resulted in raising price levels and in shortages of consumer goods. Representatives of the French Committee of National Liberation have expressed their fear that similar conditions, perhaps more aggravated, will prevail when our troops reach France. They have asked the Assistant Secretary of War to institute measures of control to prevent this. In other occupied countries and Germany, consumer goods shortages may also present difficult economic problems.

2. These considerations are of such moment as to warrant the study and attention of the War Department, and the giving of policy directions to American commanders in the European and North African theaters of operations.

3. Accordingly, a letter has been prepared (Tab "A") to the commanders concerned, in which the problem is stated and policies are set forth. The letter states in substance (a) that voluntary measures to encourage savings have been undertaken with varying degrees of success, but should be promoted more aggressively; (b) that if these voluntary measures prove inadequate, compulsory savings controls may be instituted by theater commanders in their discretion as a last resort; (c) that before compulsory restrictions are adopted the effects on soldier morale must be weighed against the economic evils, and (d) that military personnel should be encouraged to buy in post exchanges and from Red Cross and other Allied official agencies, rather than from civilian vendors.

II. Action Recommended.

That identical letters substantially in the form contained in Tab "A" be signed and dispatched by The Adjutant General to the Commanding General, European Theater of Operations, and the Commanding General, North African Theater of Operations.

III. Concurrences.

OPD, W.D.G.S.

A.G. of S., G-1

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()

J. H. Hilldring,
Major General,
Director, Civil Affairs Division

TAB "A"

Subject: Excessive Spending by Troops Overseas.

To: Commanding General, European Theater of Operations
Commanding General, North African Theater of Operations.

1. Representations have been made to the War Department to the effect that spendings by U.S. troops in England, North Africa and Italy have been excessive and have resulted in raising price levels and in shortages of consumer goods. These conditions have developed despite intensive campaigns conducted in the theaters to encourage voluntary savings by military personnel.

2. These conditions may be especially aggravated when our troops enter the Nazi-occupied countries and Germany. Scarcities of consumer goods will be severe in these countries, and spending by U.S. troops for civilian goods may have serious inflationary effects, and may bring about shortages which will produce resentment in the civilian population.

3. It is desired that all possible steps be taken to prevent and restrain excessive spending by U.S. troops.

4. Controls to bring this about may fall into two categories: (a) voluntary savings programs, and (b) compulsory restrictive measures. Voluntary programs have been undertaken with marked degrees of success, but even more aggressive action can and should be taken to stimulate voluntary savings. Compulsory measures should be taken only as a last resort, and when voluntary means have failed.

- 2 -

VOLUNTARY CONTROLS

5. Theater commanders shall vigorously promote programs for voluntary savings by officers and enlisted personnel.

6. Special stress shall be laid on payroll allotments for war bond purchases, the soldiers' deposit and Class E allotments for regular savings programs. Educational programs to this end shall be conducted among all personnel, and full use shall be made of materials and programs provided by the Morale Services Division, Army Service Forces, and other agencies.

7. Attention is called to the fact that the War Department has approved changes in Army Regulations 35-2600 to authorize soldiers' deposits by payroll deductions, thus facilitating the use of this method of savings. The changes are now in process of being published and distributed.

8. Military personnel should be encouraged to confine their purchases to Allied sources of supply, including post exchanges, Red Cross canteens, and other agencies. To this end you will insure that stocks in post exchanges are replenished and maintained, so that merchandise desired by military personnel will be obtainable from military sources, and civilian supplies will not be depleted.

COMPULSORY CONTROLS

9. Theater commanders are authorized, in their discretion, to institute compulsory savings programs whenever it shall appear that uncontrolled spending by troops is resulting in serious economic inflation or shortages of consumer goods to a point where the resentment of the civilian population may (a) threaten military operations or security,

- 3 -

or (b) cause lasting injury to the prestige and good will of the United States Army and the Nation itself.

10. Before instituting compulsory savings programs, the theater commander shall ascertain the probable effect of such measures upon the moral of troops, and satisfy himself that any action taken shall not adversely affect military operations.

11. In general, it is thought that compulsory measures will not be undertaken during combat phases, when the fighting spirit of the troops may be adversely affected. Before taking compulsory measures in settled or post-armistice phases, the effect on the morale of troops should be weighed alongside the evils of excessive spending.

12. Such controls should follow a pattern of limiting withdrawals of pay to a fixed percentage, the remainder being withheld through the various established forms of payroll deductions. If deductions already authorized by the enlisted person or officer do not aggregate the proper percentage, a mandatory deduction shall be made to cover the deficiency. In the case of enlisted persons, the mandatory deduction shall be in the form of a soldiers' deposit. In the case of officers, the method shall be by personal transfer account payroll deduction.

13. The percentages of pay withheld shall be fixed by commanders in the light of existing conditions, and may vary in degree according to the severity of economic stresses in different countries.

14. Mandatory controls may continue as long as the theater commander shall deem necessary, and he may amend or change such controls in any authorized manner as he sees fit.

- 4 -

15. Theater commanders may delegate the authority vested herein to subordinate commanders.

OTHER MEASURES

16. Other measures which may be adopted, some of which have been employed in various theaters in the past, may include orders (a) prohibiting purchases by individual soldiers or by mess officers of any foods or other civilian goods which may be rationed or in short supply, or in which such purchases may bring about price inflations, and (b) placing restaurants and other food vending places out of bounds.

SPFAM 242/21653 (General)

May 18, 1944

MEMORANDUM FOR MR. JOHN McCLOY, ASSISTANT SECRETARY OF WAR

Subject: Expenditures by Army Personnel Overseas

1. With reference to your request for information relative to expenditures by Army personnel overseas, the attached schedule has been prepared from information available in this office.

2. There are two possible qualifications of these figures which should be considered, (a) postal money orders and sales by post exchanges may include some sales to civilians and there may be some duplication between Quartermaster Sales and post exchange sales and (b) postal money orders purchased may, to some extent, have been turned into cash by the purchaser. However, in the North African theater this possible duplication is probably offset by payments by the military to the Red Cross for services and by subscriptions to Stars and Stripes. While the amounts of these two latter items are not available at the present time, it is believed that the net amount of 16.3% of gross pay for the North African theater may be regarded as a fair estimate of the net amount retained.

3. If this figure is to be used for the purpose of considering the potential impact on the economy of the occupied country by the personal expenditures made by our soldiers, consideration should also be given to purchases made locally by army exchanges, officers' messes, etc. for goods and services. Plans are now being developed whereby such information will become available.

4. Expenditures made in Iceland are not included in the computation for ETOUSA.

For the Commanding General, Army Service Forces.

(SIGNED) A. H. CARTER
A. H. CARTER,
Major General, G.S.C.,
Fiscal Director.

Incl.
Schedule

DISTRIBUTION OF GROSS PAY ROLL IN
NORTH AFRICAN THEATER OF OPERATIONS

AND

EUROPEAN THEATER OF OPERATIONS

	NATOUSA <u>February 1944</u>	ETOUSA <u>March 1944</u>
1. Gross Pay Roll.....	100.0%	100.0%
2. Less: Allotments on pay rolls.....	<u>51.6</u>	<u>48.7</u>
3. Pay roll paid in cash.....	48.4%	51.3%
4. Funds sent to U.S. (a).....	<u>28.1</u>	<u>14.1</u>
5. Retained for local expenditure.....	20.3%	37.2%
6. Expenditures returned to Army channels (b).....	<u>4.0</u>	<u>10.3</u>
7. Retained for local domestic ex- penditure.....	16.3%	26.9%
	====	====
(a) Funds sent to U.S.		
Soldiers' Deposits.....	3.4%	1.0%
Personal Transfers.....	11.0	5.5
War Bonds.....	1.9	.5
Money Orders.....	<u>11.8</u>	<u>7.1</u>
	28.1%	14.1%
	====	====
(b) Expenditures returned to Army channels		
QM Sales Stores.....	3.6%	.7%
Post Exchange Sales.....	(Unavailable)	4.4
Field Rations to Officers.....	(Included in line 2 above)	2.4
Miscellaneous.....	<u>.4</u>	<u>2.8</u>
	4.0%	10.3%

42

8/2/44 - 11/1/44

UNITED KINGDOM TREASURY DELEGATION

BOX 680
BENJAMIN FRANKLIN STATION
WASHINGTON, D. C.

REFERENCE:

TELEPHONE EXECUTIVE 2020

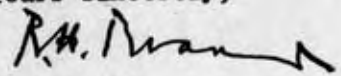
30th May 1944

Dear Mr. Morgenthau:

Lord Halifax tells me that he has informed you of my appointment by the British Government as the representative in Washington of the British Treasury.

I should be very grateful if you would allow me to come and pay my respects to you at some time soon convenient to yourself. Perhaps your secretary would be good enough to ring up my secretary here and inform me what time would suit you.

Yours sincerely,



R.H. Brand.

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

6010
MAY 31 1944



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25



May 30, 1944

SECRET

MEMORANDUM TO THE SECRETARY:

There is submitted herewith the weekly report of Lend-Lease purchases.

A requirement has been received from the U.S.S.R. for two toll switchboards - one of 1,000 line capacity, and the other of 300 line capacity, together with necessary power plants and auxiliary equipment. The cost of these two boards will be approximately \$3,500,000.00.

A. J. Walsh
Acting Director of Procurement

SECRET

LEND LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF MAY 24, 1944
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$4749.4 (4743.9)	\$2298.5 (2298.4)	\$1882.3 (1877.3)	\$133.9 (133.9)	\$12.6 (12.6)	\$422.1 (421.7)
Requisitions in Purchase	\$ 127.1 (127.4)	\$ 21.4 (19.6)	\$ 53.5 (57.4)	\$.2 (.2)	- -	\$ 52.0 (50.2)
Requisitions not Cleared by W. P. B.	\$ 125.4 (104.0)	\$ 45.6 (31.0)	\$ 46.7 (36.3)	\$ 21.7 (21.7)	- -	\$ 11.4 (15.0)
Obligations (Purchases)	\$3613.9 (3593.2)	\$1890.2 (1884.0)	\$1433.4 (1424.2)	\$ 61.6 (61.2)	\$11.6 (11.6)	\$217.1 (212.2)
Deliveries to Foreign Governments at U. S. Ports*	\$2051.5 (2041.1)	\$1291.6 (1284.5)	\$ 695.6 (692.7)	\$ 23.1 (23.1)	- -	\$ 41.2 (40.8)

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

Note: Figures in parentheses are those shown on report of May 17, 1944.

FOREIGN ECONOMIC ADMINISTRATION

45

WASHINGTON 25, D. C.

May 30, 1944

MEMORANDUM

To: The Honorable Henry Morgenthau
From: Herbert Willett
Director of Research and Reports
Subject: Executive Reports

Transmitted herewith, for your information,
are copies of the Executive Reports on lend-lease
operations, as of April 30, 1944.

CONFIDENTIAL
Executive Report No. 1

ALLOCATIONS, OBLIGATIONS AND EXPENDITURES
LEND-LEASE FUNDS APPROPRIATED TO THE PRESIDENT

Report as of April, 30, 1944
(Thousands of Dollars)

Appropriation Category	Adjusted Appropriations	Cumulative to April 30, 1944		
		Allocations	Obligations	Expenditures
Ordnance and Ordnance Stores	\$1,692,306	\$1,575,179	\$1,445,913	\$1,273,839
Aircraft and Aero. Material	2,629,625	2,541,118	2,468,558	2,117,803
Tanks and Other Vehicles	739,273	696,264	653,167	622,580
Watercraft	3,871,703	3,348,399	2,796,067	2,615,698
Misc. Military Equipment	354,288	323,619	278,463	261,267
Production Facilities	1,154,688	1,107,004	1,055,720	991,599
Agric. and Indust. Commodities	12,608,929	12,409,553	10,004,073	8,392,031
Servicing, Repair of Ships, etc.	790,818	678,424	534,068	520,968
Services and Expenses	800,000	451,902	320,196	269,609
Administrative Expenses	28,999	28,195	27,074	26,850
Total	24,670,629	23,159,657	19,583,299	17,092,244

Procuring Agency	Cumulative to April 30, 1944		
	Allocations	Obligations	Expenditures
War Department	\$5,422,938	\$5,145,702	\$4,783,616
Navy Department	3,587,505	2,724,219	2,173,022
Maritime Commission and War Shipping Admin.	3,286,687	2,641,967	2,640,224
Treasury Department	4,705,780	3,600,880	2,867,988
Department of Agriculture	6,130,891	5,443,067	4,609,499
Other	25,856	22,464	17,895
Total	23,159,657	19,583,299	17,092,244

CONFIDENTIAL
Executive Report No. 2

STATEMENT OF LEND-LEASE AID

Report as of April 30, 1944

(Thousands of Dollars)

Type of Aid	Cumulative to		Month of	
	April 30, 1944	March 31, 1944	April	March
Goods Transferred	\$22,446,386	\$21,180,251	\$1,266,135	\$1,405,932
Servicing, Repair of Ships, etc.	422,951	432,311	Cr. 9,360	Cr. 592
Rental of Ships, Ferrying of Aircraft, etc.	1,927,951	1,902,945	25,006	219,288
Production Facilities in U. S.	618,014	617,465	549	3,924
Miscellaneous Expenses	93,444	91,834	1,610	1,002
Total Services	3,062,360	3,044,555	17,805	223,622
Total Goods and Services	25,508,746	* 24,224,806	1,283,940	1,629,554

Data on Goods Transferred include value of goods procured from lend-lease appropriations to the President and to the War and Navy Departments.

Type of Aid	Cumulative to April 30, 1944				
	Br. Empire	China	U.S.S.R.	Other	Total
Goods Transferred	\$16,895,117	\$196,873	\$4,838,823	\$515,573	\$22,446,386
Servicing, Repair of Ships, etc.	283,825	1,891	80,417	56,818	422,951
Rental of Ships Ferrying of Aircraft, etc.	1,524,297	13,737	212,102	177,815	1,927,951
Production Facilities in U. S.	-	-	-	-	618,014
Miscellaneous Expenses	52,215	1,211	2,470	37,548	93,444
Total Goods and Services	-	-	-	-	25,508,746

CONFIDENTIAL
Executive Report No. 3

LEND-LEASE GOODS TRANSFERRED

Report as of April 30, 1944
(Thousands of Dollars)

	Cumulative to April 30, 1944				Total
	Br. Empire	China	U.S.S.R.	Other	
Ordnance (Excl. Ammunition)	\$698,650	\$15,705	\$262,602	\$21,924	\$998,881
Ammunition and Components	1,468,775	22,204	398,273	29,429	1,918,681
Aircraft	1,987,791	69,740	739,806	102,567	2,899,904
Aircraft Engines, Parts, etc.	1,378,598	26,252	229,373	25,824	1,660,047
Tanks and Parts	1,950,439	923	415,377	38,913	2,405,652
Motor Vehicles and Parts	535,906	25,575	555,489	19,441	1,136,411
Watercraft and Parts	2,399,563	4,247	203,404	139,954	2,747,168
Foods	2,112,092	42	618,378	19,858	2,750,370
Other Agric. Products	550,104	41	7,668	126	557,939
Machinery	557,825	5,425	504,024	9,815	1,077,089
Metals	828,464	11,388	354,915	38,811	1,233,578
Petroleum Products	874,400	2,572	43,640	3,148	923,760
Miscellaneous Materials and Manufactures	1,552,510	12,759	505,874	65,763	2,136,906
Total	16,895,117	196,873	4,838,823	515,573	22,446,386

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May 30, 1944.

Dear Mr. Batt:

For the Secretary, I am acknowledging your letter of May 27, which transmitted a copy of Mr. Donald H. Nelson's regular monthly report to the President on production performance against materials and equipment commitments of the Third Russian Protocol. Thank you for bringing this current data to Mr. Morgenthau's attention.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,
Private Secretary.

Mr. W. L. Batt,
Vice Chairman, International Supply,
War Production Board,
Washington, D. C.

GEF/dbs

WAR PRODUCTION BOARD

WASHINGTON, D. C.

May 27, 1944

IN REPLY REFER TO:

**The Honorable
The Secretary of the Treasury**

My dear Mr. Secretary:

There is attached for your information a copy of Mr. Donald M. Nelson's regular monthly report to the President on production performance against materials and equipment commitments of the Third Russian Protocol.

Sincerely yours,



W. L. Batt

Attachment

STATUS OF MATERIALS AND EQUIPMENT PRODUCTION PROGRAMS UNDER THE THIRD RUSSIAN PROTOCOL AS OF MAY 1, 1944

(APRIL DELIVERY DATA SUBJECT TO REVISION)

SECRET

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Apr. 1, 1944 - Apr. 30, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Apr. 30, 1944	Percent of 3rd Prot. Program Completed as of May 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. 7100)	Balance to be Produced as of May 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
NON-FERROUS METALS									
3	Aluminum (Ingot and Fabricated)	S.T.	35,760	15,006	87,954	246	296	(52,194 Excess)	Aluminum shipments to date consist of 7,182 S.T. rod and tubing; 21,020 S.T. sheet; and 59,752 S.T. ingot including secondary.
4	Nickel								
A	Pig Nickel	S.T.	3,500	300	4,200	117	141	(600 Excess)	Includes shipment on U.S. account of 800 S.T. from U.S. stocks.
B	Nickel in Metal Scrap	S.T.	274	0	274	100	120	0	The 274 S.T. shown as the Third Protocol production program is the quantity selected by the U.S.S.R. out of a total of 600 S.T. originally offered.
C	Nickel in Steel and Other Non-Ferrous Products	S.T.	2,400	162	1,843	77	93	557	Contained nickel deliveries to date consist of 961 S.T. in steel; 431 S.T. in nichrome wire and strip; 304 S.T. in cupro-nickel strip; and 147 S.T. in various other products including pure nickel products.
5	Niobium	S.T.	4,000	670	4,000	100	120	0	
6	Copper, Electrolytic	S.T.	(21,400)	(15,793)	(96,601)	(60)	(96)	(24,799)	Electrolytic copper figures refer to copper contained in various materials requiring copper which are being supplied the U.S.S.R. Deliveries to date include 70,630 S.T. contained in copper base alloys; 11,027 S.T. contained in copper goods and tubes; 574 S.T. contained in bimetal; and 14,270 S.T. contained in wire mill products. In addition to the copper program above, the U.S.S. has made arrangements for the supply of 15,800 S.T. of copper wire bars during the remainder of the Third Protocol period.

SECRET

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Apr. 1, 1944 - Apr. 30, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Apr. 30, 1944	Percent of 3rd Prot. Program Completed as of May 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of May 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
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NON-FERROUS METALS (Continued)

7	Copper Base Alloys	S.T.	107,500	15,806	104,033	97	117	3,467	
8	Magnesium	S.T.	4,032	336	3,360	83	100	672	
9	Zinc	S.T.	13,440	1,120	11,200	83	100	2,240	
11	Copper Goods and Tubes	S.T.	15,000	1,252	11,277	75	90	3,723	

29	Special Non-Ferrous Alloy Wires	S.T.	100	7	97	97	117	3	
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30	Nichrome Wire	S.T.	538	117	539	100	110	(1 Excess)	
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The Third Protocol provides that up to 269 S.T. of special non-ferrous wires may be ordered. Until the present, however, only 100 S.T. have been requisitioned. The Third Protocol production schedule is, therefore, limited to this amount. Deliveries to date include .4 S.T. of tungsten alloy wire; 3.0 S.T. of constantan wire; .5 S.T. of tantalum wire; 36.2 S.T. of aluminum and chrome wire; 15.9 S.T. of monel, Invar and beryllium brass wire; 5.7 S.T. of enamelled manganese wire; 22.9 S.T. of molybdenum wire; .5 S.T. of manganese wire; 5.3 S.T. of round manganese wire; 5.3 S.T. of bare thermocouple wire; and .7 S.T. of Kanol molybdenum wire.

On urgent request of the U.S.S.R., the U.S. has agreed to undertake supply of 1 1/4 S.T. in addition to the amount originally offered in the Protocol. However, due to an acute shortage of chromium metal, difficulty is being encountered in scheduling this added quantity. In consequence, it will probably be necessary to carry a large part of it over into the Fourth Protocol period.

Pro- tecol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Apr. 1, 1944 - Apr. 30, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Apr. 30, 1944	Percent of 3rd Prot. Program Completed as of May 1, 1944	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of May 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
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NON-FERROUS METALS (Continued)

93	Cadmium	S.T.	112	56	112	100	120	0	The Third Protocol cadmium commitment was originally included in the Canadian schedule, but due to a difficult supply situation in Canada, the U.S. agreed to take this over as the 112 S.T. due in the second half of the Protocol period.	
94	Cobalt	S.T.	80.5	41	121.5	151	182	(41 Excess)		The production program shown is for the first half of the Third Protocol period. The October shipment completed the full original Protocol offer. The U.S.S.R. recently requested the increase of the Protocol offering by 78 S.T. The U.K. has agreed to supply one-half of this along with the 80.5 S.T. included in its Protocol schedule. The U.S. will supply the remainder.
Total Non-Ferrous Metals (Excluding Item 6, Copper, Electrolytic)			S.T.	186,856.5	14,875	229,010.5	123	148	(42,154 Excess)	

FERRO-ALLOYS

12	Ferrosilicon	S.T.	-	0	57	-	-	-	Because of the stocks situation, Third Protocol offers to supply up to 764 S.T. of ferrosilicon and 448 S.T. of ferrochrome per month are considered inoperative.
13	Ferrochrome	S.T.	-	0	0	-	-	-	

Pro- tocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Apr. 1, 1944 - Apr. 30, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Apr. 30, 1944	Percent of 3rd Prot. Program Completed as of May 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. 1100)	Balance to be Produced as of May 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
<u>FERRO-ALLOYS (Continued)</u>									
85-A	Ferrosilicium	S.T.	1,456	0	1,120	77	154	336	} Ferrosilicium, ferrovanadium, and ferrotungsten have been scheduled in the quantities shown under the Third Protocol produc- tion program as substitutes for an equivalent tonnage of ferro- silicium and/or ferrochrome. In- cluded in these quantities are 336 S.T. ferrosilicium, 134 S.T. ferrovanadium, and 224 S.T. ferrotungsten which are currently being approved for delivery in the second quarter, 1944.
86	Ferrovanadium	S.T.	356	0	224	63	126	134	
87	Ferrotungsten	S.T.	1,064	41	567	53	126	497	
	Total Ferro-Alloys	S.T.	"	41	1,968	-	-	967	
<u>ALLOY STEEL</u>									
16	Polished Drill Rod	S.T.							
B	High Speed	S.T.	96	9	94	98	118	2	
C	Other Alloy	S.T.	45	4	44	98	118	1	
17	High Speed Tool Steel	S.T.	4,480	33	4,664	105	127	(204 Excess)	
18	Tool Steel	S.T.							
B	Alloy X12	S.T.	672	31	696	104	125	(24 Excess)	
C	Alloy X12M	S.T.	672	53	664	99	119	8	
D	Other Alloys	S.T.	4,850	387	5,299	109	131	(449 Excess)	
19	Cold Finished Bars	S.T.	11,200	1,555	10,950	98	118	250	
20	H.R. Alloy Bars and Billets	S.T.	67,267	7,994	63,663	95	114	3,604	
23	Stainless Steel	S.T.							
A-B	Sheets and Strip	S.T.	3,007	229	3,359	112	135	(352 Excess)	
C	Bars	S.T.	756	21	614	81	98	142	
25	Steel Wire	S.T.							
A	Ball Wire	S.T.	1,344	112	1,327	99	119	17	
B	Alloy 232	S.T.	1,344	87	1,145	85	102	199	
C	Other Alloy	S.T.	0	0	191	-	-	(191 Excess)	

Pro- tecol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Apr. 1, 1944 - Apr. 30, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Apr. 30, 1944	Percent of 3rd Prot. Program Completed as of May 1, 1944	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of May 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
<u>ALLOY STEEL (Continued)</u>									
27	Steel Alloy Tubes	S.T.	994	134	1,356	136	164	(362 Excess)	
A	1 1/2 Cr. - 8 1/2 Ni.	S.T.	6,805	794	8,400	97	117	225	
B	4-65 Chrome	S.T.	0	0	0	-	-	(9 Excess)	
C-M	Carbon .5% Noly., Pipe Sizes	S.T.	0	0	0	-	-	(230 Excess)	
F	N.A. Ball Bearing Tubes	S.T.	5,376	546	5,606	104	125		
28	Stainless Steel Wire	S.T.	1,747	235	1,844	106	128	(97 Excess)	
29	Special Alloy Wire	S.T.	784	132	951	121	146	(167 Excess)	
	Total Alloy Steel	S.T.	113,259	12,356	110,896	98	118	2,363	
<u>CARBON STEEL</u>									
101-E	Balls, Accessories and Other Railway Material	S.T.	-	16,748	205,396	-	-	-	
10	Copper Clad Strip (Bimetal)	S.T.	-	3,284	9,136	-	-	-	
16A	Plain Carbon Tool Steel and Drill Rod	S.T.	-	717	7,232	-	-	-	
19D	Plain Carbon Bullet Core	S.T.	-	0	11,736	-	-	-	
24	Template	S.T.	-	5,395	41,999	-	-	-	
-	Other Carbon Steel	S.T.	-	20,386	90,403	-	-	-	
	Total Carbon Steel	S.T.	345,397	46,530	368,902	106	128	(20,505 Excess)	
<u>CHEMICALS</u>									
36	Phenol	S.T.	-	0	8,261	-	-	-	
38	Ethylene Glycol	S.T.	-	0	690	-	-	-	

Approximately 110,000 S.T. of carbon steel have been scheduled for delivery prior to June 30, 1944, in addition to the 345,397 S.T. originally included in the Third Protocol program.

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Apr. 1, 1944 - Apr. 30, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Apr. 30, 1944	Percent of 3rd Prot. Program Completed as of May 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of May 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
<u>CHEMICALS (Continued)</u>									
45	Methanol	S.T.	-	0	3,395	-	-	-	
46	Thiopyrine	S.T.	-	937	5,912	-	-	-	
61A1	Glycerine	S.T.	6,720	0	7,290	108	130	(570 excess)	
61A3	Domestic Soda	S.T.	40,320	158	25,083	62	75	15,237	
38A	Ethyl Alcohol	S.T.	107,520	10,858	125,136	116	140	(17,616 excess)	} 61,600 S.T. of ethyl alcohol have been scheduled for delivery during the Third Protocol period in addition to the 107,520 S.T. originally included in the Third Protocol program.
61A5	Acetone	S.T.	5,137	1,254	4,452	87	105	685	
61A	Other Chemicals	S.T.	12,096	3,740	12,227	100	120	9	
	Total Chemicals	S.T.	-	16,947	192,266	-	-	-	
<u>MARINE AND SUBMARINE CABLE</u>									
1	Marine Cable	KM.	754	175	374	48	58	410	
2	Submarine Cable	KM.	313	39	159	50	60	160	
	Total Marine and Submarine Cable	KM.	1,103	215	533	48	58	570	
<u>POWER AND RELATED CABLE</u>									
74	Insulated Cable and Wire (Copper Content)	S.T.	-	1,176	12,346	-	-	-	
74A	Bare Cable and Wire (Copper Content)	S.T.	-	242	1,784	-	-	-	
	Total Power and Related Cable	S.T.	21,000	1,418	14,130	57	81	6,870	

Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Apr. 30, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Apr. 30, 1944	Percent of 3rd Prot. Program Completed as of May 1, 1944	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of May 1, 1944 To Complete 3rd-Protocol Prod. Program	Comments
MISCELLANEOUS MATERIALS ITEMS									
80	Sheet Fiber	S.T.	1,000	29	1,399	140	169	(399 excess)	To date no requisitions have been submitted against the 1,500 S.T. originally offered in the Protocol.
83	Parchment Paper	S.T.	-	-	-	-	-	-	
83A1	Lithograph Map Paper	S.T.	-	404	2,605	-	-	-	
83A	Condenser Paper	S.T.	73	22	78	107	129	(5 excess)	To date no requisitions have been submitted against the 336 S.T. originally offered in the Protocol.
83B	Cigarette Paper	S.T.	-	-	-	-	-	-	
INDUSTRIAL AND RELATED EQUIPMENT									
W-1	Engines and Turbines, General Purpose	\$	5,043,412	54,731	3,154,389	95	67	2,459,023	See following page for comments.
W-2	Compressors, (Air and Gas)	\$	7,358,034	133,357	3,442,377	47	57	3,915,657	
W-3	Pumps (Liquid)	\$	2,544,835	141,685	4,465,197	52	63	4,079,638	
W-4	Crushing, Pulverizing, Screening & Mixing Machinery and Equipment	\$	4,346,498	141,235	3,412,452	88	106	531,636	
W-5	Conveyors & Conveying Systems	\$	1,100,463	26,537	445,778	41	49	694,685	
W-6	Cranes, Derricks, Hoists and Winches	\$	18,019,905	611,750	2,949,689	48	58	9,670,216	
W-7	Industrial Trucks, Tractors, Trailers, Stackers and Accessories	\$	507,372	27,576	463,202	92	111	38,170	
W-8	Fan & Blower Equipment Industrial	\$	3,123,166	44,836	499,967	15	18	2,663,199	
W-9	Mechanical Power Transmission Equipment	\$	7,300	0	7,300	100	120	0	
W-10	Bearings	\$	19,730,603	1,096,744	6,579,685	43	52	11,150,918	
W-11	Valves & Steam Specialties	\$	3,953,601	208,252	1,990,559	50	60	1,961,042	

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Units Available at Mill in U.S.A. - Apr. 1, 1944	Units Available at Mill in U.S.A. - July 1, 1944	Percent of 3rd Prot. Program Completed as of May 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. #100)	Balance to be Produced as of May 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
INDUSTRIAL AND RELATED EQUIPMENT (Continued)									
W-12	Miscellaneous General Purpose Industrial Machinery & Equipment	\$	3,424,434	509,817	2,686,530	78	94	737,904	The Third Protocol Production Program shown for various categories of industrial equipment are based upon the amounts actually under contract for delivery during the Third Protocol period. It should be noted that the total of these programs considerably exceeds the total which the U.S. definitely promised to deliver before July 1, 1944. Of the types of equipment included in this group, the U.S. originally committed itself to deliver \$450,000,000. This commitment was subject to the conditions, however, that requisitions would be placed sufficiently early to enable production to be scheduled during the 12 month period July 1, 1943, to June 30, 1944. In the case of a number of categories of equipment, notably rolling mills, wire drawing equipment, and equipment for blast furnaces, this condition was not met. The U.S.S.R., with the concurrence of the FEA, therefore agreed to the approval of requisitions for certain items which the U.S.S.R. desired under these categories only under the express understanding that delivery before July 1, 1944 would not be guaranteed or even attempted, and that the Third Protocol guaranteed commitment would be reduced by an amount corresponding to the value of the equipment involved. As this amount was approximately \$18,000,000, the effect was a reduction in the Third Protocol industrial equipment commitment from \$450,000,000 to \$432,000,000. It should also be noted that the industrial equipment program is being stated in terms of the U.S. Standard Commodity Classification. It is felt that this gives a more comprehensive picture of the actual nature of the equipment being furnished the U.S.S.R. than the broader classification previously used.
W-13A	Electrical Rotating Equipment Including Generator Sets, Including Motor Generator Sets	\$	6,283,153	84,040	4,575,301	55	66	5,707,852	
W-13B	Generator Sets & Plants	\$	106,544,603	4,125,727	35,580,775	33	40	70,963,828	
W-14	Primary Electric Power Transmission & Distribution Equipment	\$	2,784,346	103,393	1,112,855	40	48	1,671,491	
W-15	Power Conversion Equipment (Non-Rotating Rectifiers)	\$	6,680,344	1,908,880	3,495,784	52	63	3,186,560	
W-16	Secondary Distribution Equipment & Wiring Devices	\$	581,408	21,102	310,129	53	64	271,275	
W-17	Water Starters & Controllers	\$	109,752	0	89,303	81	98	20,449	
W-18	Electric Lamps	\$	14,992	0	14,999	100	100	0	
W-19	Miscellaneous Electrical Equipment	\$	867,853	46,316	546,312	63	76	321,541	
W-20	Food Products Machinery	\$	605,972	221,805	546,772	60	82	259,700	
W-21	Textile Industries Machinery	\$	234,217	8,014	205,336	88	106	28,881	
W-22	Pulp & Paper Industry Machinery	\$	69,362	0	63,862	92	111	5,500	
W-23	Printing Trade Machinery & Equipment	\$	6,570	0	0	0	0	6,570	

Pro- tocol Item No.	Item	Unit	3rd Protocol Production Program	Funds Available at Mill in U.S.A. Apr. 1, 1944 - Apr. 30, 1944	Funds Available at Mill in U.S.A. July 1, 1944 - Apr. 30, 1944	Percent of 3rd Prot. Program Completed as of May 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of May 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
INDUSTRIAL AND RELATED EQUIPMENT (Continued)									
W-24a	Tire Plant	}	\$ 9,524,519	759,746	9,298,254	98	118	226,265	} See preceding page for comments.
W-24B	Latex Working Machinery								
W-25	Woodworking Machinery	\$	641,809	54,452	493,080	77	93	148,729	
W-26	Metal Melting & Heating Furnaces	\$	15,746,912	1,181,371	7,275,402	46	55	8,473,490	
W-27	Roasting, Sintering, Blast & Reverberatory Furnaces	\$	3,578,204	390,904	1,972,129	55	66	1,606,075	
W-28	Laundry Equipment	\$	888,286	0	226,274	25	30	662,012	
W-29	Special Industry Furnaces, Kilns and Ovens	\$	2,476,900	36,801	38,408	1	1	2,438,492	
W-30A	Petroleum Refinery Plants	\$	36,632,229	3,146,811	36,632,229	100	120	0	
W-30B	Petroleum Refinery Machinery & Equipment	\$	218,238	0	185,759	85	102	32,446	
W-31	Special Machinery for the Glass Industry	\$	1,536,315	42,593	178,906	12	14	1,357,407	
W-32	Special Machinery for Chemical Industry	\$	1,527,129	28,338	499,172	33	40	1,027,957	
W-33	Gas Generating, Conditioning & Other Gas Producing Apparatus	\$	11,287,596	693,446	3,830,553	34	41	7,457,043	
W-34	Miscellaneous Special Industry Machines	\$	5,683,376	155,186	3,308,169	58	70	2,375,207	
W-34B	Cartridge Manufacturing Lines	\$	9,764,071	1,039,931	9,698,792	99	119	125,349	

Pro- tocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Apr. 1, 1944 - Apr. 30, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Apr. 30, 1944	Percent of 3rd Prot. Program Completed as of May 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of May 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
INDUSTRIAL AND RELATED EQUIPMENT (Continued)									
W-35	Machine Tools	\$	120,000,000	5,550,000	101,922,100	85	102	18,077,900	} See preceding page for comments.
W-36	Rolling Mills & Auxiliary Equipment	\$	22,939,703	202,448	3,600,345	16	19	19,339,358	
W-37	Drawing Machines	\$	2,291,118	39,599	825,650	36	43	1,465,468	
W-38	Other Primary Metal Forming Mach. & Equipment	\$	242,808	0	242,808	100	120	0	
W-39	Secondary Metal Forming & Cutting Machinery & Equipment	\$	30,000,000	1,135,945	19,927,895	66	80	10,072,105	
W-40	Welding Machinery	\$	5,726,753	146,593	3,249,785	57	69	2,476,968	
W-41	Testing & Measuring Machines (Metalworking)	\$	2,692,196	184,021	779,061	29	35	1,913,135	
W-42	Miscellaneous Metalworking Equipment	\$	0	0	0	0	0	0	
W-43	Portable Metalworking Machines and Tools Power Driven	\$	1,582,131	47,264	1,068,094	63	76	614,077	
W-44a	Cemented Carbide Cutting Tools for Machine Tools	\$	2,835,134	736,691	1,934,576	68	82	900,558	
W-44b	Cutting Tools for Machine Tools Recent Cemented Carbide	\$	14,441,904	1,120,778	9,122,788	63	76	5,319,176	
W-45	Cutting & Forming Tools for Metal Forming Machines	\$	12,254	0	0	0	0	12,254	
W-46	Attachments and Accessories for Machine Tools	\$	2,345,175	438,714	1,380,452	58	70	1,004,723	
W-47	Tool Room Specialties and Other Attachments and Accessories for Metal- working tools	\$	26,163	0	0	0	0	26,163	

Pro- cess Item No.	Item	Mill	3rd Protocol Production Program	Made Available at Mill in U.S.A. Apr. 1, 1944 - Apr. 30, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Apr. 30, 1944	Percent of 3rd Prot. Program Complete* as of May 1, 1944	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of May 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
INDUSTRIAL AND RELATED EQUIPMENT (Continued)									
W-48	Agricultural Machinery & Implements Except Tractors	\$	745,835	70,495	449,918	59	71	295,917	} See preceding page for comments.
W-49	Mining & Quarrying Machinery	\$	633,495	10,897	377,622	60	72	255,873	
W-50	Earth & Rock Boring & Drilling Machinery & Accessories	\$	4,614,426	805,861	1,771,771	37	45	2,893,105	
W-51	Well and Blast Hole Drilling Machines	\$	2,956,470	51,104	1,817,891	71	86	734,979	
W-52	Excavating & Dredging Machines	\$	7,894,126	269,797	1,631,575	23	26	6,022,551	
W-53	Miscellaneous Construction Equipment	\$	513,305	14,337	510,477	100	120	2,828	
W-54	Office Machines	\$	600	0	0	0	0	600	
W-55	Miscellaneous Machinery	\$	729,777	0	475,202	65	78	254,575	
W-55B	Teletype Apparatus	\$	1,139,505	154,716	409,107	36	43	734,498	
W-55C	Telephones & Telegraph Equipment	\$	11,705,799	368,039	7,530,259	64	77	4,176,470	
W-55D	Sound Equipment, Public Address, Recording & Reproducing	\$	249,690	4,406	186,127	75	90	63,563	
W-55E	Block Signal System	\$	10,958,761	523,199	4,862,552	44	53	6,096,109	
W-59A	Industrial Type Locomotives Cars & Parts	\$	1,641,086	2,164	262,734	15	18	1,388,352	
W-59B	Mine Type Locomotives, Rail Cars and Parts	\$	120,969	21,939	76,960	64	77	44,009	
W-60	Passenger Vehicles and Parts	\$	95,130	2,529	19,374	20	24	75,756	

Pro- tocol Item No.	Item	Units	3rd Protocol Production Program	Made Available at Mill in U.S.A. Apr. 1, 1944 - Apr. 30, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Apr. 30, 1944	Percent of 3rd Prot. Program Completed as of May 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched.=100)	Balance to be Produced as of May 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
INDUSTRIAL AND RELATED EQUIPMENT (Continued)									
W-61	Air Conditioning and Refrigeration Equipment	\$	39,565	0	27,565	70	84	12,000	} See preceding page for comments.
W-62	Lighting Fixtures	\$	146,182	302	15,763	11	13	130,419	
W-63	Photographic Equipment	\$	361,458	29,681	296,782	83	100	62,676	
W-64	Optical, Indicating, Recording & Controlling Instruments	\$	2,822,447	200,807	1,352,337	48	58	1,470,110	
W-65	Professional & Scientific Instrument	\$	804,211	66,680	347,688	43	52	456,523	
W-66	Miscellaneous Equipment	\$	115,560	0	120,224	104	125	(4,664 Excess)	
W-67	Hand Tools, Non-Powered	\$	728,814	109,333	322,065	44	53	406,749	
W-68	Mechanics Measuring Tools	\$	2,864,440	392,348	1,335,390	47	57	1,529,050	
W-69	Power Rollers	\$	16,570,506	129,144	6,961,885	42	51	9,608,620	
	Total Industrial and Related Equipment Including Equipment not Committed for Delivery during the Third Protocol Period	\$	576,631,161	30,201,334	334,254,101	58	70	242,377,060	
	Total Industrial and Related Equipment Committed for Delivery during the Third Protocol Period	\$	432,000,000	30,201,334	334,254,101	77	93	97,745,699	

Pro- tocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Apr. 1, 1944 - Apr. 30, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Apr. 30, 1944	Percent of 3rd Prot. Program Completed as of May 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of May 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
MISCELLANEOUS EQUIPMENT ITEMS									
67A	Abrasive Grain	S.T.	4,000	1,095	7,407	185	223	(3,407 Excess)	
67B	Abrasive Products	\$	4,000,000	96,819	3,668,652	92	111	331,348	
68A	Graphite Electrodes	S.T.	5,757	135	4,756	83	100	1,001	
68B	Other Graphite Goods	S.T.	1,691	38	731	43	52	960	
68C	Graphite Powder	S.T.	1,120	151	1,863	166	200	(743 Excess)	
78	Tires, Tubes, Other Rubber Products (Rubber Content)	S.T.	40,320	2,453	27,024	67	81	13,296	
82	Metallic Cloth and Screen	\$	1,000,000	85,678	517,169	52	63	482,838	

War Production Board
Foreign Division
Program Review Branch
May 24, 1944



DEPARTMENT OF STATE
WASHINGTON

In reply refer to
FMA

CONFIDENTIAL

May 30, 1944

The Secretary of State presents his compliments to the Honorable the Secretary of the Treasury and transmits a copy of despatch no. 71, May 10, 1944, from Melbourne, Australia, and a memorandum enclosed with the despatch, concerning introduction of new guilder notes in re-occupied territory of the Netherlands Indies.

Enclosure:

Copy of despatch
no. 71, May 10, 1944,
from Consulate General,
Melbourne, Australia,
with enclosure.



R

Despatch no. 71.

AIR MAIL

CONSUL GENERAL AT BATAVIA, JAVA,
TEMPORARILY AT MELBOURNE, AUSTRALIA,

May 10, 1944.

SUBJECT: CIRCULATION OF NETHERLANDS
INDIES CURRENCY NOTES IN
RE-OCCUPIED AREAS.

The Honorable,
The Secretary of State,
Washington.

Sir:

I have the honor to transmit attached a copy of a memorandum prepared by and handed to me by Dr. R. O. Smits, formerly Secretary-Director of the Java Bank and recently designated Director of Finance of the Netherlands Indies Government which Dr. H. J. van Mook hopes to form when he returns to Australia from London.

The memorandum concerns chiefly the withdrawal of paper currency circulating in re-occupied territory of the Netherlands Indies, and provides for its replacement by the new Netherlands Indies Government guilder notes.

The memorandum is self explanatory; and I am unable to comment further at this time.

Respectfully yours,

Walter A. Foote,
American Consul General.

File no. 851.5
WAY/--

Enclosure: Memorandum on the
above mentioned subject.

MEMORANDUM ON THE WITHDRAWAL OF CURRENCY
CIRCULATING IN REOCCUPIED TERRITORY AND
ITS REPLACEMENT BY THE NEW NETHERLANDS
INDIES GOVERNMENT GUILDER NOTES.

There are three categories of currency circulating in the now enemy occupied parts of the Netherlands Indies:

1. Bank notes of the Java Bank and currency notes of the Netherlands Indies Government being legal tender according to Netherlands Indies law existing at the time of occupation on the 8th March, 1942.

2. Paper money and probably small coins issued by the Japanese occupational forces in guilder value.

3. Paper money and coins issued by the Japanese occupational forces in Yen value. It is known that the Japanese Army has brought with it so-called Yen military script on the basis of one (1) Yen equals Fl.1.00, although the pre-invasion rate of exchange for the Yen was only about Fl. 0.44.

To avoid monetary chaos in territories freed from enemy occupation, it is strictly necessary for the old currency to be withdrawn from circulation at the soonest possible moment so that there will be only one Netherlands Indies Government guilder circulating in these territories as legal tender, the external value of which against the U.S.Dollar will be maintained at the pre-invasion rate of \$1.00 equals Fl. 1.88½.

In this respect it has to be considered whether or not and if so, at what rate the currency previously circulating is to be exchanged into new Government guilders.

The following outline of procedure constitutes the first approach to the solving of this problem and consequently might be changed if and when in the course of the development of reoccupation new facts come to light which would make such a change necessary or desirable. This applies particularly to the rate of the assistance to be given to the population in exchange for Japanese issued currency forcibly withdrawn from them.

First of all it should be mentioned that the old silver standard coins and subsidiary coins being Fl.2.50, Fl. 1.00, Fl. 0.50, Fl. 0.25, Fl. 0.10, Fl. 0.05, Fl.0.02½, Fl. 0.01 and Fl. 0.00½ will continue to be legal tender in the new currency system. The native population in the Netherlands Indies has always had a marked preference for the use of coins. It is to be expected that as far as this was possible the native population will have hoarded this money in the expectation that it would keep its value, and the Netherlands Indies Government has therefore considered it a measure of wise policy not to change the character and the value of these coins. On the contrary, it has provided for the minting of additional coins of Fl. 2.50, Fl. 1.00, Fl. 0.25, Fl. 0.10 all in silver, exactly

exactly

according to design already in use and Fl. 0.01 (the latter being a bronze coin) in order to be able to issue this money in reoccupied territories on a par with the old existing coins, thereby reassuring the native population as regards the value of their hoardings and contributing to bringing the hoarded coins back into circulation.

At the time of occupation the silver standard coins (Fl. 2.50, Fl. 1.00 and Fl. 0.50) were legal tender up to any amount, subsidiary silver coins of Fl. 0.25, Fl. 0.10 were legal tender up to an amount of Fl. 10.00, subsidiary nickel coins of Fl. 0.05 were legal tender up to an amount of Fl. 5.00 and subsidiary bronze coins ~~xxxx~~ of Fl. 0.02 $\frac{1}{2}$, Fl. 0.01 and Fl. 0.00 $\frac{1}{2}$ were legal tender up to an amount of Fl. 2.00. Apart from these coins at the time of occupation the bank notes of the Java Bank and the currency notes issued by the Government in denominations of Fl. 2.50 and Fl. 1.00 were legal tender to any amount.

It is known that the circulation of Java Bank notes and currency notes of the Government has been replaced to a certain extent by Japanese Government notes of the category Sub 2 aforementioned.

It is expected that the hoarding of Java Bank notes and Government currency notes, notwithstanding pressure exerted by the Japanese to have them converted into Japanese Government guilder notes, will have caused hardships taken in the expectation that these notes, like silver coins, would keep their value. The Netherlands Indies Government is prepared to exchange old legal tender paper currency of category 1 into the new Netherlands Indies Government guilder notes at par on the strength of the following considerations.

(a) Under existing Netherlands Indies law, Java Bank notes, Government currency notes and standard and subsidiary coins were linked together and therefore all had the same value.

(b) The coins will continue to be used in the new currency system and are to be maintained at par with the new Netherlands Indies Government guilder notes.

(c) It may be reasonably expected that the external value of the Netherlands Indies guilder will not have deviated very far from its pre-war level in view of the existing price level in the Netherlands Indies, deprived as they are of all income from their extensive pre-war exports, in comparison with more or less inflated price levels elsewhere.

As far as currency of categories Sub 2 and 3 aforementioned are concerned, both issued by the Japanese Government or Military Authorities, a different attitude has to be taken. In order to strike a blow at Japanese prestige in the still occupied areas, it is necessary to declare all currency issued by the Japanese worthless, and to withdraw it from circulation immediately. However, this

However, this

theoretically preferable attitude conflicts with the interests of the population freed from enemy domination. It will be impossible and politically inexpedient to dispossess the population of all means which they happen to have in the form of Japanese guilder currency. This might lead to extreme hardships and comparisons between the Japanese occupational administration ~~taxation~~ and the Allied reoccupational administration to the disadvantage of the latter. It will therefore be necessary to provide for some assistance to be rendered to the population in reoccupied areas in exchange for the Japanese currency forcibly withdrawn from them. Small holders, which will be found mainly amongst the native population, should be protected in the first place. It is therefore intended to fix the rate of assistance for surrendered Japanese monies of categories 2 and 3 on the following basis:

For all Japanese issued wurrency surrendered by one and the same person, the Netherlands Indies Government will hand back as assistance Fl. 5.00 in new currency for every first Fl. 5.00 or 5 Yen nominal value of surrendered currency and an additional Fl.0.10 in new currency for every guilder or yen of Japanese issued currency for all amounts above Fl. 5.00 or 5 yen. If the person in question has already received new currency in exchange for old Java Bank notes or Government currency notes, the amount thus received is to be subtracted from the above mentioned limit of Fl. 5.00 respectively 5 yen. In this way it is expected that extreme hardships will be avoided, at the same time maintaining the principle that Japanese issued currency is worthless.

The period during which the currency of all categories above mentioned is to be withdrawn should be as short as possible and the exchange into new currency, respectively the rendering of assistance in new currency, should be undertaken in the main place of invasion in order to induce the population, which at that time will have abandoned their former villages, to return, thereby providing the labor forces which at the main place of invasion will be urgently needed.

The above is a true copy of the memorandum furnished to me by Dr. R. E. Smits, who has been designated as Director of Finance in the new Government of the Netherlands Indies.

Walter A. Foote,
American Consul General.

PARAPHRASE OF TELEGRAM RECEIVED

69

FROM: American Embassy, Moscow
TO: Secretary of State, Washington
DATE: May 30, 1944
NO.: 1929

CONFIDENTIAL

This refers to Department's May 25 circular telegram.

We are advised by the Foreign Office that Soviet reply to invitation to participate in a United Nations monetary and financial conference is being transmitted by the Soviet's Washington Ambassador. In addition Foreign Office states that the Soviet delegation to the conference will be headed by assistant Peoples Commissar for Foreign Trade, MS.Stepnov.

HAMILTON

ef:copy
6-1-44

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

DIVISION OF
COMMUNICATIONS
AND RECORDS

70

MJK-747

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

Caracas

Dated May 30, 1944

Rec'd 3:20 a.m., 31st

Secretary of State,
Washington.

PRIORITY.

558, May 30, 9 p.m.

During a conversation with Acting Foreign Minister this afternoon he referred to the invitation to attend the monetary and financial conference delivered to him on May 26 as instructed in circular telegram May 25, 5 p.m. He stated that the Venezuelan Government is very much interested and that the reply will probably be made and one or more delegates named next week after the return of Parra Perez from the United States.

CORRIGAN

EMB



EOC-745

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

Algiers

Dated May 30, 1944

Rec'd 2:01 a.m. 31st

Secretary of State,

Washington.

1790, May 30, 11 p.m.

FOR WAR REFUGEE BOARD FROM ACKERMAN.

Number 24.

Local office of War Shipping Administration giving full assistance to ensure that there will be no further delay in making ship available for evacuation refugees from Spain. Expect to know definitely in few days when ship will sail. As French ship will be used, French authorities have asked whether pesetas will be made by us for port dues in Spain. Suggest you immediately take up with USCC question whether it can supply pesetas in Spain. Reply urgently whether this method available or whether Treasury desires that pesetas be furnished another manner. Repeated to Madrid as 102 for USCC: sent to the Department as 1790.

CHAPIN

WTD

LMS

May 30, 1944
1:45 p.m.

CABLE TO AMBASSADOR WINANT, LONDON, FROM STATE DEPARTMENT

Facilities in southern Italy for caring for refugees who have escaped from enemy territory are becoming so over-crowded that it is essential to remove refugees rapidly to other areas. It is particularly important that this be done without delay so that the flow of refugees into southern Italy is not (repeat not) in any way discouraged or impeded. The following cable which has been sent to Robert Murphy in Algiers indicates more fully the nature of this problem and its importance:

QUOTE Our information indicates that refugees have been arriving from Yugoslavia to Italy at the average rate of over 1800 per week and that this flow is expected to continue and may well increase. It also appears that unless these refugees can be removed rapidly to other areas, the military authorities are fearful that the facilities in southern Italy for refugees may become seriously overtaxed.

The whole matter has been discussed with the President who has made it clear that under no circumstances should the escape of refugees to Italy from the Balkan countries be discouraged. The flow of refugees from Yugoslavia to Italy is important not only from the standpoint of saving the lives of Yugoslavs but also in order that as many refugees as possible from other Balkan countries may be able to escape through Yugoslavia. In this connection, Cable No. Yugos 102 from Cairo, dated April 29, indicates that support in rescuing Hungarian Jews has been promised by Tito. In view of the plight of Jews today in Hungary, it is essential that we do what we can to facilitate their escape.

We recognize that the crux of this matter is finding suitable places to which these refugees can be removed. In this connection, the following should be borne in mind:

- (1) As many as possible of these refugees should be moved to camps in the Middle East. UNRRA is making every effort to supply sufficient medical and other personnel.
- (2) In so far as Jewish refugees are concerned, present plans to move as many as possible to Palestine should be carried out without delay. In this connection it should be borne in mind that in the case of Turkey, the British have adopted the policy that all Jews escaping into Turkey from the Balkan countries will be permitted to go to Palestine. These refugees are then placed in camps in Palestine where they are checked for security purposes.
- (3) For some time we have been pressing the British to establish with our cooperation havens of refuge for these people in Tripolitania and Cyrenaica, but without any results to date.
- (4) The President suggested the possibility that some of these refugees might be taken to Sicily. This should be carefully explored together with the possibility of a substantial expansion of facilities on the Italian mainland.

-2-

(5) While we do not (repeat not) consider it desirable to bring refugees from Italy to Camp Iyautey at Fadhala since all of the accommodations of that camp must be kept available for refugees from Spain, the possibility of establishing other camps in French North Africa for refugees from Italy should, of course, be borne in mind.

Bearing in mind that the flow of refugees into Italy from the Balkan countries must not be interfered with, you are requested to submit as soon as possible your views and recommendations as to all possible havens of refuge in which these people might be temporarily placed.

Please convey the contents of this cable to representatives of UNRRA and Ackermann of the War Refugee Board, as well as the appropriate military authorities. You should discuss this whole matter with them and cooperate with them in solving this most urgent problem. UNQUOTE.

According to the best information available there are in southern Italy several thousand Jewish refugees. The prompt removal of these refugees to Palestine would constitute an important step in helping to solve the problem indicated. Accordingly, the Department and the War Refugee Board would like to know at the earliest possible moment whether the British Government will grant Palestine certificates to these Jewish refugees and will facilitate their prompt removal to Palestine.

In taking up this matter with the British Government you should bear in mind the following:

Since the closing of the Bulgarian-Turkish frontier in May 1943, the British Government has been following the policy of authorizing, after a preliminary security check in Turkey, the onward transport to Palestine of all Jews who succeed in escaping to Turkey from enemy territory. Once in Palestine the British place these people in camps where another security check is made, and if found satisfactory, they are gradually released as legal immigrants to Palestine against the current half-yearly immigration quota. It is apparent that the application of a similar policy in the case of Jews now in southern Italy would make possible the prompt removal of such refugees to Palestine.

Please advise us urgently of the attitude of the British Government in this matter.

This message has been repeated to Murphy, Chapin and Ackermann in Algiers.

JBF:bbk - 5/30/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Santiago
TO: Secretary of State, Washington
DATED: May 30, 1944
NUMBER: 952

SECRET

Reference is made herewith to your circular airgram of May 11.

I am informed formally by letter from Fernandez that in the case of Bern and Madrid he has taken action desired by you in airgram under reference.

BOWERS

CABLE TO MINISTER HARRISON AND McCLELLAND, BERN, SWITZERLAND

1. Please ask Swiss government and Intercross for all available information regarding conditions in concentration-camps of Bergau near Dresden and Dost or Tost in Silesia, numbers and treatment of persons held there including those with Latin American documents, facilities enjoyed by Intercross therein, etc.

2. Reference is made to your 2937 of May 9 and 3171 of May 18. It is not (repeat not) clear therefrom to what extent this Government's attitude regarding status and treatment of persons claiming American and Latin American nationality and persons holding documents issued in names of such countries, as set out in Department's 1221 of April 10 and 1269 of April 13, has been taken note of by Swiss authorities and urged by them on German government. Your 3171 rather indicates that Germany is still undertaking to pass on merits of individual claims, and there is no (repeat no) mention therein of Swiss protest. You will recall that this Government has taken the view that such claims are to be honored by Germany until notified that claim is rejected by country in whose name the document has been issued or whose nationality is claimed.

Please urge Swiss authorities to insist on this point, and advise us as to where this matter stands.

THIS IS WRB BERN CABLE NO. 31

May 30, 1944

10:35 a.m.

BAksin:jp 5/29/44

AIRGRAM TO AMERICAN EMBASSY, LA PAZ, BOLIVIA

Reference your A-212 of May 16.

In order to clarify the nature of the problem with which Department's A-161 of May is concerned and for your information and guidance in further informal approaches, there are repeated to you circular airgrams of May 1, 7:35 p.m. and May 11, 7:30 p.m.

May 30, 1944
10:35 a.m.

BAksin:jp 5/29/44

AIRGRAM TO AMERICAN EMBASSY, SAN SALVADOR, EL SALVADOR

Reference to your A-186 of May 3, Salvadorean action in approaching Spanish Minister is appreciated. Please advise whether you have yet received Salvadorean approval of our exchange negotiations with Germany in which bearers of documents issued in the name of Salvador would be eligible. The assurances contained in our previous communications in connection with such exchange negotiations are hereby recalled to your attention.

May 30, 1944

10:35 a.m.

BAksin:jp 5/29/44

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

May 30, 1944

6 p.m.

AMLEGATION

BERN

1866

The following message from Edward Cahill of Unitarian Service Committee and forming WEB cable No. 30 is for delivery to Noel Field, 12 rue de Vieux College, Geneva,

QUOTE Monthly general appropriation June dollars 5666.60 cabled you May 22, also dollars 10,000 refugee medical program in France or your discretion other relief there. UNQUOTE

HULL
(GLW)

WEB:DMV:OME
5/30/44

WE

SWP

CABLE TO TURKEY

From War Refugee Board to Ambassador Steinhardt, Ankara, Turkey.

SECRET

Please refer to your 941 of May 28.

We appreciate your excellent handling of this difficult situation and accept your judgment as to the route of the voyage and the charter arrangements. The Board is anxious to retain the right to use the TARI as long as there is any reasonable hope that it may ultimately be permitted to sail. While we hope that it will not be necessary to do so, you are authorized, if you deem it desirable, to use the \$160,000 already transmitted to you to hold the TARI. In any event please advise us before finally relinquishing the right to use the TARI.

For your confidential information, the Bulgarian Minister to Stockholm is said to be sympathetic with our refugee evacuation program. If at any point you deem it desirable, you may cable Minister Johnson in Stockholm asking him to enlist the support of the Bulgarian Minister there in connection with any project requiring the cooperation of the Bulgarian Government.

With respect to the general question of obtaining shipping for refugee operations across the Black Sea the following is for your information:

We have been advised by the State Department that the British are requesting the American Government's view concerning appropriate conditions to be proposed to the Turkish Government in consideration for the renewal of the charters of five British cargo ships now in Turkish service and known as the Akma ships. It is our understanding that these vessels were originally chartered to Turkey for the shipment of military supplies from Egyptian ports to Turkey and that the stoppage of military shipments to Turkey has nullified the purpose for which the ships were originally chartered to Turkey by the British Government. We understand from the State Department that the British authorities in London and Ambassador Hugesen are anxious to receive in return for the re-charter of the Akma ships a substantial aid package from the Turkish Government. In addition to various political conditions proposed tentatively by the British Government as a condition to the re-charter of the Akma ships the British are apparently suggesting that a further condition might be added to the effect that a suitable Turkish vessel up to the tonnage of one Akma ship should be placed at the disposal of the British and American Governments for refugee evacuation operations. We understand that at the present time

- 2 -

the charters of the Adana ships are being temporarily renewed for two month periods pending a final decision on this matter by the British and American Governments.

In order to strengthen your hand in future dealings with the Turkish Government concerning refugee matters and particularly in order to facilitate the obtaining of Turkish shipping for refugee purposes in the future, we have recommended to the State Department that it suggest the following among others as conditions to the re-charter of the Adana ships:

One. So long as any of the Adana ships are under charter to the Turkish Government, the Turkish Government should make available the TARI or a similar vessel for repeated refugee evacuation voyages across the Black Sea to a Turkish Black Sea port with a German safe conduct if it can be obtained or without such a safe conduct, whenever in the opinion of the British and American Ambassadors to Turkey such voyages become feasible. It shall be clearly understood that the re-charter of the five Adana ships will constitute fulfillment of any Turkish demand that a substitute passenger vessel be made available to the Turks while the TARI is engaged in refugee evacuation operations.

Two. The Turkish Government should cooperate with the British and American Ambassadors in effecting arrangements whereby evacuation operations across the Black Sea without a German safe conduct by small boats carrying relatively small numbers of passengers such as the MARITZA, MILKA, and HELLACITZA will be continued and if possible intensified. Such cooperation would include not only permitting all refugees arriving in this manner to land in Turkish Black Sea ports and remain in Turkey until Turkish rail facilities permit them to be transported across Turkey to Palestine but also actively assisting the British and American Ambassadors in their efforts to find and put into service in Turkey small boats which can operate in the same manner as the three above-named ships.

The War Refugee Board would of course agree to arrange for the payment of a reasonable charter hire for the use of any Turkish vessel made available and to assume responsibility for the maintenance and support of refugees in transport or awaiting transportation in Turkey.

In view of the necessity of using for military purposes all passenger ships now available to us, the War Refugee Board is also recommending that if the Turkish Government insists upon a guarantee of replacement in kind in the case of loss of any Turkish vessel made available in the future for refugee evacuation operations, consideration should be given to ^{using} the re-chartering

- 3 -

of the Adana ships as a basis for requesting the Turkish Government to waive such guarantee in the future unless the Turks are willing to make a similar guarantee to replace any of the Adana ships that are lost. However, if the giving of a guarantee in kind appears absolutely necessary in order to obtain the use of Turkish vessels the War Refugee Board will, despite all difficulties, seriously consider giving such a guarantee in connection with future voyages of the TARI or any other Turkish vessel because of the urgent humanitarian considerations involved and the strong interest of this Government in the refugee evacuation program. It should be clearly understood that the original guarantee to replace the TARI in the event of loss on its first voyage still stands and that the above refers to subsequent voyages of the TARI and any other Turkish vessels made available for refugee evacuation purposes.

The State Department is transmitting the Board's recommendations to the British.

This is War Refugee Board cable to Ankara No. 46.

May 30, 1944
11:40 a.m.

NHN: tnh

5-30-44

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMERICAN EMBASSY, MONTEVIDEO
DATED: May 30, 1944
NUMBER: 307

CONFIDENTIAL

Knapp sends the following for Sanders.

Reference is made to Department's 304, May 27, 8 p.m.

It is my suggestion that exposition for resolution in connection with refugees be brief, consisting of little more than narrative paraphrase of major phases of draft resolution contained in message referred to above. Please be particularly careful not to antagonize the Germans by extensive or inflammatory discussion of their capacities for cruel handling of refugees, nor to broach or deal directly with the subject of legality of documentation, since the Germans might seize upon it.

Although the Committee must be advised that, as between the respective issuing governments and the individuals, irregularities may occur in the documents, it should be stressed that the release of the refugees, without prejudice to later deliberate scrutiny of their documentation, to temporary havens of safety outside this hemisphere is the immediate objective, and that the admission of or responsibility for any individual released whose documentation it regards as illegal, will not be required of any government.

I suggest words quote security circumstances unquote be followed by words quote respecting repatriation unquote in first line of third Whereas clause of draft resolution.

HULL

NOT TO BE RE-TRANSMITTED

COPY NO. 111

SECRET

OPTEL No. 173

Information received up to 10 A.M. 30th May 1944.

1. NAVAL

On 27th/28th bombs and mines were dropped in PORTLAND Harbour and one tank landing craft damaged. Harbour swept clear of mines and re-opened by 10 PM 28th.

On 28th/29th two MTB's damaged by mines in LYME BAY. During raid on FALMOUTH Port last night British and U.S. Naval Headquarters were damaged by blast and there were some service casualties. No damage to shipping, mine laying suspected. On evening 29th, U.S. Escort Carrier and U.S. Destroyer were torpedoed about 400 miles south of AZORES. The Escort Carrier has since sunk. No further details yet received.

On 27th/28th Coastal craft sank three F-fighters and set on fire a 1,000 ton ship off West Coast of ITALY. On 28th a French Cruiser and a U.S. Destroyer bombarded in support of 5th Army's left flank. One of H.M. Submarines sank a 3,000 ton German ship in S.W. Gulf of LIONS on 21st.

2. MILITARY

Italy New Zealand troops have reached point on ATINASORA Road 4 miles N.W. and locality 6 miles W.N.W. ATINA respectively. Indian troops have captured ARCE and have advanced 1½ miles to N.W. U.K. and Canadian troops have crossed the LIRI near CEPRANO, leading Canadian elements have advanced to one mile north of POPI. French are approaching CECCANO having advanced up to 1½ miles in the hills S.W. of that village. U.S. troops have made slight advances on the Road PRIVERNO-CARPINETO and are now about midway between these villages. U.S. Troops attacking toward VALMONTONE and VELLETRI are meeting severe opposition. German counter attack on ARTEMA repulsed. British and U.S. troops have advanced about 1½ miles West of ANZIO-ALBANO road in CARROCETO area.

Burma IMPHAL In area South of IMPHAL our flanking movement to cut off Japanese has now resulted in gap between two of our brigades being closed.

KOHIMA The attack to drive the Japanese southwards from KOHIMA is still in progress.

3. AIR OPERATIONS

Western Front 28th/29th. 465 tons dropped on ANGERS railway centre in good and well concentrated attack and 836 tons on coastal battery.

29th. 988 U.S. heavy bombers supported by 1,068 fighters sent to attack objectives in NE. GERMANY and POLAND. 1,300 tons dropped on seven aircraft factories at POSEN, KOTTBUS, SORAU, LIPZIG and TUTOW; 488 tons on synthetic oil plant POLITE and 101 tons on other objectives with results generally good. German casualties reported by fighters 56:1:20 those by bombers not yet received. 34 Bombers, 11 fighters missing. 1,586 medium, light and fighters attacked following objectives Northern FRANCE and BELGIUM.

Military constructions	142 tons
Airfields	146 tons
Coastal defences	158 tons
Railways	457 tons

Two medium bombers and three fighters missing, three German aircraft destroyed in the air.

29th/30th Following Mosquitoes despatched:

HANOVER	31
Ammunition Depot near DUISBURG	11
Coastal Battery	4
Intruder patrols	10
Halifaxes laying sea mines	6

All aircraft returned safely.

69 German aircraft operated off and over South coast. One was destroyed by fighters. One large fire FALMOUTH where five fatal casualties so far reported. Minor incidents PORTSMOUTH, ISLE OF WIGHT Area.

Italy 28th. 368 medium and light bombers - one missing and 196 fighters attacked communications in Central and Eastern ITALY. 398 fighters - one missing - attacked road transport on the battle area.

INTERNAL SECURITY

May 31, 1944
10:03 a.m.

85

HMJr: Hello.

John
Pehle: Good morning, sir.

HMJr: Hello, John, they say you want to talk to me.

P: I just want to mention -- I just want to be sure
you heard the good news about what the President
said at the press conference yesterday.

HMJr: No, I didn't.

P: Well, they asked him about the free ports....

HMJr: Yes.

P:and he said that he liked the idea but he
didn't like the name and that the Government
was working on it.

HMJr: Yeah.

P: And then he said, "Of course, they don't -- they
don't have to be limited to the United States.
They can be other places, too."

HMJr: Yeah.

P: Some of the press misinterpreted that and said
that he indicated that they might not be here at
all; they might be just other places. But I have
checked rather carefully on what he said and he
clearly gave a good boost for the free ports.

HMJr: Righto. Okay. I'll see you later.

P: All right, sir.

Mr. Blough,
Mr. Surrey.

May 31, 1944

Secretary Morgenthau.

Please read Bricker's statement, the full text of which is in today's New York Times, as it affects the tax and fiscal policy, and Roy Blough, be prepared to give me your joint opinion as to how we can answer this statement. You will also notice that he refers to a Baruch report on post-war taxes. I'm not familiar with that. Is there such a report and is Baruch studying it? I wish you would bring that up at the eleven o'clock staff meeting.

See Group 5/31 & 6/1/44 -

May 31, 1944
10:05 a.m.

GROUP

Present: Mr. D.W. Bell
Mr. C.S. Bell
Mr. O'Connell
Mr. Gamble
Mr. Haas
Mr. Smith
Mr. Blough
Mr. White
Mr. Sullivan
Mrs. Klotz

H.M.JR: I hope you all had a nice Decoration Day.

MRS. KLOTZ: Very nice, thank you.

H.M.JR: Who has what the President said yesterday to the press? Have you got that from Shaeffer?

MR. SMITH: Shaeffer will have it. We had Coffelt over there. I don't have it.

H.M.JR: Why doesn't Shaeffer go, himself?

MR. SMITH: He was in the conference with Harry White yesterday.

H.M.JR: But the last two or three times he hasn't gone.

Dan?

MR. D.W. BELL: I talked to General Carter about delaying that directive, and he said that - that was Monday I talked to him - that he thought that they could. And then yesterday morning while I was away he called Mr. Bartelt and indicated that they didn't want to delay it, and that it was going to be sent to Secretary Stimson

- 2 -

today, and that Secretary Stimson would be advised of Secretary Morgenthau's interest in the matter. I don't know whether you want to call Secretary Stimson, or whether I should, and ask him to delay the directive.

H.M.JR: I don't think that is important enough. If the Army doesn't want to do it, it is all right with me.

MR. D.W. BELL: They are quite worried about the position, frankly.

H.M.JR: I am not going to ask him - no. I don't think you should. If they can't stop it themselves - it is a question of stopping the pay roll plan in the Army, and if the Army wants to stop it, O.K. I am not going to fight with the Army about it. Do you care?

MR. GAMBLE: Not especially. They have so many people that are buying a bond a month and two bonds a month - two hundred thousand buying a fifty dollar bond a month; forth-five thousand buying a one hundred dollar bond a month, and three thousand buying two one hundred dollar bonds a month. I have checked it since Mr. Bell told me about this. I think we have very little to lose. If we consistently keep it up, we may have a lot to lose in the next two or three years.

MR. D.W. BELL: They think they will sell more bonds this way.

MR. GAMBLE: I wouldn't try to. The fact that it goes to Stimson's desk doesn't mean he is going to sign it right away, anyway.

MR. D.W. BELL: No. Mr. Stuart, who is the Stamp Editor of the Washington Post, wrote a letter some time ago and suggested that we have a commemorative stamp this year for the Bureau of engraving and Printing, commemorating a half century, I believe it is, of manufacturing what he calls the finest and the most

- 3 -

beautiful stamps in the world by the Bureau of Engraving and Printing. In other words, I suppose it would be something to show the Bureau of Engraving and Printing on the stamp. Would you be in favor of that, or would you be interested?

I suppose it should come from the Post Office, but he is asking us first before it is taken up with the Post Office.

H.M.JR: I think it is pretty far removed from the war.

MR. D.W. BELL: That is true, but then, they are having a lot of new stamps. I think they have three this month. Haven't had one, I think, since Frank Walker came in.

H.M.JR: If the fellow can generate it, all right, but I wouldn't push or pull. How is that?

MR. D.W. BELL: O.K.

Some time ago I think Mr. Gaston took up in Staff Meeting the matter of Cuban sugar, raw sugar, coming in duty free because of an old statute which gave the Secretary of Navy authority to buy any war materials abroad without paying the duty. That authority given to the Secretary of Navy was included in the War Powers - Third War Powers Act, I think - and they issued an Executive Order which covered Cuban sugar, I believe.

MR. O'CONNELL: It gave to a number of agencies the authority the Secretary of Navy had had before - among others, FEA and Commodity Credit - Commodity Credit in this case. It wasn't addressed to sugar, but just in terms of the statute.

MR. D.W. BELL: Vandenberg has asked you in a letter to give him the facts in the case. He said it looks to him as though, by allowing Cuban sugar to come

- 4 -

in duty free, it is increasing the appropriations of the Commodity Credit Corporation, and that is true, that they don't have to pay the duty, so it thereby enables them to buy more goods.

This letter just sets out the facts, and I see nothing wrong with your signing it.

H.M.JR: Am I for or against it?

MR. D.W. BELL: You are just telling him what happened - that the law is there and it was extended to other agencies.

MR. O'CONNELL: We also told the Commodity Credit Corporation of the incoming letter and read to them the form of reply that was drafted. It is agreeable to them. I thought they ought to know it.

MR. D.W. BELL: We opposed the matter at that time because we said we didn't think they could determine that raw sugar was a war material in the terms of that original statute.

MR. O'CONNELL: Yes, but it is their responsibility to make the determination. We have cautioned them we thought they were going pretty far. We felt it was up to them. The Attorney General says it is their responsibility and it isn't up to us to do more than raise the question that they give us a proper certification in Customs.

H.M.JR: O.K. (Secretary signs letter to Senator Vandenberg)

What else?

MR. D.W. BELL: It looks as though expenditures might reach a record this month, close to eight billion for war expenditures. One reason is because we have five Tuesdays; Tuesday is always a big day. The expenditures accumulate over the weekend. That is all I have.

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H.M.JR: You might give me a little analysis of it, just as soon as you have it, George. Will you?

MR. HAAS: Yes.

MR. GAMBLE: Make a good press release for the Fifth War Loan as soon as we have it.

H.M.JR: Will you get busy? Give it to me just as soon as you have it figured, or within twenty-four hours, please.

MR. HAAS: Yes, sir.

H.M.JR: Charlie?

MR. C.S. BELL: We are going ahead with the dance tonight. Anyone, at nine-thirty, who would like to come down would be very welcome.

H.M.JR: I was going to say the same thing, because if anybody wants to come - I thought I would have a movie at eight-thirty. You don't want them standing around more than half an hour, do you?

MR. C.S. BELL: I think they do, sir.

H.M.JR: Well, I can't dance that kind of dance.

MR. D.W. BELL: Not longer than half an hour, you mean?

H.M.JR: I last about five minutes. Anyway--

MRS. KLOTZ: The idea in your coming is that they see you. Some of them don't come very early, you see.

H.M.JR: Well, let's see how it goes. Mrs. Morgenthau and I, and Mrs. Robert Morgenthau, expect to be there. I don't know whether the others heard you.

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MR. C.S. BELL: Anyone that wishes to come will be welcome. We have some nice publicity on it. I don't know whether you saw it - there are four items in the local papers (hands clippings to Secretary).

H.M.JR: Incidentally, I will have to let the President know what is going on. It is the Canteen?

MR. C.S. BELL: It is a joint affair.

Mr. Pehle would like to promote Mr. Friedman over to the War Refugee Board. He goes off your Stabilization at sixty-five onto the War Refugee Board at seventy-five. His last promotion was 1942 - May - two years ago.

H.M.JR: Anybody object? (No reply)

MR. O'CONNELL: He is a good man - very good man.

(The Secretary signs Mr. Friedman's transfer)

MR. C.S. BELL: I have three deferment cases if you want to take them up later.

H.M.JR: Yes, I will try to do it right after this.

MR. C.S. BELL: That is all.

H.M.JR: How is the mattress department?

MR. C.S. BELL: Fine.

H.M.JR: Will you report later?

MR. C.S. BELL: I will have the whole story by noon.

H.M.JR: Oh, boy!

Mr. White?

MR. WHITE: We would like to discuss and possibly recommend a rather unusual approach to the German monetary problem. They are pushing us for a report.

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H.M.JR: Who is "they"?

MR. WHITE: The Army - pushing us for a definitive answer. We have put them off several times. We ought to have a meeting as soon as possible with you - tomorrow or the day after - at which time Dan Bell and Joe ought to be in on it.

H.M. JR: Well, let me find out. I will give you a time.

Fred, did that record come?

MR. SMITH: It is here, yes.

H.M. JR: How long does that take?

MR. SMITH: About thirty to forty-five minutes.

H.M. JR: When would you like me to hear it?

MR. SMITH: You can do it any time. It is down there now, and Welles is going to be here on Friday. You can do it now and think about it Friday, or wait until Friday and do it all.

H.M. JR: Today is Wednesday, isn't it?

MR. SMITH: Yes.

H.M. JR: What are you doing right after this, Gamble?

MR. GAMBLE: I am free. I haven't heard it.

H.M. JR: Would you like to go down right after this?

MR. GAMBLE: Yes.

H.M. JR: As long as you are here, would you like to do that?

MR. GAMBLE: Yes, sir, very much.

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MR. SMITH: His man came with it, here; shall we have him here, too?

H.M.JR: I would rather have it so I could be a little free in my criticism.

MR. SMITH: Yes, O.K.

H.M.JR: Do you want to just tell them outside to see that the room is available for us? I would like to do that and then I will know.

MR. WHITE: We would like a half hour, I think.

H.M.JR: I am available at three o'clock today.

MR. WHITE: I would like some other time. I have some conferences booked for most of the afternoon, outside of tomorrow.

H.M.JR: I want to try to keep tomorrow morning to go up on the Hill. Do you want three o'clock tomorrow?

MR. WHITE: Tomorrow afternoon at three o'clock, yes.

H.M.JR: Will you tell them outside who is to come? Do you want a half hour?

MR. WHITE: I think you will probably want a half hour.

H.M.JR: Is that the only appointment you want? Did Acheson come?

MR. WHITE: That is a separate appointment we would like. He won't come to that one. That should be strictly Treasury. You might want to branch out later, but first I want to get your green light if we want to go ahead on this, because it is something new.

H.M.JR: Do I have to see Acheson before?

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MR. WHITE: No, Acheson has nothing to do with this. You will have to see Acheson about some preliminaries on the Conference, and that you can do either this morning or tomorrow - whichever you have.

H.M.JR: Let's wait and see if the President is going to see these people himself. I have a call in.

MR. WHITE: Tomorrow would be all right to see Acheson - even the day after.

H.M.JR: No, I have to move on this now. I want to finish it up this week. The longer we wait, the more people you get suggested as delegates, you see.

MR. WHITE: That is very true, although the meeting was related to other things besides the delegates.

H.M.JR: All right.

MR. WHITE: We received a letter from Secretary Hull, recommending to the President - and he sent a copy to you - that the loan be made by Jesse Jones to the Netherlands on the collateral--

H.M.JR: From whom?

MR. WHITE: We received a copy of the letter - from Hull to you - it is a copy of a letter from Hull to the President. I don't think there is any need for you to consider it today. If you want to put it off until next week--

H.M.JR: Wait until I hear from the President?

MR. WHITE: You can.

H.M.JR: I have a note from the President that he wanted to discuss it with me when he came back.

MR. WHITE: Yes. I don't think it was quite that way, but something like that. I think he said discuss it with State, but--

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H.M.JR: No, you are wrong; he wanted to discuss it with me.

Anything else?

MR. WHITE: Yes, the FEA is making a study on a very interesting and, I think, important aspect of arrangements with Germany on cartel tie-ups and its effect on certain of the German influences, and so forth, here and in South America. They would very much like to have the services of Sam Klaus to help them in setting up the Unit. That is, he would still be with the Treasury, but they would like to use his services setting the Unit up and setting out the program, and so forth. They have had a number of discussions with me and with him on it. Is that all right with you?

H.M.JR: Don't they want to take him on permanently?

MR. WHITE: I don't know. I will ask them.

H.M.JR: If Sam could get a job which would give him full time for his energy, it would be fine for him. I think he has it coming to him. Certainly we will lend him to them, anyway. It comes from your office?

MR. O'CONNELL: That is right. I talked to Harry about it. It is very agreeable.

H.M.JR: Can you spare him?

MR. O'CONNELL: Yes.

MR. WHITE: The French Minister was supposed to leave yesterday by plane. As far as I know he didn't leave until last night. He called and said he would very much like to say good bye to you in person if he hadn't left by this morning. Now, I can stall it until this afternoon, and by that time he will probably have left, and then I can call him.

H.M.JR: I would like to see him.

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MR. WHITE: O.K. I will call him.

H.M.JR: Tell Fitz, too.

MR. WHITE: Yes. They gave him a number three priority. We were able to get that raised to a number two priority.

(The Secretary tells Mr. Fitzgerald that if Mr. Mendes-France is still in town and wants to come here at quarter of twelve, he will be delighted to see him)

H.M.JR: Roy?

MR. BLOUGH: You asked about the Bricker speech.

H.M.JR: Yes.

MR. BLOUGH: Well, it is the old stuff all good Republicans preach these days. I don't think there is anything particularly erroneous with the figures, although they are used to the worst advantage as far as the Administration is concerned.

The only way I can see to meet it is for some other people to make speeches - political speeches - emphasizing other aspects of the situation.

H.M.JR: Well, I wrote a note to Fred--

MR. SMITH: Yes, I have called. Hannegan is in California and is going to talk to me when he calls in. Paul Porter is not anywhere to be found at the moment.

MR. SULLIVAN: He is in town.

MR. SMITH: Yes, but you can't reach him.

H.M.JR: Here is the thing that comes up; I don't feel I should answer Bricker if they say that. That is out. There is time enough, whoever the Republican is. But I am curious to know what the hell the National

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Democratic Committee does.

Now, here is the thing; we ought to have somebody write a speech and give it to Doughton and George and let them answer this fellow, because he leaves himself wide open.

"O.K., Mr. Bricker, if you care to balance the budget, how would you do it?" And I would keep asking him.

"You want to increase taxes. How would you do it?"

They let Willkie get away with that sixteen billion dollar tax and nobody answered it. They are dead on their feet over there, and so is the Congress.

By night there ought to be a speech for somebody to give answering that cheap skate who says that kind of stuff. They don't think we want to save money.

"All right, Mr. Bricker, where would you save the money? Let's get down to brass tacks."

MR. SMITH: I agree. I think you might be giving Bricker a little too much publicity if you name him, because nobody listens to Bricker, anyway.

H.M.JR: Well, the New York Times gives the speech in full.

MR. SMITH: The other thing is, what Bricker is hauling out is the old stuff that everybody knew was coming three months ago.

We should have had ourselves up and all over the lot, which should have made him cringe before he could speak.

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H.M.JR: I would like to find out, what does Mr. Hannegan propose to do on a political level when somebody makes a speech attacking Mr. Roosevelt's Administration on a tax and fiscal policy. Do you see?

MR. SMITH: Yes.

MR. WHITE: It's all right to build Bricker up. We would rather build Bricker up, because he is not going anywhere!

H.M.JR: I sent you a memorandum sometime ago to try to contact Porter and find out who is going to do these things and who is going to master-mind the thing.

MR. SMITH: Well, I have tried to get in touch with Porter every time that we do anything on the Hill and I have never had any luck.

H.M.JR: Well, the other thing, what about this Baruch Report that he refers to?

MR. BLOUGH: It's nothing new. It's the February 15th report on termination and that sort of thing. In the recommendations from A to J, there is one, "I", which covers taxes. Mr. Doughton answered it at the time it came out.

H.M.JR: How about a letter from me to Baruch, saying-- well, I can act a little innocent--that Mr. Bricker is referring to the Baruch so-and-so report. "I would like to know whether you are making any studies on taxes?" Let's hit him. After all, we took on Jimmie Brynes, why not let's take on Baruch?

MR. BLOUGH: Of course, this was February 15th.

H.M.JR: I can refer to Bricker. As of today, is Mr. Baruch--I know he has taken a tax man from Chicago.

MR. BLOUGH: Mr. McDermott. He is a tax lawyer from Chicago, that's right.

Mr. Baruch, as I see, is in the picture with Mr. Bricker. The New York Times picture shows Mr. Baruch

and Mr. Bricker together.

H.M.JR: Well, will somebody please come through with some idea to him, should we sit here and let Baruch think he is going to study post-war taxes or should I make a fight and say that is the Treasury's job?

MR. BLOUGH: May I talk with Smith and Bell between now and tomorrow?

H.M.JR: Sure, and I wouldn't overlook Sullivan and O'Connell.

MR. BLOUGH: I didn't mean to.

H.M.JR: But let's wake up a little bit. I mean, don't let's sit here and have these people ride over us. I can't generate all the sparks.

MR. BLOUGH: I don't think they are doing the kind of study of post-war taxes that would give us very much cause for concern.

H.M.JR: Let's find out.

MR. BLOUGH: They did without any consultation with us whatever, do this February 15th report.

H.M.JR: Yes, but if I said to Baruch, "Now look, this is my responsibility, just as it is Mr. Hull's responsibility to announce a post-war policy which he hopes the President will join him in." I thought that was something yesterday. Imagine, I come out and I am going to do a Monetary Conference and I hope the President is going to join me! Mr. Hull said, "I am prepared to begin, with the approval of the President, conversation with the others."

MR. SULLIVAN: I thought that was a feeler.

H.M.JR: He certainly forced the President's hand yesterday.

MR. SULLIVAN: I don't know, but I had the impression that they talked it over and he was instructed to proceed that way.

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H.M.JR: Hull's statement came first and then the President's followed. That is why I wanted to talk with a man who was there at that conference, now the thing happened. Do you see? Find out, will you?

MR. SMITH: All right.

H.M.JR: Did it seem as though Hull was to come first or did somebody ask a question and force the President's hand? I will make a little wager, that Hull did this and forced the President to say, "Me, too." I would like to know. Will you take this?

(Secretary hands Mr. Smith clipping from the New York Times of May 30, concerning the Hull Conference)

MR. SMITH: You wanted to know whether the President offered or whether somebody brought it up?

H.M.JR: That's right.

MR. D.W. BELL: I understood Baruch did not want to study post-war taxes. He wants to get out of this job over here, just as soon as he winds up termination contracts.

H.M.JR: He is going to Hershey, Pennsylvania. Doesn't look as though he is trying to get out of it.

MR. BLOUGH: Didn't he speak on reconversion up there, either he or Hancock?

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

MR. BLOUGH: And the Governors agreed that the Federal Government must take the lead in that field?

H.M.JR: Let's find out. I am perfectly willing to ask him verbally or by letter, so forth and so on, if that is what you people want to advise me to do. Maintain our prerogatives.

MR. BLOUGH: I think if there is the slightest danger

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that they are going to do the other, that we certainly should.

H.M.JR: What else?

MR. BLOUGH: I understand the LaGuardia Conference is off.

H.M.JR: Yes.

MR. BLOUGH: Do you want a memorandum on that subject or should we wait?

H.M.JR: Let's wait.

MR. BLOUGH: You wanted, sometime this week, to talk over this idea of consulting with business executives and others on the post-war tax problem.

H.M.JR: Yes, that tomorrow, will you please?

MR. BLOUGH: At your leisure. At that time we probably will want to clear the Pension Trust positions which are being taken before the Committee.

H.M.JR: I will have another try tomorrow.

MR. BLOUGH: I think anything else will wait until then.

MR. HAAS: A couple of thing. Peter Odegard told me he is working up some historical material for you, and he wanted me to supply him with a file of all the confidential memorandums from our shop to you on a couple of subjects going back to 1935, one on the bonds and the other on interest rates.

H.M.JR: May I interrupt you? About a month ago I wrote a memorandum to a man by the name of Gamble in which I said I would like to get together with him, Miss Elliott, Mr. Odegard, Mr. Morgenthau and talk it over, and nothing ever happened.

MR. GAMBLE: We haven't happened to be in town at the same time. Miss Elliott is coming back on June 12th.

H.M.JR: We shouldn't have to wait on Miss Elliott. You might tell them before they give up any more files, I would like to know what Mr. Odegard proposes to do, because the first outline I saw, I didn't like. Do you see? I very seldom see Gamble.

MR. HAAS: Sometimes by phone!

MRS. KLOTZ: He is a nice fellow.

H.M.JR: He is a very nice fellow, but he is hell on memorandums and answering them. So let's find out what Mr. Odegard is up to.

MR. HAAS: All right.

H.M.JR: Don't you think that is a good idea? What does Mr. Gamble think?

MR. GAMBLE: Would you like for me to comment on that?

H.M.JR: But don't burst a blood vessel.

MR. GAMBLE: In the first place, we haven't had these people in town. I think it's important that they be at the meeting. Secondly, we have been waiting until Peter finished the first chapter of this book, because I think that will give you the feel of the whole book. That chapter has now been completed and I think it is much better that you read that. It's pretty hard to tell by an outline, what you are doing in the way of writing a story; if you can see some of the story and what he proposes to do, then I am sure, from my point of view, that you are going to feel much different about it than you did the outline.

H.M.JR: You couldn't put it on a record with soft music underneath?

MR. GAMBLE: We could even do that!

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H.M.JR: Will you take the next move and can George wait without hurting anybody's feelings?

MR. GAMBLE: Yes, he can.

H.M.JR: It's on your head?

MR. GAMBLE: Yes. No injury.

MR. HAAS: All right. The other thing is, I spent considerable time selling Fred Smith an idea on finance. I am in the peculiar position of having considerable apprehension whether or not you should put the booklets out. We would like to have a conference with you.

H.M.JR: Oh, God! Make up your own mind. I sent a telegram yesterday saying it was all right.

MR. HAAS: Well, I want you to know what the apprehensions are.

H.M.JR: I haven't got time to get your apprehensions.

MR. HAAS: They are mine now, but some of the consultants around feel very strongly with regard to it and they have practically sold me.

H.M.JR: It is a good booklet. Well, we'll see. If you are going to do it--

MR. HAAS: I think it's a good booklet.

H.M.JR: If you are going to do it before the Fifth War Loan, you have plenty of time on your apprehensions. What are you worried about?

MR. HAAS: In its whole analysis there is considerable ideology. It's not so much my worry. They are afraid, they feel that the analysis is very good. Nobody questions that. But they think that you will be attacked in the Press and have no way to come back. It's a type of thing that takes a long time to soak into the consciousness and understanding of the people and that you won't gain anything by it.

On the other hand, Stewart for example--Walter Stewart--told me that if you would take it as your own torch and follow it, like reciprocal trade agreements, he would see no objection to that. But that is why I wanted to have a meeting to sort of review the whole business before you go ahead.

H.M.JR: Well, listen, what the reactions of the public--that's Fred Smith's responsibility.

MR. SMITH: These are not exactly public reactions, they are political economy reactions. The economists will--he says, or somebody tells him--will take this as New Deal economy, the business about production equalling so and so, do you know? And I don't know. It's out of my department. It's whether or not economists agree and why.

H.M.JR: Well, look, you send me a thing. I take the time to read it and take the time to send a telegram and then you get cold-feet.

MR. HAAS: As I say, I was in a peculiar position. We spent a lot of time on the idea of feeling that you needed something. It's better for me to talk now than later, I think, if it's going to happen. It's a good job. You didn't waste any time reading it, I think.

MR. D.W. BELL: As a matter of interest, I would like to see it.

(Mr. Smith hands Mr. Bell two pamphlets: "Why are War Bonds Necessary" and "Where is the Money Coming From?")

H.M.JR: Well, George, you and Fred, I don't know--

MR. SMITH: Let's let Danny read it and see what he comes up with.

H.M.JR: That is a very good idea. Has Mr. Gamble read it and does he like it?

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MR. GAMBLE: Yes, I think the worst time in the world to put out a report is on the eve of a War Loan Drive, because you have so much better story to tell at the close of that period. You have perhaps as much as twenty billion dollars to add to the story you are trying to tell for the Treasury. I think the story should be told the day after the Fifth War Loan.

H.M.JR: I am not going to fight for it. I am not going to push or pull, again. If somebody is crazy about it let them get out and fight for it.

MR. HAAS: That is one of the things. You have to take the--

H.M.JR: It will just die, I know what will happen; somebody will have to fight for it, I'm not going to. Life is too short. Anything else, George?

MR. HAAS: No, sir.

MR. GAMBLE: I have just one matter and that is to ask if this Monetary Conference on July one is going to interfere with your July 4th Naval appearance?

H.M.JR: The answer is no.

MR. GAMBLE: Fine. That is all I have.

H.M.JR: And while I was up there, we had Dick Meyer down and he kept talking about my going on the air in New York for the Cavalcade. That is not on my schedule.

MR. SMITH: Yes, it is. That is on the 26th.

H.M.JR: Is it?

MR. SMITH: But you don't go on from New York.

MR. WHITE: Where is this July 4th thing?

MR. GAMBLE: Philadelphia.

MR. SMITH: It's going to be difficult to move out of there. You have to go a hundred miles to an airport. The Cavalcade job is right there on your desk, though, because the show is going to be in Hollywood and you just go on at the end of it.

H.M.JR: There is nothing here. (Refers to schedule)

MR. SMITH: Yes, there is, it should be, if you have the latest one, on the 26th?

H.M.JR: Yes, that's right.

What was the name of the man you gave Mrs. Morgenthau, three names of people that were so good?

MR. SMITH: Corwin. He was the best, but he has his own series once a week and it would be probably a little difficult.

H.M.JR: Somebody said the one on anti-Naziism the other day was wonderful.

MR. SMITH: Welles, Corwin, Obler, and Robson are the best.

H.M.JR: Mrs. Morgenthau is delighted with that job. Is she coming down today?

MR. GAMBLE: I think not.

H.M.JR: She is delighted. Can't we get Corwin, maybe, to do one for me at the end?

MR. SMITH: Yes, if he has plenty of time. But as I say, he has this weekly job that clutters him up.

MR. GAMBLE: We couldn't use him for this job.

We used him in the Fourth War Loan. He did a grand job.

H.M.JR: When does he talk? Would you find out?

MR. SMITH: Yes.

MR. GAMBLE: He produces this new series he has on CBS.

H.M.JR: I would like to know.

MR. SMITH: He is really good. He is outstanding.

The only thing I have got that hasn't been covered is the fact that our Bridgeport thing is bringing out some--the pictures, you know, we had. It hasn't been terribly successful and we have had Likert on it. What it turns out to be is that the small nucleus of people who are interested in the war--and it's awful small and getting smaller--went to the theatre and saw the pictures and liked them very much, but the people who aren't particularly interested in the war are getting less and less interested in the war and they have no truck with it at all.

H.M.JR: well, I would like to talk to you some more about it.

MR. SMITH: Yes. Likert is making a preliminary report on it.

H.M.JR: What else?

MR. SMITH: That is all.

MR. O'CONNELL: Judge Byrnes has called an emergency meeting of the Joint Contract Termination Board for eleven o'clock this morning, arising out of that Brewster cancellation of contract. That is all I know about it. I think John and McConnell are going to the meeting.

H.M.JR: McConnell said he wanted to see me for two minutes before he left.

MR. O'CONNELL: It may be in connection with that.

The other thing I might mention, the agencies have come to an agreement on legislation covering surplus property disposition. They worked on it in the same fashion that we worked on the contract termination legislation. A Committee representing all the agencies under Clayton's direction. They completed a draft which is agreeable to them and it is being discussed with the staffs of three Congressional Committees who are interested in the problem. We have no assurance that the draft that is agreeable to the agencies will be agreeable to the Congress, but at least we have a good working bill to start with and we are hopeful that it may come along as well as the contract termination legislation, which is now in the House. It ~~has~~ passed the Senate. I might mention that as I understand it, Congress expects to give some consideration to Unemployment Compensation in connection with war workers before the recess. Whether they will have time or not, I don't know, but the program contemplates completion of legislative action on the contract termination legislation, then on surplus property and then they are going to take up, and what they are going to do, I don't know, Unemployment Compensation for war workers. It isn't as broad as Social Security legislation generally, but I thought I would mention it while Roy and the others were here.

MR. BLOUGH: At the end of this meeting I was going to ask Dan for time sometime today or tomorrow and we could talk about it. We have some memorandums now that we are ready to discuss.

MR. D.W. BELL: It grew out of the fact that the George Committee, I believe, asked Aitmeyer to submit something within ten days or two weeks and we thought we ought to be ready, too. So Roy started a group around here studying.

MR. O'CONNELL: The papers carried a little article to the effect that the Internal Revenue had disapproved Emil Schram's salary increase.

(Secretary holds telephone conversation with General Watson)

May 31, 1944
10:47 a.m.

HMJr: Hello.

Operator: He'll be right on.

HMJr: Hello.

White House
Operator: Mr. Secretary, General Watson.

HMJr: All right. Hello.

General
Watson: Hello.

Operator: Secretary Morgenthau.

HMJr: General.

W: Who?

HMJr: Morgenthau.

W: Oh, hello there, Henry.

HMJr: How are you?

W: Fine.

HMJr: Look, do you know whether the President is going to see the Leaders off the Hill tomorrow?

W: No, he hasn't said anything about it.

HMJr: Well, now, here's the thing: when Acheson and White and I saw him last week, he, the President, said he would talk to the Leaders about the delegates to this Monetary Conference.

W: Yeah.

HMJr: Now, if he isn't going to do it, I wish he'd tell me to go ahead and do it because we're getting all kinds of people that want to be put on.

W: Yeah.

HMJr: And the longer we wait, the more difficult it's going to be.

W: Yeah.

HMJr: See?

W: Well, I -- you see, Barkley is not here, I don't think.

HMJr: Well, we got word that Barkley, maybe, wanted to go himself and Wagner wants to go and Bloom told us to take a couple of rooms and so we'd better get this thing cleaned up and announced so that it will be easier on the President. He does the appointing.

W: The point is -- has he looked over the list yet?

HMJr: Yeah.

W: And he's approved them?

HMJr: He told us it was all right and then as a sort of an afterthought we suggested wouldn't he like to talk to the Leaders.

W: Well, I -- he's not going to see the Leaders.

HMJr: That's what I -- well, if you'd simply say to him I'd be glad to go up on the Hill and see them.

W: All right.

HMJr: See?

W: I'll make a -- I'll tell him that. I won't be able to get to him for about an hour though.

HMJr: That's all right.

W: All right. I'll tell him some time during the day.

HMJr: Now, wait a minute.

W: Yeah.

HMJr: Now, John Pehle and I would like to get in to see the President tomorrow if possible.

W: Who?

HMJr: John Pehle, Director of the President's Refugee Committee.

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W: Yeah.

HMJr: And it's in regard to these -- the memorandum the President has. He's been studying it -- bringing these refugees into this country.

W: All right, I'll -- I'll ask him about that, too.

HMJr: Will you?

W: Yeah.

HMJr: Well, of course, he mentioned it at his press conference yesterday. You know?

W: Yeah.

HMJr: And I think the sooner he does something on that, the less pressure on him.

W: All right. Well, how do you spell that fellow's name, just T-a-y-l-o-r, Taylor?

HMJr: P-e -- P like in Peter.

W: Yeah.

HMJr: E like in everybody -- h like in Henry -- l like in love for you and

W: Yeah.

HMJr: e like in ease.

W: Pugh?

HMJr: Pehle.

W: Pehle. Oh, I've got it. P-a-

HMJr: P-e-h-l-e.

W: All right.

HMJr: John Pehle.

W: All right. Thank you, sir.

HMJr: See? I thank you.

W: I'll take it all up.

- 4 -

HMJr: Thank you.

W: All right.

-24-

H.M.JR: He gets everything the fourth time.

MR. GAMBLE: He and that Russian fellow would make a good team. (Laughter)

H.M.JR: Some of these people who have been going over recently, like White and Pehle, with me to the White House are beginning to learn some of the things that Mr. Bell and I went through when Bell was Director of the Budget and I was Secretary of the Treasury. Right?

MR. D.W. BELL: Yes.

H.M.JR: It's something! But that is part of the game. Now, have I passed you?

MR. O'CONNELL: I am all through.

MR. SULLIVAN: I have nothing.

H.M.JR: Good.

All right, now, let's see. I will join you two gentlemen down stairs.

MR. GAMBLE: All right.

MAY 31 1944

My dear Senator:

Further reference is made to your letter of May 20, 1944, requesting to be advised whether certain information you have in connection with Cuban raw sugar purchased by the Commodity Credit Corporation is correct.

It is your understanding that Commodity Credit Corporation purchased the total Cuban crops for the last two years, imported such sugar into the United States paying the regular duty, and then sold it to the seaboard refiners for the duty-paid price. You have been told that, by arrangements between the Commodity Credit Corporation and the Treasury Department, the Commodity Credit Corporation will now bring Cuban sugar in duty-free and sell it to the refiners at the duty-paid price. You state that this would not make any final difference from a financial standpoint so far as the Government is concerned but that it would seem to act the same as an increase in the appropriations to the Commodity Credit Corporation and that it would seem to put Cuban sugar on the free list despite tariff laws to the contrary.

I have looked into this matter and am pleased to furnish you with the following information.

The Act of June 30, 1914 (34 U.S.C. 568), authorizes the Secretary of the Navy to make emergency purchases of war material abroad and provides that when such purchases are made the material shall be admitted free of duty. Effective May 30, 1942,

- 2 -

the authority contained in the Act of June 30, 1914, was extended under the authority of the First War Powers Act, 1941, approved December 18, 1941 (Public Law 354, 77th Congress), to the officers and agencies specified and described in Executive Order No. 9177.

Under date of May 11, 1944, the President of the Commodity Credit Corporation, one of the governmental agencies entitled to the benefits of the Act of June 30, 1914, as extended, addressed to the Commissioner of Customs a communication (1) stating that shipments of raw sugar would arrive at certain ports of entry in the United States beginning May 14, 1944, consigned to or covered by bills of lading endorsed to the Commodity Credit Corporation and would be entered in the name of that corporation, (2) certifying, in accordance with section 2 of Executive Order No. 9177, that the procurement of such shipments of sugar constituted an emergency purchase of war material abroad by the Commodity Credit Corporation, and (3) requesting that such shipments be admitted free of duty pursuant to the Act of June 30, 1914, and Executive Order No. 9177. Accordingly, the Commissioner of Customs authorized the collectors of customs at the ports designated to accord free entry to the shipments of raw sugar described in the communication of May 11, 1944, from the Commodity Credit Corporation.

Free entry also was accorded to certain shipments of sugar imported prior to May 14, 1944, which were certified to by the Commodity Credit Corporation under the Act of June 30, 1914, and Executive Order No. 9177. The Treasury Department understands, however, that prior to May 14, 1944, Cuban sugar was entered for consumption in the name of and duties were paid by the refiners.

- 3 -

The Treasury Department has no knowledge of the terms of the contracts between the Commodity Credit Corporation and the refiners and, consequently, is unable to advise you as to the prices at which sugar is sold to refiners.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Arthur H. Vandenberg
United States Senate
Washington, D. C.

WALTER D. REID, MISSOURI
FRANK B. ROWLAND, MISSOURI
JAMES M. SMITH, MISSOURI
JAMES M. SMITH, MISSOURI
JAMES M. SMITH, MISSOURI
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JAMES M. SMITH, MISSOURI
JAMES M. SMITH, MISSOURI

United States Senate

COMMITTEE ON FINANCE

May 26, 1944.

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

My dear Mr. Secretary:

Thanks for your note of May 24th promising me an early answer to my letter of May 20th regarding the tariff status of the Commodity Credit Corporation's importation of Cuban sugar.

I shall particularly appreciate it if I may have this information as soon as possible. I would like to know the answer to the question I raised before the Senate acts on the pending legislation to extend the Sugar Act.

With warm personal regards and best wishes,

Cordially and faithfully,

Arthur Hays Sulzberger

R

May 24, 1944

My dear Senator:

Let me acknowledge your letter of May 20, which deals with the question of the tariff status of the Commodity Credit Corporation's importation of Cuban sugar.

I am having the matter looked into and will see that you receive a more detailed reply to your inquiry within a few days.

With cordial regards and best wishes,

Yours sincerely,

[Signed] Henry Morgenthau, Jr.

Honorable Arthur H. Vandenberg,
United States Senate,
Washington, D. C.

United States Senate

COMMITTEE ON FINANCE

HON. L. BRADY, CHAIRMAN
 HON. J. LAFFETTE, JR., VICE-CH.
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 HON. A. DANAHAY, OHIO
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 HON. THOMAS, MISSOURI
 HON. W. H. HALL, MISSOURI
 HON. D. HILLMAN, OREGON
 HON. W. H. HENNING, CLERK

Class

May 20, 1944

575-122

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

My dear Mr. Secretary:

In connection with the purchase of the total Cuban sugar crop by the Commodity Credit Corporation for the last two years, I understand that CCC brought the sugar into the United States and paid the regular duty and then sold it to the seaboard refiners for the duty-paid price. I have been told that by arrangements between the Commodity Credit Corporation and the Treasury Department, CCC will now bring this sugar in duty-free and sell it to the refiners at the duty-paid price.

From a financial standpoint - so far as the Government is concerned - this would not make any final difference. But it would seem to act the same as an increase in the appropriations to CCC and it would seem to put Cuban sugar on the free list despite tariff laws to the contrary.

I shall appreciate it if you will advise me whether my information is in any degree correct.

With warm personal regards and best wishes,

Cordially and faithfully,

W. W. Waudensky

A

May 31, 1944
11:30 a.m.

DEFERMENTS

Present: Mr. C.S. Bell

MR. BELL: Your moving picture equipment is going to break down sooner or later. I thought I would get it repaired. I am trying to borrow some equipment to put in there if we are delayed very long. I thought you ought to know it. We are just about getting by with it.

H.M.JR: All right.

(Mr. Bell hands the Secretary the attached list of deferments)

H.M.JR: Radcliffe, plate printer, twenty-eight - why did that come to me?

MR. C.S. BELL: You see, he is twenty-eight. That is between twenty-six and thirty. Those cases will still come in. There will not be many of them. There will only be, really, emergency cases. He is a plate printer and we cannot get another one.

H.M.JR: And Robert J. Graham also?

MR. BELL: He is in that age bracket, too, and he is a machinist in the Assay Office in New York. That is with the Bureau of the Mint and we haven't been able to recruit those fellows. Likewise the senior melter; all three of them.

H.M.JR: O.K. (The Secretary signs deferment applications of Melvin J. Radcliffe, Eugene F. Breslin, and Robert J. Graham)

- 2 -

MR. BELL: They had kind of hoped you would be available at nine o'clock tonight at the Canteen dance. It opens up at eight, and at nine o'clock they have kind of figured that would be the peak of the affair. They have some others coming.

I thought if you could be available at a quarter of nine to quarter past nine, that would be ideal.

H.M.JR: I had planned to come down at eight.

MR. BELL: Well, it will just be opening up and they will be filing in. Eight-thirty would really be a better time.

H.M.JR: Well, beginning at eight-thirty--

MR. BELL: Or quarter of nine, if you want to allow yourself a little more time.

H.M.JR: I wish I had known it. I just invited the President to come.

MR. BELL: Will he come?

H.M.JR: I don't know. Don't tell anybody. I wanted to tell him about the noise. The last time I had it he asked why wasn't he invited.

MR. BELL: It is going to be really a better affair.

H.M.JR: I had better set the movie at nine.

MR. BELL: Fine.

H.M.JR: Now, I come down this way?

MR. BELL: Yes, sir. You can come right on in your usual way.

H.M.JR: Good. If the President came, where would we put him?

- 3 -

MR. BELL: I will be all prepared for that. Right up on this piece of marble I have a box.

H.M.JR: I think he would enjoy it.

MR. BELL: The biggest part of the time, I think he would.

H.M.JR: Who is Mrs. George Holmes?

MR. BELL: She is sponsoring the Canteen this month. They change. Admiral Robertson's wife was there last month.

H.M.JR: Are all these people coming? (Reads from list included in attached clipping)

MR. BELL: We have hopes they will all be there. They have all been invited.

(The Secretary asks Miss McCathran to send clipping to Miss Tully)

MR. BELL: I will be all ready to discuss the other item in about another half hour. I am working up the figures on it.

H.M.JR: Anything else?

MR. BELL: Mr. Olrich, I think, would very much like to take over the first of June, if that were possible. There is a whole lot he can do, sitting on top of the organization. That won't in any way interfere with Mr. Sullivan.

H.M.JR: Have you asked John?

MR. BELL: No, sir.

H.M.JR: Are you going to sound him out?

MR. BELL: Yes, sir. I think he would agree because this was given him later.

DEFERMENTS

May 31, 1944.

Name	Title	Age	No. of children
<u>GRAVING AND PRINTING:</u>			
Melvin J. Radcliffe	Plate Printer (Key List position)	28	2
<u>POST OFFICE:</u>			
Eugene F. Breslin	Sr. Helter	29	2
Robert J. Graham	Machinist (Key List position)	28	1

The Agency Committee recommends that the above 3 employees be deferred:

of Charles A. Bell

Mr. Barton is absent.

of Joseph A. Jordan

APPROVED: May 31, 1944.

of H. Morgenthau Jr.
Secretary of the Treasury.

Servicemen's Special **Washington Post**
MAY 29 1944
Canteen Terrace Opening
To Be Held Wednesday

Top-flight Washington officials will turn out Wednesday night for a gala opening of the Stage Door Canteen's new outdoor entertainment center at Treasury Department's south entrance.

Servicemen, in whose honor the party will be given, will arrive at 8 p. m. from the Canteen's regular headquarters at the old Belasco Theater where dinner will be served between 6 and 8 o'clock. Entering the Treasury Building via 15th st. entrance they will go on to the specially constructed terrace where regular Saturday night dances will be held all summer.

Hosts at the fete will be personnel of the Treasury, through whose efforts this summer entertainment center has been made possible and of Washington's Stage Door Canteen.

Should Be Memorable Event

If all goes well it should be a memorable occasion. Floodlights and lanterns will bedeck the dancing terrace and special entertainment platform where a servicemen's band will perform. There is to be plenty of food, pretty hostesses and a distinguished group of invited guests. The weather man willing, a young moon will add to the festivities that will take place in the erstwhile solemn dignity of Treasury grounds.

Mrs. George Holmes, acting chairman of the canteen will receive guests with Secretary of the Treasury Henry Morgenthau, Jr., Mrs. Paul V. McNutt, Cary Winston and Fred Kenny.

Two ranking military men, newly back from combat duty in the South Pacific theater will give brief talks. They are Vice Admiral Aubrey Fitch, Deputy Chief of Naval Operations for Air, and Maj. Gen. A. W. Waldron, chief of ground requirements section, Army Ground Forces.

Many Receive Invitations

Among those invited to attend are Mrs. Henry Morgenthau, Jr., Senator and Mrs. Arthur Walsh, Un-

dersecretary of War and Mrs. Robert P. Patterson, Admiral and Mrs. Ernest J. King, Admiral and Mrs. William D. Leahy, Mrs. Aubrey Fitch and Lieut. Gen. and Mrs. Alexander A. Vandegrift.

Others receiving invitations included Maj. Gen. and Mrs. John T. Lewis, Maj. Gen. James A. Ullo, Bernard Baruch, Mr. and Mrs. John Russell Young, Mr. and Mrs. Eugene Meyer, Mr. and Mrs. Guy Mason, Col. and Mrs. Charles W. Kutz and many more.

After Wednesday night's opening, the terrace will be open only on Saturday nights. The remainder of the week regular entertainment features provided servicemen at the Belasco Theater will continue as usual.

May 31, 1944
12:52 p.m.

General
Watson: to see those Leaders....

HMJr: Yes.

W:but he wanted you -- thought it would be a good idea if you first spoke to Mr. Hull. Just tell him what you're going to do.

HMJr: Mr. Hull's got nothing to do with this. It's Acheson.

W: Well, that's all right. Speak to him.

HMJr: Yeah. Hull's got nothing to do with this.

W: Well, he said -- he's in the State Department.

HMJr: What?

W: Acheson is still in the State Department.

HMJr: Well, we keep Acheson posted all the time. How's that?

W: Well, okay, but he said Hull.

HMJr: Well....

W: I don't care.

HMJr: Well, as long as we keep the State Department posted.

W: I would think so. Just tell Acheson to tell Mr. Hull.

HMJr: That's right.

W: That'll be okay.

HMJr: That's right.

W: Just tell him the President wanted you to tell him to tell Mr. Hull -- keep him posted.

HMJr: Good. We'll do that.

W: Fine, fine, okay.

HMJr: Thank you.

May 31, 1944
2:37 p.m.

HMJr: Hello.

Operator: The Admiral is not there, but I have Commander Hesford.

HMJr: Oh, good!

Operator: Go ahead.

HMJr: Hello.

Commander Hesford: Good afternoon, Mr. Secretary. Hesford speaking.

HMJr: Hello, Mr. Hesford. Two things: these two officers who commanded these two destroyers

H: Yes, sir.

HMJr: that saved -- I mean the two D.E.s that saved the men who were on the Lansdale.

H: Yes, sir.

HMJr: If they ever come to Washington, I'd like to have a chance to meet them and thank them personally. I've written both of them, as you know.

H: Yes, sir. I know, sir.

HMJr: Particularly the one who was not on the Menges. The Menges wasn't the one that actually saved Bob. It was the other one.

H: It was the Newell. That's Russ Roberts.

HMJr: Yes.

H: Yes, sir.

HMJr: Well, I'd like to see both of them because I know what happened to the Menges later.

H: Yes, sir.

HMJr: Will you make a note if they ever come? And then there was no significance, was there, that they were removed from those ships and given other commands?

H: None whatsoever, sir. I understand today -- I

HMJr: Yes.

H: happened to be speaking with Commander -- Captain Russ Wood who was Division Commander of that Division of D.E.s and he told me that Russell Roberts was relieving him as Division Commander so, in essence, that's really quite a promotion for him.

HMJr: I would say so.

H: He's taking over all six of them.

HMJr: Oh, wonderful. Well, would you see if either of them come -- would you let us know?

H: I'd be very happy to, sir.

HMJr: And the other thing was this: oh, sometime within the last six or nine months I talked to Cap -- Admiral Chalker. I'm still

H: Yes, sir.

HMJr: five years behind my time. About Tollaksen.

H: Yes, sir.

HMJr: And then Tollaksen was in the other day and, of course, the improvement was just amazing.

H: Oh, I -- I -- he was in to see me and I was dumbfounded when I saw him.

HMJr: Yes.

H: It certainly is -- he's a changed man. It's done him a world of good.

HMJr: Now, the doctor that he went to -- his name was Doctor Silbermann.

H: Yes, sir.

HMJr: And he did this as a patriotic contribution. He sent no bill, you see?

H: Yes, sir.

HMJr: And I think if Coast Guard would write him a letter of appreciation, it would be a nice thing to do.

H: I'll -- I'll take care of it.

HMJr: Will you?

H: Yes.

HMJr: Because he rendered no bill and is not going to render any bill.

H: I see, sir.

HMJr: And I suggested before and I don't think you people took advantage of it; I think that Doctor Silbermann would be glad to do this for any other similar case.

H: Yes, sir.

HMJr: And you must have other cases like Tolly.

H: Yes, sir.

HMJr: Yeah. But I got a great kick out of seeing Tolly walk in here.

H: He certainly is a changed man.

HMJr: Right.

H: He's being, I think without any question, we have a selection board meeting now for advancement to Commander rank.

HMJr: Yes.

H: And I think he -- he will be considered. Of course, I have no way of telling what

HMJr: No, no.

H: the result is going to be but he will be reconsidered at this time along with the next group going up. I hope he gets it.

HMJr: Well, that's certainly reconstructing a life.

H: Uh huh.

HMJr: Well, that's fine.

- 4 -

H: I -- I'll get -- I don't know how to spell the Doctor's name but I can get that from your secretary, sir. I'll call

HMJr: Well, now, wait a minute. I'll ask. (Talks aside)
S-i-l-b-e-r-m-a-n-n.

H: S-i-l-b-e-r-m-a-n-n.

HMJr: Yes.

H: Thank you.

HMJr: And his first name is Maximilian.

H: Maximilian.

HMJr: New York.

H: Yes, sir.

HMJr: Right.

H: Thank you very much, Mr. Secretary.

HMJr: Thank you.

H: You're welcome.

Meeting in Secretary Morgenthau's Office
May 31, 1944

Present: Secretary Morgenthau
Mr. Mendes-France
Mr. White

Mendes-France, Finance Minister of the French Comite called to say good-bye to the Secretary. He said he was waiting for a plane to take him back to Algiers and was going to London from there. He said that he had not wanted to leave without thanking the Secretary personally for the great kindness and understanding that he had shown to him, and the great assistance he had been to the French Comite.

The Secretary asked whether he had successfully completed his mission here, and Mendes-France said "not wholly" but that he had made progress. He said that he would like to have settled the matter of the authority to issue the notes but he realized that that was a political question which the Secretary couldn't settle. The matter of getting the notes printed had however been arranged and the rate of exchange had been settled and he had a little success, but not much, with the Army in getting it to reduce expenditures of American troops while in France. Mendes-France said that the Treasury had been very cooperative, very sympathetic and that he and his colleagues appreciated it very much. He hoped that the Secretary and Mr. White would come to Paris soon. He said that he would transmit the Secretary's message to Bloom via radio as he had described in a previous conversation with the Secretary.

H. D. White

May 31, 1944

My dear Mr. Oberwinder:

Your letter was a pleasant reminder of the past when you were so helpful in creating original advertising for Savings Bonds.

Thank you for sending me the excellent advertisement of the General Tire and Rubber Company. I did notice that the young lady's marksmanship was a little off the bull's eye.

Al Steele has been most helpful to us, and I am counting on him heavily for the Fifth War Loan. I cannot imagine that I would have any complaints about him.

The next time you are in Washington, be sure and drop in to see me.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. J. F. Oberwinder,
Vice-President,
D'Arcy Advertising Company,
Missouri Pacific Building,
St. Louis, Missouri.

D'ARCY ADVERTISING COMPANYMISSOURI PACIFIC BUILDING
SAINT LOUIS

OFFICES - NEW YORK - CLEVELAND - ATLANTA - TORONTO



May 29, 1944.

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

My dear Mr. Secretary:

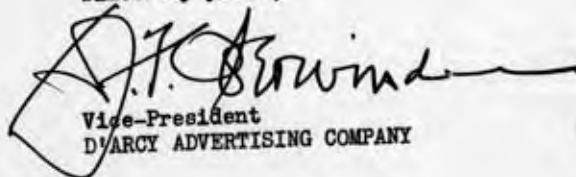
Al Steele of our New York Office spent Friday and Saturday at the home office in St. Louis. In discussing the Fifth War Loan drive, he saw the advertisement we have prepared for the General Tire & Rubber Company, to be run during that period, and suggested that I sent you a proof of this as he thought you would like to see it because of its unusual approach.

It seems like ages since I have seen you and trust this finds you in good health. I know it will find you plenty busy.

How is Al Steele doing on the Treasury radio work? If there are any complaints, do not hesitate to register them.

With kind personal regards and best wishes, I am

Sincerely yours,



Vice-President
D'ARCY ADVERTISING COMPANY

J.F. Oberwinder
S

... something extra for your money!

**A KISS WITH
EVERY BOND**

Back the Attack

**... BUY MORE
THAN BEFORE**

THE GENERAL TIRE & RUBBER COMPANY • AKRON, OHIO

The
**GENERAL
TIRE**

135
MAY 31 1944

My dear Mr. Postmaster General:

There is no need to ask for the support of the Post Office Department in the Fifth and biggest War Loan drive that starts June 12, because I have seen your War Bond message of May 22, to all postal personnel. But I want to take this occasion to pay tribute to the men and women of the postal service for their indispensable part in the financing of the war.

The records of my department show that on a recent date we had 54,290 issuing agents qualified to register and deliver Series E War Savings Bonds and of these, 28,956, or more than 48 percent, were the post offices of the United States. In hundreds of communities the post office is the only such agency.

I am aware that the Post Office Department is short-handed and that the mails are heavy. I know that giving good attention to bond investors imposes an additional heavy burden. I hope you will convey to all the men and women of your Department my personal appreciation of their cheerfull and efficient services in this connection. I refer, of course, not only to the performance of their official duties, but also to their patriotic services as American citizens. They subscribe liberally themselves and make use of their special knowledge and opportunities to assist War Finance Committees in attaining their local War Bond sales quotas.

In the Fifth War Loan, the opportunities to be helpful and the importance of success in this vital home-front job will be greater than ever.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Honorable Frank O. Walker
Postmaster General

Washington, D. C.

This is intended for publication in the Postal Bulletin prior to the opening of the Fifth War Loan.

REMAIL:mt 5-27-44

OFFICE OF DEFENSE TRANSPORTATION

WASHINGTON, D. C.



J. M. Johnson
Director

MAY 31 1944

Mr. Henry Morgenthau, Jr.
Secretary of the Treasury
United States Treasury
Washington, D. C.

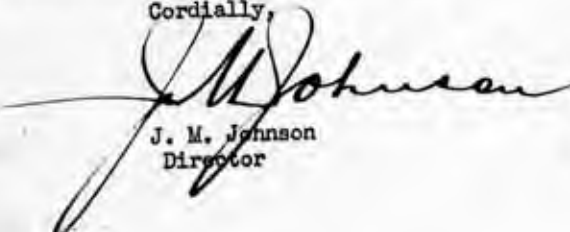
My dear Mr. Secretary:

I have just learned of your decision to cancel the contemplated movie star railroad tour you had originally planned in connection with the forthcoming War Bond drive.

It gives me very real satisfaction to know that you agree with the Office of Defense Transportation that the present transportation situation is so critical, as a result of the impending accelerated military operations in the European theatre, that you are willing to forego what has become a traditional part of all War Bond drives.

I am certain that the motion picture stars, who have always been so generous in their aid to every phase of the war effort, as well as the general public will understand and appreciate that this cancellation will be of direct aid in winning the war. I am also quite certain that neither the Hollywood folk nor the public will in any way relax their efforts on behalf of the Fifth War Savings Bond issue.

Cordially,


J. M. Johnson
Director

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May 31, 1944

Dear Randolph:

It was very encouraging to receive your letter on your trip through the country, and when you come to Washington I would like to get a first-hand account from you.

For your information, there will be a representative of the bankers at the Monetary Conference on July 1.

With kindest regards,

Sincerely yours,

(Signed) Henry

Mr. W. Randolph Burgess,
Vice Chairman of the Board,
National City Bank of New York,
55 Wall Street,
New York, New York.

W RANDOLPH BURGESS
55 WALL STREET
NEW YORK 15, N. Y.

May 27, 1944.

Dear Henry:

This morning I am just back from speaking at six bankers association conventions, from Texas to Maryland. In all of them I have poured it on pretty heavily on the Fifth War Loan. Lee Wiggins is doing the same thing with other states, and some of our other A. B. A. people are covering a still wider area.

So far the reaction is excellent. All the bankers are keen on doing a good job and our program for quotas and reports is being well received practically everywhere. It will, of course, take a lot of explaining to carry it through to a successful conclusion, but we hope to succeed in doing this in cooperation with the War Bond organizations.

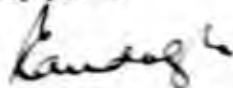
The chief difficulty I found everywhere was manpower, and the banks in some areas feel they are not being properly classified by the war manpower authorities. We are hoping that the steps the Treasury and the A. B. A. have taken will gradually relieve this situation.

Another question raised was whether the bankers would have some representation at the Monetary Conference that begins on July 1. I assume you have that under consideration.

A trip like the one I have just completed is cheering in its convincing evidence of the universal and wholehearted support of the war effort by our people.

With best regards,

Sincerely yours,



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

MAY 31 1944

My dear Mr. Secretary:

This will acknowledge receipt of your letter of May 25, attaching a copy of letter addressed to President Harry B. Mitchell of the Civil Service Commission, setting forth your views with respect to the Commission's program of direct recruitment of personnel. I have read with much interest the points covered in your letter.

Under date of May 13, 1944, this Department informed the Civil Service Commission that direct recruitment for Treasury should be restricted to the lower grade positions, in general not exceeding the CAF-3 classification, and listed the specific positions for which direct recruitment would be acceptable.

Thanking you for sending me a copy of your letter, I am,

Sincerely yours,

(Signed) H. Mergenthaun, Jr.

Secretary of the Treasury.

Honorable Harold L. Ickes,

Secretary of the Interior.

CSS:am
5-31-44



THE SECRETARY OF THE INTERIOR
WASHINGTON 25, D. C.

MAY 25 1944

My dear Mr. Secretary:

I am attaching a copy of a letter that I have just written to the Civil Service Commission concerning its program of direct recruitment and selection which I thought might be of interest to you. The discretion of the selection of personnel is quite an important administrative responsibility which I think generally should not be delegated to an outside agency.

Sincerely yours,

Harold L. Philips

Secretary of the Interior.

Hon. Henry Morgenthau, Jr.,

Secretary of the Treasury.

Enclosure 544.

*Miss Chamsey brought in
5-26-44*

THE SECRETARY OF THE INTERIOR
WASHINGTON 25, D. C.

MAY 25 1944

My dear Mr. Mitchell:

There has come to my attention your most recent communication, Departmental Circular No. 482, concerning the delegation of authority to the Civil Service Commission to recruit and select personnel. I am also in receipt of your letter of May 17 with reference to direct recruitment in certain positions in this Department. I have read the President's letter of February 26, 1944, referred to, which seems to deal primarily with the placement of veterans.

As a temporary expedient during the war where there are shortages of qualified personnel, there is perhaps some justification, as a means of eliminating delays, in agreeing to direct recruitment in clerical, stenographic, typing and certain other jobs in the more routine categories. We have participated in direct recruitment to that extent. In normal times, as a fundamental principle, I am not in accord with selection by other than the operating agency, and even in abnormal times I am not in accord with direct recruitment for the junior professional positions mentioned in your Circular No. 482 nor for any of the professional, technical or higher-grade clerical positions where specialized training and experience are required, except as it may be done under a joint program, with the operating office participating. A joint program will not be undertaken by the Commission, I understand, until it first receives authority from departments for direct recruitment and tries to find and select the appointees itself. The reason is not given, but seems to add up to "direct recruitment or else."

My major concern at this time is the pretty definite implications in your recent communications that this is only the first step in a broad program, duration indefinite, of direct recruitment and selection by the Commission and that in effect departments which do not delegate authority for direct recruitment and selection will be penalized by not receiving their share of eligibles. This would be an undemocratic procedure. It seems to me that there has been a new philosophy or concept taking hold in recent months in the Commission which deserves the attention of all responsible administrators. I refer to a change from the "service" concept to the "coercive control" concept—in other words, a tendency to invade the field of departmental administration, with an implication that the departments have a less-than-honest attitude or are less than competent in personnel administration. There is an uneasy feeling afoot that the Commission has ambitions to centralize in its control all personnel functions of the Government, but I choose to discount that suspicion. Any evils that may exist in government personnel administration will be corrected, in my opinion, by a program of counsel and cooperation and not by usurpation of the responsibilities of operating agencies. The appointing power is given to the heads of the departments by statute; I do not wish to exercise it in this Department merely by performing the ministerial act.

The selection of a person to perform a particular piece of work is un-
doubtedly a part of the appointing responsibility; in fact, the selection
process is such an integral part of administration that I do not see how it
can be effectively separated from it. Now with all due respect to the ability
of the undoubtedly efficient people that you have on the Commission's staff,
I am sure that not all wisdom is centered there; in fact, I would go so far as
to say that none has the experience in nor the intimate knowledge of the spe-
cialized work of the Department and its requirements that is possessed by the
respective operating officials here. With all of the improvement in recent
years in the standards and techniques of examination--I think that the Com-
mission has done a good job in this line and I am glad to acknowledge its accom-
plishments in this field of responsibility--I do not think that there has ever
been designed, and there probably cannot be designed, any examination that
will test reliably the intangibles of personality, adaptability, etc., as they
relate to the job. There are working conditions, supervisory personalities,
combinations of experience and other factors which have to be considered in
placing the individual. The employing officer is the one who is acquainted
with the details of each job and he should have the maximum discretion of
selection within the framework of merit system procedures--indeed, without it
supervisors' morale would suffer immeasurably.

The Commission has a tremendous responsibility in carrying out its func-
tions and it has had a gargantuan job to perform during the war period. I
would not detract from its importance for one moment, nor depreciate the
worthwhile accomplishments of the Commission. I should add also that the
day-to-day business between the representatives of the Commission and the
officers of the Department has been carried on in a spirit of helpfulness.
My hope is that the effectiveness of the Commission will not be impaired by
overzealous undertakings, and if I have read into the Commission's communi-
cations intentions which do not exist, I shall be glad to have the Commission

Sincerely yours,

(Sgd.) HAROLD L. ICKES

Secretary of the Interior.

Very truly yours,
Special Service Commission.

May 15, 1944

United States Civil Service Commission
Washington, D. C.

Attention: Mrs. Virginia Edwards

Gentlemen:

In accordance with your letter of March 7, 1944, addressed to Heads of Departments and Independent Establishments, we are listing below the types of positions in the Treasury Department, Washington, D. C., Metropolitan Area, for which direct recruitment of veterans by the Central Office of the Civil Service Commission would be acceptable:

- Adding Machine Operator
- Addressing Machine Operator
- Bookkeeping Machine Operator
- Calculating Machine Operator
- Card Punch Operator
- Chauffeur
- Clerk, CAF-1 & 2
- Comptometer Operator
- Duplicating Machine Operator
- Graphotype Operator

- Laborer
- Mechanical Helper
- Messenger
- Multilith Operator
- Skilled Helper
- Stenographer
- Tabulating Machine Operator
- Tissue Separator
- Typewriter Repairmen
- Typist

At the present time we have direct recruiting orders on file with the Civil Service Commission to cover existing vacancies in the above mentioned types of positions.

Very truly yours,

Joseph A. Jordan

Joseph A. Jordan
Acting Director of Personnel

E. Linck/mm
5-13-44

Fred Smith.

May 31, 1944

Secretary Morgenthau.

I've been reading about Bricker and his criticisms of the budget and the tax revision. I wish you would get in touch with either Bob Hannegan or Paul Porter and ask what do they propose to do about answering Bricker. Have they any plans? My own thought would be that the Treasury prepare something and put it in the hands of both George and Bob Doughton. Please give this serious consideration and have a suggestion or an answer by the eleven o'clock staff meeting.

See group 5/31 + 6/1 -

25

MAY 31 1944

Dear Eleanor:

This is with reference to the letter from Mr. Frank L. Scheffey, dated May 17, 1944, which was forwarded to me by Miss Thompson for my comments. Mr. Scheffey's letter suggests that in view of the magnificent work being done overseas by our Red Cross workers, it is unfair not to give them the income tax exemptions which are now granted only to members of the armed forces.

The Department has been called upon several times to consider proposals which would extend to groups outside the armed forces those tax exemptions now accorded the armed forces. We have followed in the past a consistent policy in opposition to such proposals, even though the particular groups are admittedly doing very important work in connection with the war effort, such as members of our merchant marine. The substantial dissimilarities between the members of the armed forces and civilians, with respect to the nature of their employment, their pay, their living and working conditions, render it appropriate that the more favorable tax treatment which has been accorded by Congress to the former be not extended to any civilian group.

This very question has been considered by the House Ways and Means Committee and the Senate Finance Committee in connection with legislative suggestions that the income tax exemptions of the armed forces be also granted to members of the merchant marine; their conclusion was that the policy of restricting such exemptions to members of the armed forces should be adhered to. The

- 2 -

question was further raised on the floor of the House of Representatives during the debates on the Current Tax Payment Act of 1943, and there the members of the House confirmed this policy by voting down by a substantial majority an amendment which would grant to members of the merchant marine the tax exemptions now given only to military and naval personnel.

I believe that it would be inadvisable in the present instance not to follow this policy; to make an exception in the case of the Red Cross workers would require the granting of similar benefits to other civilian groups performing equally meritorious work. This cannot be done without destroying the purpose underlying the tax exemptions of the armed forces. That purpose was to extend to the members of the armed forces special tax benefits which no other taxpayer is accorded. I doubt that we would want to dilute such benefits by extending to other taxpayers similar privileges.

I am returning to you Mr. Scheffey's letter. If there are any further questions which you may have with regard to this matter, I shall be very glad to discuss them with you.

Affectionately,

.....
.....
(Signed) Henry

Mrs. Franklin D. Roosevelt
The White House
Washington, D. C.

VNKirby:hps 5/29/44

THE WHITE HOUSE
WASHINGTON

May 24, 1944.

My dear Mr. Secretary:

I am enclosing a letter from
Mr. Frank L. Scheffé, 111 Broadway, New
York, New York.

Mrs. Roosevelt will appreciate
it if you will let her know about this.

Very sincerely yours,

Malvina C. Thompson
Secretary to
Mrs. Roosevelt.

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

R-9
S-24

MAY 18 RECD

111 BROADWAY
NEW YORK

May 17, 1944.

Mrs. Franklin D. Roosevelt,
The White House,
Washington, D. C.

Dear Madam:

Because of your great and helpful interest in the Red Cross, I am passing on to you a suggestion which, perhaps, you could get before the proper people in Congress now when the new tax bill is under consideration.

The Red Cross workers overseas do not receive the same income tax exemptions as members of the Armed Forces. This does not seem reasonable or fair as they are doing, as you know, such magnificent work.

Is it not possible that if this were called to the attention of Congress that they would adopt the suggestion and make provision for such exemption in the present pending bill?

Respectfully yours,

Frank L. Scheffey
Frank L. Scheffey

x suggestion

MAY 31 1944

My dear Senator:

Your letter of May 27, 1944 referred to a statement which you understood Mr. Fulton Lewis had made in a recent radio broadcast that the Treasury Department had issued a regulation directing employees to refuse to honor subpoenas duces tecum from Committees of the Congress. You request advice whether such an order was issued by the Department.

While I have no knowledge of the statement, I may say that the Department has issued no such regulation.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Hon. C. Wayland Brooks
United States Senate
Washington, D. C.

CO/law
5-30-44

SENATORS:
HAROLD P. WOOD, N. H.
WALTER BRIDGES, N. H.
WALTER G. HULL, N. H.
WILLIAM H. SMITH, JR., N. H.
WILLIAM H. SMITH, JR., N. H.
WILLIAM H. SMITH, JR., N. H.
WILLIAM H. SMITH, JR., N. H.
WILLIAM H. SMITH, JR., N. H.
WILLIAM H. SMITH, JR., N. H.

United States Senate
COMMITTEE ON APPROPRIATIONS

May 27, 1944

EDWARD H. SMITH, CLERK
WILLIAM H. SMITH, ASST. CLERK

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

Dear Mr. Morgenthau:

I have been informed that Fulton Lewis, in a radio broadcast about May 19, made the statement that the Department of the Treasury had issued a regulation directing their employees to refuse to honor subpoenas duces tecum from committees of the U. S. Senate and House of Representatives.

I shall appreciate it if you will advise me whether or not such an order was issued by the Department of the Treasury.

Yours very truly,



C. Wayland Brooks

CWB:MM



BRITISH AIR COMMISSION

1785 MASSACHUSETTS AVENUE
WASHINGTON, D. C.

TELEPHONE HOBART 9000

PLEASE QUOTE
REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statements Nos. 137 and 138 --
Aircraft Despatched -- for the weeks ended May
12th and May 19th respectively.

The Honourable Henry Morgenthau, Jr.
Secretary of the Treasury
WASHINGTON, D. C.

May 31, 1944.

Aircraft Despatched from the United States
Week Ended May 12th, 1944

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>CONSOLIDATED</u>					
Operator B-VI	Canada	Canada			2
Operator GR-VI	U.K.	U.K.		8	
Coronado GR-I	Canada	Canada			1
<u>ADMIRALTY</u>					
Antelina IV B	U.K.	U.K.		2	
<u>ARMY AIR CORPS</u>					
Blenheim III	M.E.	M.E.		14	
Baltimore V	M.E.	M.E.		7	
<u>ROYAL CANADIAN MOUNTED POLICE</u>					
Mitchell III	U.K.	U.K.		5	
Harvard	U.K.	U.K.	9		
Mustang	U.K.	U.K.	3		
<u>NAVY</u>					
Ventura GR V	U.K.	U.K.		1	
<u>DOUGLAS</u>					
Dakota III	U.K.	U.K.		11	
Dakota III	India	India		5	
<u>STINSON</u>					
Reliant	Trinidad	Trinidad		5	
Reliant	U.K.	U.K.	4		
<u>BEECH</u>					
Expediter II	Canada	Canada			3
Beechcraft UC 45	India	Karachi	14		
Beechcraft UC 43	U.K.	U.K.	2		
<u>VULTEE</u>					
Vengeance	U.K.	U.K.	13		
Vengeance	India	Karachi	11		
<u>BOEING-SIKORSKY</u>					
Corsair	U.K.	U.K.	8		
Corsair	India	Cochin	9		
<u>HOUGHAN</u>					
Harvard	U.K.	U.K.	26		
Harvard	India	Karachi	8		
<u>BOEING</u>					
Thunderbolt	India	Karachi	30		
Thunderbolt	India	Madras	9		
<u>BOEING</u>					
Stearman	India	Calcutta	30		
<u>BOEING</u>					
Stearman	U.K.	U.K.	3		
Stearman	India	Karachi	12		

SECRET

Aircraft Despatched from the United States
Week Ended May 19th, 1944

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>LOCKHEED</u> Fortress III	U.K.	U.K.		9	
<u>CONSOLIDATED</u> Liberator B VI	Canada	Canada			1
Liberator B VI	India	India		1	
Coronado GR I	Canada	Canada			1
Liberator GR VI	U.K.	U.K.		9	
Liberator GR VI	India	India		3	
<u>GLENN MARTIN</u> Warrauder III	M.E.	M.E.		13	
<u>NORTH AMERICAN</u> Mitchell III	U.K.	U.K.		10	
Harvard	U.K.	U.K.	10		
Harvard	S. Africa	Capetown	10		
Mustang	U.K.	U.K.	51		
Mustang	N.W. Africa	Casablanca	6		
<u>DOUGLAS</u> Boston IV	U.K.	U.K.		1	
Dakota III	U.K.	U.K.		12	
Dakota III	India	India		2	
<u>BOEING</u> Catalina IV B	U.K.	U.K.		1	
<u>BEECH</u> UC 43 Beechcraft	U.K.	U.K.	5		
UC 45 Beechcraft	India	Karachi	18		
UC 45 Beechcraft	U.K.	U.K.	1		
Expediter II	Canada	Canada			1
<u>STINSON</u> Reliant	Trinidad	Trinidad		5	
Reliant	U.K.	U.K.	1		
<u>REPUBLIC</u> Thunderbolt	India	Karachi	22		
Thunderbolt	India	Madras	11		
<u>WILCOX</u> Vengeance	India	Madras	24		
Vengeance	India	Beersah	5		
Vengeance	India	Karachi	16		
<u>BOVINGTON</u> Harvard	U.K.	U.K.	25		
Harvard	India	Karachi	10		
<u>WACO</u> Glider	India	Calcutta	20		

Statement No. 138 (cont'd)

BRITISH/U. S. SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA</u>
<u>VOUGHT-SIKORSKY</u> Corsair (Wooden Replicas)	U.K.	U.K.		2	
Total:			237	66	3

Please note:

Destination of 1 Liberator GR VI reported in Statement No. 136 exported to India has been changed to U.K.

Movements Division
British Air Commission

May 26, 1944.

mmh
File V-17

MAY 31 1944

My dear Senator:

I am in complete sympathy with the purposes of S. J. Res. 120 to secure a greater degree of international economic collaboration among the United Nations not only for the winning of the war but for the establishment and maintenance of an enduring peace.

It appears to me desirable that from time to time the President of the United States should take the initiative in calling meetings of the representatives of the United Nations on specific international economic problems with a view to securing a program and establishing an international agency, if needed, to carry out a program of friendly economic collaboration. It seems to me that while the purpose of section 4 is wholly desirable, the objective can be better attained if such meetings are called by the President in connection with specific problems on which considerable preparatory work has been done.

It may be helpful in putting into effect a policy of international economic collaboration to have a commission composed of members of the Legislative and Executive Branches of the Government. The Congress and the Executive Departments can effectively work together on studies and projects for international economic collaboration. This is already done to a considerable extent through the interested Congressional committees and the special committees on postwar planning whom the Treasury has regularly consulted on its tentative proposals for cooperation on international financial problems. I believe that a joint commission of this type could be even more effective than the type contemplated by section 5 of the Resolution. If limited to members of Congress and the Executive Departments it would be small enough to meet frequently and engage in profitable discussions of projects for international economic collaboration. Moreover, it would be better designed to facilitate consultation between the two Branches than if it also comprised public members. In lieu of public members, I would suggest that the Resolution provide that the commission can call in representatives of the public and experts for consultation and advice.

You have asked for a brief statement of what the Treasury is doing about economic planning at the present time. The postwar planning of the Treasury covers domestic as well as international financial problems. I presume your inquiry is directed to international financial questions.

The technical staff of the Treasury in cooperation with the technical staffs of other departments has prepared a tentative proposal for an International Monetary Fund which would have the object of helping to maintain a stable and orderly pattern of exchange rates and of reducing the use of foreign exchange restrictions

- 2 -

and discriminatory foreign exchange practices that hamper world trade. They have also prepared a tentative proposal for a Bank for Reconstruction and Development. This Bank would have the purpose of encouraging and aiding private investors in the provision of capital for sound and constructive international investment and in this way to contribute to developing the productive resources of member countries and promoting the long range of balanced growth of international trade.

These tentative proposals were sent to the Ministers of Finance of the United and Associated Nations with the request that they be submitted for study by their technical experts. The Ministers of Finance were also invited to send their technical experts to Washington for technical discussion of these tentative proposals.

During the past few months the members of the technical staff of the Treasury and various departments of the Government have been carrying on preliminary discussions with the technical experts of some 30 other countries on the best means of assuring international cooperation on the problems of international monetary stability and the provision of long-term international credits for reconstructive developments. These exploratory discussions on the technical level have been extremely helpful.

The tentative proposals have been published and discussions have been held by members of the Treasury staff with interested groups in this country. On several occasions I have appeared before the interested committees of the Senate and the House to inform them of the progress that has been made in these preliminary and technical discussions. On April 21, 1944, I appeared before these committees again and brought them up-to-date on the status of these tentative proposals. I also presented to the committees the Joint Statement by experts of the United and Associated Nations recommending the establishment of an International Monetary Fund. Copies of my statement and the recommendations of the experts are enclosed.

I should like to emphasize again that these tentative proposals set forth the views of the technical experts of the Treasury and other departments of this Government. They are not an expression of the official views of this Government. Further, the discussions that have been held have been purely technical in nature, exploratory in character, and have been confined to the technical experts.

- 3 -

I want to express my appreciation of your interest and the interest of this committee in these tentative proposals. You may be sure that I shall be glad to cooperate with you fully and to provide you with whatever information I have.

The Department has been advised by the Bureau of the Budget that there is no objection to the submission of this report to your Committee.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Tom Connally,
United States Senate,
Washington, D. C.

Enclosures

EM:lr 4/28/44

TREASURY DEPARTMENT
Washington

Statement of Secretary Morgenthau
before the Senate Committees on Foreign Relations,
Banking and Currency, and the Special Committee on
Post-War Economic Policy and Planning

and before the

House of Representative Committees on Foreign
Affairs, Ways and Means, Banking and Currency,
Coinage, Weights and Measures, and Special
Committee on Post-War Economic Policy and
Planning

Friday, April 21, 1944

I am happy to tell you today that technical experts of the United Nations have agreed upon a set of basic principles for an International Monetary Fund. This is a great step forward. It is of greatest importance to all of us who believe that the nations of the world can cooperate in dealing with international economic problems.

Technicians representing some of these thirty nations have prepared a joint statement of the principles which are agreed upon. This statement does not, of course, bind any government to participate in the International Monetary Fund, though it does mean that the Fund will be recommended to each of the governments as a practical means of meeting post-war monetary problems.

I want to call particular attention to some of the facts contained in this joint statement, but before I do that I should like to review with you some of the things that have happened since I appeared before these Committees on October 5 of last year. At that time, I told you I would like to keep you informed of progress, and accordingly I appreciate this opportunity to bring you up to date.

Since I last talked to you, we have discussed the principles of the international stabilization and investment program with bankers, labor representatives and other interested groups in Washington, Chicago, Boston, Philadelphia, New York, and other cities. Out of these meetings came helpful suggestions, many of which were incorporated in our plans.

The vast majority of those with whom we have talked are inclined to look favorably upon the principle of cooperation to maintain stable and orderly exchange rates. Informed opinion seems to point to private investment on a world wide

41-65
41-66

basis as vital to post-war recovery and reconstruction; and the stabilization of currencies among the United Nations through the medium of an international fund, is generally believed to be a necessary prerequisite to this investment. I believe we cannot expect American business men, nor business men of any nation, to take major financial risks, immediately upon the heels of a catastrophic global war, without some assurance that steps have been taken to prevent their investments from being jeopardized by unduly fluctuating money values and severe exchange restrictions.

Having studied the world picture after the last war, we are all agreed that an effort must be made to prevent, insofar as possible, harmful fluctuations of currency; and to prohibit deliberate manipulation of currencies in an effort to secure unfair competitive advantage in world trade.

When I was here on October 5, I spoke of a projected international bank for reconstruction and development.

Because discussions on the Bank were initiated somewhat later they are not yet completely finished. I can tell you, however, that there is considerable support for the general principles embodied in the World Bank, and that good progress has been made.

Those with whom we have discussed the problem of reviving post-war international investment regard the bank as essential to the expansion of international trade and the maintenance of a high level of business activity. They believe it necessary to take steps to encourage and aid private investors in providing an adequate volume of long-term investment capital for productive purposes.

The discussions we have had contemplate the establishment of a Bank for Reconstruction and Development to facilitate long-term investment capital through private financial agencies by guaranteeing and participating in loans made by private investors. The Bank would also supplement investment of private financial agencies if this becomes necessary, by lending for productive purposes from its own resources when private capital is otherwise not available on reasonable terms.

A full statement of recommendations on the establishment of such a Bank and of the principles on which such a Bank should be based is still in preparation by technicians. It is my hope that this statement will soon be completed and that it will be issued later. Before it is published, I shall fully inform your committee.

Now I should like to explain briefly some of the principles upon which the technicians are agreed in connection with the International Monetary Fund.

Here are the purposes and policies as set forth in the Joint Statement:

- (1) To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.
- (2) To facilitate the expansion and balanced growth of international trade and to contribute in this way to the maintenance of a high level of employment and real income, which must be a primary objective of economic policy.
- (3) To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus giving members time to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.
- (4) To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.
- (5) To assist in the establishment among member countries of multilateral payments facilities on current transactions and to aid in the elimination of foreign exchange restrictions which hamper the growth of world trade.
- (6) To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

The joint statement recommends that all of the United and Associated Nations subscribe approximately \$8 billion to the Fund in the form of gold and local currency. The resources of the Fund would be available under adequate safeguards to help member countries to maintain exchange stability and to correct maladjustments in their balance of payments. Member countries would be able to buy foreign exchange from the Fund with their own currencies, to the extent of their quotas, in order to meet international payments consistent with the purposes of the fund.

The par value of currencies of member countries would be expressed in gold and could be changed only at the request of member countries after consultation and approval of the Fund. The Fund would approve a requested change in parity only if it were essential to correct a fundamental disequilibrium. Prompt consideration would be given to requests for necessary adjustment of exchange rates. Member countries would not allow their exchange rates to fluctuate outside a narrow range based on the agreed gold parity.

Voting power in the Fund would be closely related to quotas. A member country could withdraw from the Fund immediately by giving notice in writing, and obligations would be liquidated within a reasonable time.

During the period of transition following the war, member countries would be permitted to retain their exchange controls with the expectation that these would gradually be relaxed.

I am frank to say that in my opinion the agreement of the technical experts to these principles constitutes a long step on the way toward preventing a breakdown of currencies and the imposition and retention of restrictive and discriminatory exchange measures after the war. Through international cooperation now, we can assure a stable and orderly pattern of post-war exchange rates.

The purposes set forth in this Joint Statement have long been the international monetary policies of the United States. For years it has been our objective to have these policies adopted by other countries. We know of no better way of assuring general adherence to these policies than through international cooperation in an International Monetary Fund.

We believe that it is of the greatest importance that all of the United Nations are in agreement on the best means to deal with these international financial problems after the war. This is concrete evidence that the United Nations can and will work together in establishing a peaceful and prosperous world just as they are now fighting together to destroy tyranny and oppression.

International cooperation on monetary and financial matters is the keystone of successful cooperation on all international economic problems. Unless we agree to expand world trade and develop the world economy, few other economic agreements which we might make will or can be effective.

The tentative proposals that have been under discussion by the technical experts are part of a program for cooperation on international economic problems among the United Nations. The objectives of this program are the expansion and development of international trade, the restoration of international investment for productive purposes, the maintenance of stable and orderly exchanges. Through these means we can contribute to a high level of employment and production. The establishment of an International Monetary Fund and a Bank for Reconstruction and Development are important steps in the attainment of the objectives of this broad program.

I want to emphasize again that the discussions up to now have all been of a technical nature and exploratory in character. Whatever has been done represents the views of the technical experts of this country and of other countries that have been studying these questions. The United States is not in any way committed until Congress has taken action.

It is my hope that after studying the recommendations of the technical experts, the governments of the United Nations will come to the conclusion that there is sufficient basis of agreement at a technical level to warrant the convening of a formal conference.

I am happy to say that the President has authorized me to state that if a conference is held, it is his intention to invite direct congressional participation in the work of the United States Delegation.

FOR RELEASE AFTER 8:00 P.M.,
FRIDAY, APRIL 21, 1944

Joint Statement by Experts on the Establishment
of an International Monetary Fund

Sufficient discussion of the problems of international monetary cooperation has taken place at the technical level to justify a statement of principles. It is the consensus of opinion of the experts of the United and Associated Nations who have participated in these discussions that the most practical method of assuring international monetary cooperation is through the establishment of an International Monetary Fund. The principles set forth below are designed to constitute the basis for this Fund. Governments are not asked to give final approval to these principles until they have been embodied in the form of definite proposals by the delegates of the United and Associated Nations meeting in a formal conference.

I. Purposes and Policies of the International Monetary Fund.

The Fund will be guided in all its decisions by the purposes and policies set forth below:

1. To promote international monetary cooperation through a permanent institution which provides the machinery for consultation on international monetary problems.
2. To facilitate the expansion and balanced growth of international trade and to contribute in this way to the maintenance of a high level of employment and real income, which must be a primary objective of economic policy.
3. To give confidence to member countries by making the Fund's resources available to them under adequate safeguards, thus giving members time to correct maladjustments in their balance of payments without resorting to measures destructive of national or international prosperity.
4. To promote exchange stability, to maintain orderly exchange arrangements among member countries, and to avoid competitive exchange depreciation.
5. To assist in the establishment of multilateral payments facilities on current transactions among member countries and in the elimination of foreign exchange restrictions which hamper the growth of world trade.
6. To shorten the periods and lessen the degree of disequilibrium in the international balance of payments of member countries.

II. Subscription to the Fund.

1. Member countries shall subscribe in gold and in their local funds amounts (quotas) to be agreed, which will amount altogether to about \$8 billion if all the United and Associated Nations subscribe to the Fund (corresponding to about \$10 billion for the world as a whole).

2. The quotas may be revised from time to time but changes shall require a four-fifths vote and no member's quota may be changed without its assent.

3. The obligatory gold subscription of a member country shall be fixed at 25 percent of its subscription (quota) or 10 percent of its holdings of gold and gold-convertible exchange, whichever is the smaller.

III. Transactions with the Fund.

1. Member countries shall deal with the Fund only through their Treasury, Central Bank, Stabilization Fund, or other fiscal agencies. The Fund's account in a member's currency shall be kept at the Central Bank of the member country.

2. A member shall be entitled to buy another member's currency from the Fund in exchange for its own currency on the following conditions:

- (a) The member represents that the currency demanded is presently needed for making payments in that currency which are consistent with the purposes of the Fund.
- (b) The Fund has not given notice that its holdings of the currency demanded have become scarce in which case the provisions of VI, below, come into force.
- (c) The Fund's total holdings of the currency offered (after having been restored, if below that figure, to 75 percent of the member's quota) have not been increased by more than 25 percent of the member's quota during the previous twelve months and do not exceed 200 percent of the quota.
- (d) The Fund has not previously given appropriate notice that the member is suspended from making further use of the Fund's resources on the ground that it is using them in a manner contrary to the purposes and policies of the Fund; but the Fund shall not give such notice until it has presented to the member concerned a report setting forth its views and has allowed a suitable time for reply.

The Fund may in its discretion and on terms which safeguard its interests waive any of the conditions above.

3. The operations on the Fund's account will be limited to transactions for the purpose of supplying a member country on the member's initiative with another member's currency in exchange for its own currency or for gold. Transactions provided for under 4 and 7, below, are not subject to this limitation.

4. The Fund will be entitled at its option, with a view to preventing a particular member's currency from becoming scarce:

- (a) To borrow its currency from a member country;
- (b) To offer gold to a member country in exchange for its currency.

5. So long as a member country is entitled to buy another member's currency from the Fund in exchange for its own currency, it shall be prepared to buy its own currency from that member with that member's currency or with gold. This shall not apply to currency subject to restrictions in conformity with IX, 3 below, or to holdings of currency which have accumulated as a result of transactions of a current account nature affected before the removal by the member country of restrictions on multilateral clearing maintained or imposed under X, 2 below.

6. A member country desiring to obtain, directly or indirectly, the currency of another member country for gold is expected, provided that it can do so with equal advantage, to acquire the currency by the sale of gold to the Fund. This shall not preclude the sale of newly-mined gold by a gold-producing country on any market.

7. The Fund may also acquire gold from member countries in accordance with the following provisions:

- (a) A member country may repurchase from the Fund for gold any part of the latter's holdings of its currency.
- (b) So long as a member's holdings of gold and gold-convertible exchange exceed its quota, the Fund in selling foreign exchange to that country shall require that one-half of the net sales of such exchange during the Fund's financial year be paid for with gold.
- (c) If at the end of the Fund's financial year a member's holdings of gold and gold-convertible exchange have increased, the Fund may require up to one-half of the increase to be used to repurchase part of the Fund's holdings of its currency so long as this does not reduce the Fund's holdings of a country's currency below 75 percent of its quota or the member's holdings of gold and gold-convertible exchange below its quota.

IV. Par Values of Member Currencies.

1. The par value of a member's currency shall be agreed with the Fund when it is admitted to membership, and shall be expressed in terms of gold. All transactions between the Fund and members shall be at par, subject to a fixed charge payable by the member making application to the Fund, and all transactions in member currencies shall be at rates within an agreed percentage of parity.

2. Subject to 5, below, no change in the par value of a member's currency shall be made by the Fund without the country's approval. Member countries agree not to propose a change in the parity of their currency unless they consider it appropriate to the correction of a fundamental disequilibrium. Changes shall be made only with the approval of the Fund, subject to the provisions below.

3. The Fund shall approve a requested change in the par value of a member's currency, if it is essential to the correction of a fundamental disequilibrium. In particular, the Fund shall not reject a requested change, necessary to restore equilibrium, because of the domestic social or political policies of the country applying for a change. In considering a requested change, the Fund shall take into consideration the extreme uncertainties prevailing at the time the parities of the currencies of the member countries were initially agreed upon.

4. After consulting the Fund, a member country may change the established parity of its currency, provided the proposed change, inclusive of any previous change since the establishment of the Fund, does not exceed 10 percent. In the case of application for a further change, not covered by the above and not exceeding 10 percent, the Fund shall give its decision within two days of receiving the application, if the applicant so requests.

5. An agreed uniform change may be made in the gold value of member currencies, provided every member country having 10 percent or more of the aggregate quotas approves.

V. Capital Transactions.

1. A member country may not use the Fund's resources to meet a large or sustained outflow of capital, and the Fund may require a member country to exercise controls to prevent such use of the resources of the Fund. This provision is not intended to prevent the use of the Fund's resources for capital transactions of reasonable amount required for the expansion of exports or in the ordinary course of trade, banking or other business. Nor is it intended to prevent capital movements which are met out of a member country's own resources of gold and foreign exchange, provided such capital movements are in accordance with the purposes of the Fund.

2. Subject to VI below, a member country may not use its control of capital movements to restrict payments for current transactions or to delay unduly the transfer of funds in settlement of commitments.

VI. Apportionment of Scarce Currencies.

1. When it becomes evident to the Fund that the demand for a member country's currency may soon exhaust the Fund's holdings of that currency, the Fund shall so inform member countries and propose an equitable method of apportioning the scarce currency. When a currency is thus declared scarce, the Fund shall issue a report embodying the causes of the scarcity and containing recommendations designed to bring it to an end.

2. A decision by the Fund to apportion a scarce currency shall operate as an authorization to a member country, after consultation with the Fund, temporarily to restrict the freedom of exchange operations in the affected currency, and in determining the manner of restricting the demand and rationing the limited supply among its nationals, the member country shall have complete jurisdiction.

VII. Management.

1. The Fund shall be governed by a board on which each member will be represented and by an executive committee. The executive committee shall consist of at least nine members including the representatives of the five countries with the largest quotas.

2. The distribution of voting power on the board and the executive committee shall be closely related to the quotas.

3. Subject to II, 2 and IV, 5, all matters shall be settled by a majority of the votes.

4. The Fund shall publish at short intervals a statement of its position showing the extent of its holdings of member currencies and of gold and its transactions in gold.

VIII. Withdrawal.

1. A member country may withdraw from the Fund by giving notice in writing.

2. The reciprocal obligations of the Fund and the country are to be liquidated within a reasonable time.

3. After a member country has given notice in writing of its withdrawal from the Fund, the Fund may not dispose of its holdings of the country's currency except in accordance with the arrangements made under 2, above. After a country has given notice of withdrawal, its use of the resources of the Fund is subject to the approval of the Fund.

IX. The Obligations of Member Countries.

1. Not to buy gold at a price which exceeds the agreed parity of its currency by more than a prescribed margin and not to sell gold at a price which falls below the agreed parity by more than a prescribed margin.

2. Not to allow exchange transactions in its market in currencies of other members at rates outside a prescribed range based on the agreed parities.

3. Not to impose restrictions on payments for current international transactions with other member countries (other than those involving capital transfers or in accordance with VI, above) or to engage in any discriminatory currency arrangements or multiple currency practices without the approval of the Fund.

I. Transitional Arrangements.

1. Since the Fund is not intended to provide facilities for relief or reconstruction or to deal with international indebtedness arising out of the war, the agreement of a member country to provisions III, 5 and IX, 3 above, shall not become operative until it is satisfied as to the arrangements at its disposal to facilitate the settlement of the balance of payments differences during the early post-war transition period by means which will not unduly encumber its facilities with the Fund.

2. During this transition period member countries may maintain and adapt to changing circumstances exchange regulations of the character which have been in operation during the war, but they shall undertake to withdraw as soon as possible by progressive stages any restrictions which impede multilateral clearing on current account. In their exchange policy they shall pay continuous regard to the principles and objectives of the Fund; and they shall take all possible measures to develop commercial and financial relations with other member countries which will facilitate international payments and the maintenance of exchange stability.

3. The Fund may make representations to any member that conditions are favorable to withdrawal of particular restrictions or for the general abandonment of the restrictions inconsistent with IX, 3 above. Not later than three years after coming into force of the Fund any member still retaining any restrictions inconsistent with IX, 3 shall consult with the Fund as to their further retention.

4. In its relations with member countries, the Fund shall recognize that the transition period is one of change and adjustment, and in deciding on its attitude to any proposals presented by members it shall give the member country the benefit of any reasonable doubt.

CONFIDENTIAL

To be held in strict confidence, and no portion, synopsis, or intimation to be published before 8:00 P.M., E.W.T., Friday, April 21, 1944.

Summary of the Recommendations
of the Technical Experts

The experts propose the establishment of an International Monetary Fund as a permanent institution for international monetary cooperation. The purpose would be to promote exchange stability, assure multilateral payment facilities, help lessen international disequilibrium and give confidence to member countries. All of the United and Associated Nations would subscribe approximately \$8 billion to the Fund in the form of gold and local currency in accordance with an agreed formula. The resources of the Fund would be available under adequate safeguards to help member countries to maintain exchange stability while they correct maladjustments in their balance of payments.

Member countries would be able to buy foreign exchange from the Fund with their own currency to meet payments consistent with the purposes of the Fund until the Fund's total holdings of their currency reach 200 percent of the quota. Where a member country is making use of the Fund in a manner contrary to its purposes and policies, the Fund would give appropriate notice that it would sell additional exchange to the member country only in limited amounts. Member countries holding adequate gold and exchange resources would be expected to pay for half of their exchange purchases with gold and countries whose official holdings of gold are adequate and are increasing would be expected to use half of the increase to repurchase part of the Fund's holdings of their currency.

When the Fund's holdings of a currency become scarce, the Fund would issue a report and make recommendations designed to increase the supply of such currency. In the meantime, after consultation with the Fund, member countries would be authorized temporarily to restrict freedom of exchange operations in the scarce currency.

The Fund's resources could not be used to meet a large outflow of capital, although they could be used for capital transactions of reasonable amount. A member country could also use its own resources of gold or foreign exchange for capital transactions that are in accordance with the purposes of the Fund.

The par value of the currencies of member countries would be expressed in gold and could be changed only at the request of member countries. The Fund would approve a requested change in parity if it

were essential to correct fundamental disequilibrium. After consultation, a member country would be permitted to change the parity of its currency by not more than 10 percent. Prompt consideration would be given to other requests for adjustment of exchange rates.

The Fund would be governed by a board and an executive committee representing the members. Voting power would be closely related to quotas. A member country would withdraw from the Fund immediately by giving notice in writing. Thereafter, the reciprocal obligations of the Fund and the country would be liquidated within a reasonable time.

Member countries would not allow exchange transactions at rates outside a prescribed range based on the agreed parities. They would not be permitted to impose restrictions on payments for current international transactions, or to engage in discriminatory currency arrangements or multiple currency practices without the approval of the Fund.

During the period of transition following the war, member countries would be permitted to retain their exchange controls with the expectation that these would gradually be relaxed. Three years after the establishment of the Fund any member still retaining restrictions inconsistent with these principles would consult with the Fund as to their retention. The transition period is recognized as one of change and adjustment and in deciding on requests presented by members the Fund would give them the benefit of any reasonable doubt.

oOo

April 20, 1944

LEGISLATIVE SERVICE OF THE BUREAU OF THE BUDGET
WASHINGTON, D. C. (205)

MAY 29 1944

My dear Mr. Secretary:

This will acknowledge the receipt of the letter of May 11, 1944, from Administrative Assistant Bell, transmitting two copies of your proposed report to the Chairman of the Senate Committee on Foreign Relations, relative to S. J. Res. 120, a resolution "On international economic collaboration."

In reply, I am authorized by the Director of the Bureau of the Budget to advise you that there would be no objection to the submission of the proposed report, one copy of which is returned herewith, to the Committee.

There is enclosed, for your information and consideration, a copy of a letter from the Director of the Bureau of the Budget of this date to the State Department on the above subject.

Very truly yours,



Assistant Director,
Legislative Reference.

The Honorable,

The Secretary of the Treasury.

Enclosures:

Copy of proposed report.
Copy of Budget's letter of
this date to State.

EXECUTIVE OFFICE OF THE PRESIDENT
BUREAU OF THE BUDGET
WASHINGTON, D.C.

MAY 23 1944

My dear Mr. Secretary:

I have your letter of May 11, 1944, transmitting two copies each of proposed reports of the Department to the Chairman of the House and Senate Committees, respectively, on S. J. Res. 120 and H. J. Res. 249, which propose the establishment of an advisory Foreign Economic Commission to study and recommend to Congress and the President measures in the interest of international economic collaboration; and I am writing to advise you that there would be no objection to the presentation of the proposed letters to Chairman Connally and Bloom.

In this connection, however, I am inclined to raise for your consideration the following questions:

Would it not be advisable to change the wording in line 6 on page 2 of the resolutions to read "meetings" instead of "a meeting"? This would provide flexibility in the planning of international conferences in the event that one over-all conference did not prove to be the best approach.

Is it not likely that the Commission would be more effective if reduced somewhat in size? Thirty-three members would constitute a rather unwieldy body.

Would it be wise to insist rigidly upon the provisions of Section 5 for the selection of the public members as "representatives" of the four categories indicated? Why, in other words, should the desires of the general public be determined by representatives of special groups within the public; and is it not probable that such restrictions would prevent service by outstanding citizens who might otherwise be available for such service?

Very truly yours,

(Signed) HAROLD D. SMITH

Director.

The Honorable,

The Secretary of State.

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

167
DIVISION OF
COMMUNICATIONS
AND RECORDS

ARS-782

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

Cairo

Dated May 31, 1944.

Rec'd 8:29 a.m.

Secretary of State,

Washington.

YUGOS

108, May 31, 11 a.m.



The deputy Minister for Foreign Affairs acknow-
ledges with thanks receipt of invitation contained in
Department's circular of May 25, 5 p.m. and states he
will advise names of Yugoslav delegates to Monetary
Conference as soon as possible.

MACVEAGH.

LET
LMS

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Montevideo
TO: Secretary of State, Washington
DATED: May 31, 1944
NUMBER: 496

CONFIDENTIAL

SANDERS TRANSMITS THE FOLLOWING MESSAGE FOR ATTENTION OF KNAPP.

The Committee unanimously approved resolution transmitted in the Department's cable no. 304, of May 27, at a meeting this morning with all members present except the Chilean, who is seriously ill.

Preamble (C) was modified to state that exchange can be effected without substantial departure from Resolution XX rather than there has been a change in security circumstances affecting repatriation. In phraseology and arrangement a few minor changes were made also. There was also approved a short explanatory statement prepared on the basis of Department's cables 279, May 26 and 307, May 30. Today by airmail both documents are being transmitted to all Governments.

A motion was made by the Mexican member that final vote be postponed in order to consider possibility of broadening formula to include individuals who do not presently possess documents mentioned therein, but this motion was later withdrawn. Oral explanation based on the last cable under reference set at rest the initial doubts expressed by some members regarding the responsibility of Governments for persons released.

The Argentine memorandum in the form as sent by the Department May 26 was also approved by the Committee. On the ground that the memorandum contains recommendations to his own Government, Chiappe abstained from voting. A short statement was read by Chiappe in which he referred to recognition given in memorandum to Argentina's efforts to combat espionage and other activities contrary to its security and that of the other Republics and added that since consultative visit some of the suggestions have already been placed in effect. The statement was also made by Chiappe that "My Government will study the recommendations contained in the report with the best of good will, and, within the pertinent constitutional and legal limitations, will, to measures designed to safeguard its own security and that of other American Republics, seek to give the greatest effectiveness."

Recently Chiappe has been striving to create impression of Argentina's complete cooperation with the Committee, as well as with other Republics, in all Committee matters.

SANDERS

ORIGINAL TEXT OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: AMREP, Algiers
DATED: May 31, 1944
NUMBER: 1719

SECRET

Following for Ackermann's attention.

Please deliver the following message to Dr. Joseph Schwartz, c/o American Legation, Algiers, from Moses A. Leavitt of the American Jewish Joint Distribution Committee:

"View Pilpel's cable advising you leaving for Italy, Malin returning directly his own office without going Casablanca. He hopes see you Lisbon soon. In connection children rescue program from France War Refugee Board planning send Assistant Executive Director James Mann to Lisbon next week for approximately two weeks and imperative that you arrange your plans to meet him preferably Lisbon after your conferences Malin or if this not feasible await Mann's arrival Algiers. We engaged Arthur Greenleigh for Cairo or other post you may designate. Emanuel Rosen presently not available."

From John W. Fehle, Executive Director War Refugee Board:

"Most important that you arrange to meet Mann while he is in Lisbon. If this is impossible please cable Embassy giving your itinerary in order that he may subsequently meet you in Algiers or Casablanca."

THIS IS WEB ALGIERS CABLE NO. 14.

HULL

SECRET BY COURTESY

A-221

4:35 P M

SENT BY SECRET AIRGRAM

AMEMBASSY,

LA PAZ (BOLIVIA)

FOR THE PERSONAL AND CONFIDENTIAL INFORMATION OF THE
OFFICER IN CHARGE.

In reference to your A212 of May 16 and to clarify the nature of the problem with which the Department's A-161 of May 1 is concerned, as well as for your information and guidance in further informal approaches, there is given below the text of circular airgrams of May 1 and May 11:

May 1, 1944, 7:35 p.m. The following airgrams have been sent by the Department to the American Ambassadors in certain South American countries and are repeated to you for your information:

March 31, 1944, 1:05 p.m. "Information has been received that there are in enemy-occupied Europe a number of persons holding passports issued in the names of various Latin American countries including the country to which you are accredited. Our information is that in a large number of cases such persons are interned under conditions which are immeasurably better than the treatment they would receive if they did not have such passports. It is reported that without such passports, such persons would be transported to Poland and death.

The plight of these refugees was the subject of a memorandum presented to the Department by the Polish Ambassador in Washington on December 24, 1943, in support of the request of his government that this Government intercede on humanitarian grounds to save the persons concerned from deportation to Poland by interceding to prevent the withdrawal of these passports in cases in which they may have been improperly issued.

The following are excerpts from a report of Dr. Kullmann, Vice Director of the Intergovernmental Committee, who has recently made an exhaustive investigation of the matter in Switzerland: QUOTE It is estimated that 4,000 (passports) have been issued from Switzerland and it is known that others have been issued from other neutral countries including Sweden. Some informants estimated the total number to be as high as nine to ten thousand but some thought that it did not exceed 5,000. In Switzerland it (the securing of the passports) was organized by private individuals and reached such proportions that the Swiss Federal Government had to inter-

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vene. Legal action was taken against several of the organizers and at the same time enquiry was made regarding the authority of some of the representatives of the South American states to carry on these transactions.

There seems little doubt that the German authorities are aware of what has been going on but for reasons of their own they have hitherto not adopted a general policy of withdrawing the passports. While in many cases the possession of these documents has afforded the owners protection against persecution and even special treatment in some of the camps, in other cases they have afforded no protection at all and particularly so where the persons concerned were not interned. Originally the German authorities seem to have cherished the hope that the persons with these South American passports might constitute a basis for the exchange of German nationals in South American countries and it is not improbable that they still have vague hopes of this. Other reasons have been suggested for their lack of consistency. Recently however they have been making enquiries through some of the protecting powers of the South American Governments concerned regarding the genuineness of the documents and they have been submitting lists of persons concerned with a view to verification UNQUOTE

Sir Herbert Emerson, Director of the Intergovernmental Committee, on the basis of the foregoing recommends that the Latin American Governments in whose names such passports have been issued, be approached on two points, QUOTE (first) that the Governments should refrain from withdrawing the passports which have been issued and (second) that if and when the protecting power on the request of the German authorities submits lists of persons with such passports they should instruct the protecting power that the passports have been confirmed UNQUOTE

Although the Department does not condone the unauthorized issue of passports, it does not follow that the Department should withhold its intercession in a situation in which the lives of so many persons are at stake. The Department and the War Refugee Board agree with Emerson that where thousands of human lives lie in the balance because of war conditions and enemy persecutions, appropriate steps should be taken to avoid the nonrecognition by the Germans of such passports.

The Department understands that these passports, appearing on their face to have been issued by competent officials, are valid until they are cancelled. While Department agrees that the Government to which you are accredited is entirely within its right in cancelling such passports, it urges that the right of cancellation be not exercised until the holders shall have reached a place of

safety, so

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safety, so that the act of cancellation shall not be, in essence, condemnation of the holder to a terrible death. All that is here asked is that the Government to which you are accredited deal with the question at a time when it shall occasion the least possible measure of human suffering.

SPECIAL INSTRUCTIONS TO THE AMBASSADOR

You are instructed to memorize the contents of this airgram, burn the document and discuss the matter orally with the government to which you are accredited. Such report as you submit to the Department on this subject should be by secret courier.

April 11, 1944, 11:00 a.m. "Minister Harrison at Bern has informed us that the Swiss Foreign Interests Division has advised him informally that the Spanish government had been requested by the Germans to inquire into the bona fides of certain Latin American passports, held by internees in enemy-controlled territory and that the Latin American governments have denied responsibility as well as any claims of the persons holding such passports. Please approach appropriate officials of the government to which you are accredited and inquire whether it has received any such inquiries through the government of Spain or otherwise from the Germans with respect to the validity of passports held by such internees and if such inquiry has been made, please ascertain the nature of the response, if any.

In view of the perilous situation in which these internees find themselves, the conclusion has been reached that perhaps the only way of safeguarding the lives of these unfortunate victims of Nazi persecution is forthwith to initiate through proper channels negotiations for an exchange of nationals for which these people will be eligible. In contemplating such exchange negotiations, it is not expected that the government to which you are accredited will physically admit any such persons into its territory even on a temporary or tentative basis. This Government is prepared to take full responsibility for all arrangements necessary to route these persons to places elsewhere.

Proceeding on this basis, please approach the government to which you are accredited with the request that it give its approval to the Government of the United States approaching the German government through appropriate channels with a view to initiating such negotiations. Please also advise appropriate officials of the government to which you are accredited that similar requests are being made of other Latin American countries, it being the hope of this Government that it will be put in a position to initiate

exchange discussions on a hemispheric basis. Please also advise such officials that in any exchange negotiations that may be entered into, it is of course understood that unquestioned citizens of the United States and of the Latin American countries will be considered by this Government as being in a category entitled to priority over others.

Please also request the government to which you are accredited, on humanitarian grounds, affirmatively to approach the German government through the protecting power with a demand that the lives of all persons holding passports issued in its name or claiming its citizenship on the basis of consular documents be safeguarded and that they be given all rights, privileges and immunities accorded to civilian internees of enemy nationality to whom the Geneva Convention regarding the treatment of prisoners of war is currently applied by analogy.

In view of the imminent danger in which the persons concerned find themselves, you are requested to act with the great possible dispatch.

Finally, we communicate to you, for communication to the government to which you are accredited, the substance of a cable which the Department has sent to our Minister at Bern as follows: QUOTE Although the motives of the Germans in according better treatment to Jews of Polish origin holding passports and other documents issued in the names of Latin American countries are not too clear, it would appear that they include (1) some hope that they might be considered exchange material against Germans in the Western Hemisphere and (2) some fear that their ill-treatment might afford the Latin American countries a pretext for further limiting the freedom and economic activities of Germans resident in such countries.

The measure reported in your 1958 of March 30 may be an indication that Germany is beginning to doubt whether such Jews are considered exchange material and whether their treatment would effect the treatment of Germans in Latin America. This Government regards it as essential that these doubts be promptly and effectively dispelled.

Accordingly, please request the good offices of the Swiss Government in informing the Germans that this Government is undertaking discussions with Latin American countries for a further exchange of Germans in the Western Hemisphere for persons in German-controlled territory and that in this connection, the United States considers that all persons in Vittel and elsewhere holding passports and other documents issued in the names of Latin American

countries will

-5-

countries will be eligible for such exchange.

Simultaneously, please request the appropriate Swiss authorities to advise the Germans that in the meantime this Government expects that these persons will be accorded the same rights, privileges and immunities that the German government expects will be accorded to Germans in the Western Hemisphere. You may add that a considerable number of German civilians interned by various Latin American countries have been placed by such countries in the custody of the United States and are presently in such custody within continental United States.

For your information, the substance of this message is being communicated to our Missions in the Latin American countries concerned. We are also making inquiry of such Latin American countries with respect to the authenticity of the information informally conveyed to you by the Swiss Foreign Interests Division which you referred to in your 1994 of March 31 UNQUOTE

SPECIAL INSTRUCTIONS TO THE AMBASSADOR

You are instructed to memorize the contents of this airgram, burn the document and discuss the matter orally with the government to which you are accredited. Such report as you submit to the Department on this subject should be by secret courier.

April 22, 1944, 7:30 p.m. "Referring to the Department's circular airgrams of April 11, 11:00 a.m., and of March 31, 1:05 p.m. the following is the substance of a message received from London by Sir Herbert Emerson, Director of the Intergovernmental Committee, who is now in Washington: QUOTE According cables Jewish Agency, Jerusalem, new commander Vittel Camp advised March 20 about 250 to 300 internees holding South American passports that they were not recognized by government concerned. It is alleged these persons already isolated for deportation which caused panic and despair. Agency here has partial list of people affected, mostly Polish Jews previously put on list of veteran Zionists, Rabbis, et cetera, for grant of Palestine certificates. Agency trying to obtain from Colonial Office formal assurance to Swiss protecting power that these persons placed on Palestine exchange list in order to stave off deportation UNQUOTE

In view of the imminent danger which faces the persons involved, and in the light of this Government's deep concern for their welfare, you should communicate to appropriate officials of the Government to which you are accredited the urgency with which favorable responses and active measures along the lines described in our circular airgrams of April 11 and March 31 are needed.

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You may also wish to inform such officials that in addition to the approach to Switzerland referred to in our circular airgram of April 11, we have also requested Ambassador Hayes similarly to approach the Spanish Government. Please keep the Department promptly advised of all developments in this matter".

May 11, 1944, 7:30 p.m. "With reference to previous communications from the Department and the War Refugee Board regarding protection of refugees with Latin American documents in German-held territory, you are informed that pursuant to our instructions the Legation at Bern has advised the Swiss Government with respect to claims to American citizenship by refugees in German-controlled areas as follows:

QUOTE The Department will undertake fully to investigate any claim to United States citizenship, asserted by any person within territory under enemy control, upon receipt from the Swiss Government of all pertinent information available to the Germans relative thereto. The claimant must be presumed to be a United States citizen and must be accorded all the rights, privileges and immunities to which such citizens are entitled while any particular claim to United States citizenship is under investigation by the Department and until the Swiss Government is specifically advised by the Department to the contrary, with the exception that until the Department so authorizes financial assistance may not (repeat not) be extended UNQUOTE

You are authorized to advise the government to which you are accredited of the foregoing if you think it will help to obtain its effective cooperation in rescuing refugees with Latin American documents.

has

The Legation at Bern/also been instructed to request Swiss authorities to obtain from Germany immediate return to Vittel of previously deported refugees with Latin American documents. The Embassy at Madrid, pursuant to our instructions, has obtained assurance that Spain will endeavor to arrange for return of deported refugees to Vittel.

It is essential that demarche of Madrid Embassy be supported by similar urgent representations of other American republics in Madrid on various points covered in our circular airgram of April 11 and other relevant communications. Please act accordingly and advise us of results.

HILL

gms

HILL

REB:BNV:ONE

WCA

5/31/44

A-898

SECRET BY COURIER

7:00 p.m.

May 31, 1944

SENT BY SECRET AIRGRAM

AMEMBASSY,

HABANA (CUBA)

Reference is made to your A-1071 of May 19.

It is not clear therefrom whether the Cuban Embassy in Madrid is making representations concerning the return of deportees to Vittel only or regarding entire matter raised in Department's A-738 of May 3 and circular airgram of May 11. Please advise on this point. If the latter is not yet achieved, please continue your efforts in this direction.

For your information and guidance, the Embassy at London has stated that the British Minister at Habana QUOTE has been instructed to assure the Government of Cuba, that the recognition of Cuban passports issued to Jewish persons in countries under enemy control is welcomed by His Majesty's Government and latter appreciates the Cuban Government's reply to the V_n ticean regarding this matter. UNQUOTE.

HULL
ghw

HULL

WRB:MMV:OMH
5/30/44

AMERICAN EMBASSY
near the
GOVERNMENT OF GREECE

Cairo, Egypt,
May 31, 1944.

No. 126.

Subject: Rescue of Jews from Greece.

The Honorable
The Secretary of State,
Washington.

Sir:

With reference to my despatch no. 113 of May 18, 1944 and previous correspondence concerning the rescue of Jews from Greece, I have the honor to transmit herewith a further memorandum on this subject dated May 15, 1944 prepared by Alfred H. Cohen, whose memorandum of April 27, 1944 in the same connection was transmitted to the Department with despatch no. 107 of May 2, 1944. The main points covered in this later memorandum, which is somewhat more detailed than the previous one, were reported in the Embassy's telegram no. 158, May 17, Noon.

A copy of this memorandum has been given to Mr. Irving S. Friedman, Treasury Department representative in Cairo, who will appreciate it if the Department will also make a copy available to the Treasury.

The Embassy is forwarding a copy of this despatch and its enclosure to the Embassy at Ankara for its information.

Respectfully yours,

Lincoln MacVeagh

Enclosure:
Memorandum.

Sent in original and hectograph to Department;
file no. 843;
EAM/MB/cn.

CONFIDENTIALMEMORANDUMThe Rescue of Jews Remaining in Greece

A.

The Present Situation of Jews in Greece1. Deportation of Jews from Northern Greece.

Jews of all the Communities in Macedonia (except those of Kastoria) and Thrace were deported about a year ago. They represent 3/4 of Hellenic Judaism. According to information received from reliable sources, it is unlikely that the majority of them will survive.

II. The same measures leading to extermination have since been extended to the rest of the country.

Towards the end of September 1943, after the downfall of Italy, German measures of extermination were extended to the remainder of Greece. There were, therefore, 20 to 25,000 Jews in distress still in Greece seven months ago, living in the following towns:

Athens	Arta
Halkis	Prevesa
Voles	Corfu
Larissa	Zante
Tricala	Patras
Karditsa	Candia
Yannina	Heraclion
Kastoria	Rethymon

III. The condition of the Jews in Athens at the time of the application of Anti-Jewish measures.

The condition in which the Jews of Athens found themselves at the time of the application of Anti-Jewish measures was essentially different from that which confronted those living in the provincial towns.

It is estimated that in September 1943, the number of Jews in Athens was from 8 to 9,000, of which about one half were residents of the capital and the other half, refugees who had escaped from Macedonia mainly from Salonica. The residents of Athens had the advantage of having numerous friends and acquaintances who helped

them to hide; also their fortunes were still intact; but they had the disadvantage of being easily traced by the local Gestapo agents, and a small number of malfactors interested in blackmailing. On the other hand those who had escaped from Salonika lacked sufficient support in Athens; most of them having never been there before, found it very difficult to hide. However, most of their property was left in Salonika where it had been confiscated by the Germans. Thus, a great number amongst them were without funds. Under these circumstances it must be very difficult, if not impossible for them to continue hiding in Athens.

IV. How many Jews are still hiding in Athens?

It is impossible to know the present number of Jews still in hiding in Athens. However, a conservative estimate would be about 5,000 if one takes into account:

(a) Those who have been registered by the Gestapo, those who have been interned and deported are believed to be 700, although other information claims it to be 2,000.

(b) Those who have, up to the present time reached the Middle East, do not exceed 400.

(c) Those who have since the beginning scattered either in the Peloponnessus or in other regions controlled by Partisans.

V. Difficulties existing for Jews still hiding in Athens.

After seven months of life under such exceptional conditions, most of the Jews must by now be short of money, which greatly endangers their relative safety. Only those possessing money have any hopes of escaping the present persecution, in which the life of every Jew is threatened either in one way or another. It is true that under these circumstances, the solidarity and unanimous support of all classes of the Greek people were manifested towards the Jews. Nevertheless, as must be expected, there are a number of secret agents of the Gestapo and blackmailers, who are extremely dangerous. Moreover, one must consider that:

(a) Living conditions in occupied Greece, particularly in Athens, are such that those who assume the risks of harboring Jews must rightly obtain a material compensation which will permit them to provide for their own needs.

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(b) Jews in hiding are deprived of ration cards issued by the I.R.C.C., which means that they must obtain these provisions at fabulous prices on the black market.

(c) they must face other extraordinary expenses i.e. obtaining false identity cards, attempts of escaping which turn out to be unsuccessful etc.

(d) the presumption that every Jew is rich and possess large quantities of gold aggravates their difficulties.

(e) the fact that they have been living hidden and hunted has no doubt diminished their self-confidence, thus rendering them incapable of making clear and adequate decisions in the face of the many dangers they no doubt encounter.

(f) they have absolutely no possibility of earning their own living.

VI. The fate of the Jews in the provincial towns.

There is no information whatsoever, on the fate of Jews in the provincial towns. It is only known that those of Halkis and Volos have abandoned their homes and joined the Partisans in those districts. It is presumed that the Jews of Larissa, Tricala, Karditsa, Arta, Preveza, Yannina, Kastoria and Patras knowing the fate of their fellow Jews of Salonika and other Macedonian and Thracian towns must have done likewise.

The Jews from the provincial towns, who have been able to join the Partisans run less risk of being exterminated by the Germans. The Germans, not having sufficient forces, have up to now avoided systematic pursuit of the Guerrillas; they have tacitly abandoned the administration of many districts so long as their lines of communication are not interfered with. But, of course, living conditions are not easy there and food difficulties are great.

VII. The conditions of the Jews on the Islands

The Jews living in Corfu and Zante had no possibility of joining the Partisans nor had they any serious chance of hiding. As to those of Crete, it is reported that in March-April 1943, they had not been interned nor deported as those living in the other German occupied regions of Greece, probably due to transportation difficulties. However, according to recent unconfirmed information, the Jews of Heraklion were all massacred in fields outside the town, several months ago.

As to the Jews of Rhodes and Cos, according to information from positive sources until last February no drastic anti-Semitic measures had yet been put into effect.

B.

A plan to come to their urgent aid and an account of the difficulties to overcome.

VIII. The fundamental condition for a successful plan in rescuing the Jews.

The fundamental condition for a successful Rescue Plan for Jews still living in Greece lies in close and active collaboration of:

- (a) the Free Greek Government
- (b) the various Greek Underground and Resistance Organizations
- (c) the War Refugee Board
- (d) U.N.R.R.A.
- (e) all Jewish Organizations interested in saving Jews.

IX. The Conference at present being held in the Middle East is an opportunity to bring up this matter.

An exceptional opportunity for the coordination of all efforts which are actually being displayed from various sources, presents itself in connection with the conference which is being held in the Lebanon between the Free Greek Government and representatives of all Greek political parties and Resistance Organizations. It is therefore, necessary that the question of saving the Jews be put forward at this conference and it is hoped that the opportunity will not be missed.

X. Necessity of obtaining accurate information:

The first important step is to get accurate information on the conditions of Jews living at present in Athens and in the country. With regard to the latter no information whatsoever, has reached us since the putting into effect of the anti-Jewish measures.

Chiefly it is indispensable to know:

- (a) the number of Athenians Jews who have been interned or deported.
- (b) the number of Jews arrested, given away, or executed since the intensification of the persecution (by the

- (c) end of March 1944) and the number of those who were compelled to report to the Gestapo since then. What did the Jews do when the civilian population was compelled to renew their identity cards at the beginning of the year? Is it possible to obtain false identity cards under the new German regulations on the matter? Is it possible to find out if the Jews hiding in Athens were able to obtain these cards through the underground Organizations.
- (d) does the Quisling Jewish Communal Council set up by the Germans still exist? What do their activities consist of.
- (e) do the Germans use the services of the few Jewish traitors (Hasson etc.) who, according to rumours were brought to Athens?
- (f) what were the results of the Archbishop's attempt to have war invalids, infants, the aged, etc., exempted?
- (g) have all the Jews actually evacuated Halkis, Volos, Larissa, Karditsa, Trikala, Arta, Preveza, Jannina, Kastoria, and Patras to join the Partisans?
- (h) from what provincial towns, if any, have the Jews been unable to escape to the hills? How many of them have been interned, deported, or massacred in each of these towns?
- (i) which regions controlled by Partisans are mainly giving shelter to Jews? Are they grouped or dispersed? Under what conditions have they been living until the present? What is their health status? Have they any funds?
- (j) what is actually known about the conditions of Jews in Corfu and Zante? (most likely information could be obtained from the Allied Services in Southern Italy and from Partisans operating in Northern Epirus, Albania)
- (k) what are the conditions of Jews in Crete, Candia, Heraklion, and Bethymon? Have they been interned, deported, massacred or have they been able to join the Partisans in the hills?
- (l) how many Jews from Salonika have been fighting with Partisans in the Olympus region since April 1943? Are there any women and children with them?

II. That can be done for Jews in Athens on practical grounds:

- (a) Provide them with false identity cards, complying with new regulations.
- (b) grant material aid both to those wishing to leave the town as well as to those having plausible reasons for remaining.
- (c) find shelter for those who are compelled to leave their present refuge.
- (d) relieve the burden of the parents by admitting to children institutions infants who hinder or render impossible their moving about from one place to another, thereby jeopardizing the life of the entire family.
- (e) advise, help and direct the evacuation of the greatest possible number of Jews from Athens area; the smaller the number of Jews remaining in Athens, the greater the chances of security for those unable to move, those going in the vicinity to regions controlled by Partisans enjoy better living conditions, more safety, provided they receive regular financial support, sufficient food and medicines.
- (e) For security and other reasons they should of course be scattered as much as possible. At a later date means of helping them escape to the Middle East might be considered.
- (f) organize more systematically the escapes by caiques and improve the means of such escapes by sea.
- (g) carefully avoid mention of the Jewish problem in clandestine press, as the reaction of the Gestapo would cause more harm than the benefit to be derived.
- (h) endeavor to spread the idea that it is an anti-national attitude to exploit the Jews in hiding. Such exploitation generally ends in flying away of the poorer class of Jews.

III. The sending of funds may greatly contribute to the rescuing work.

The above outline sufficiently illustrates that one of the most effective ways of contributing to the rescuing of Jews still in Greece is to provide them with funds.

These funds should be entrusted to reliable persons, who will see that the money reaches the needy.

III. Difficulties to be met with in the execution of the above scheduled assistance.

The putting into effect of the above mentioned proposals would present many difficulties:

(a) the addresses of harbored Jews are not, of course, known, nor those giving refuge to them and those who know people sheltering them are obviously careful not to reveal it.

(b) Jews and Christians are mistrustful of unknown persons offering to help them; thus for instance any good advice or offer of assistance will be met with extreme caution fearing it may be a trap set by the Gestapo.

(c) It will often be difficult to convince them to separate members of the same families (i.e. old from young, invalids from the physically fit); in most cases such a separation would give greater security to both sides.

(d) the small number of people taking advantage of the situation in which the Jews in Athens find themselves at present have from the very beginning spread rumors of imaginary dangers surrounding the capital. Ever since October last, these alarming rumors were being spread on one hand by the organizers of departures to the hills and on the other hand, by the organizers of departures for the Middle East, with the result that most of the Jews preferred to remain on the spot.

(e) owing to the unavoidable circumstances due in most cases to the different intermediaries, it is most likely that financial help will eventually reach its ultimate destination in a much more reduced amount.

IV. Means of overcoming the foregoing difficulties.

The difficulties mentioned above will have to be overcome with all the moral and material resources at our disposal.

(a) Above all, we must enlist the support of the Orthodox Church whose high prestige together with her various activities was so helpful last October. All existing organizations working in the underground or openly, who have greatly contributed in sparing the Jews from last extermination, should be required to cooperate.

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(b) The Church, professional organizations and underground groups obviously know a great number of Jews now in hiding as well as Christians sheltering Jews or being indirectly connected with them. The few Jews who have contracted mixed marriages and therefore are not subject to anti-Jewish measures must be able to trace their relatives and friends. The 400 refugees who have arrived in the Middle East could also give us some information. The Catholic Church has also helped shelter Jews.

(c) for security purposes it would be unwise to disclose their hiding places. The only indication to be given should be the addresses of people likely to know them. All this work would have to be divided and decentralized. Lists of names must not be issued as they would be detrimental not only to the Jews themselves but also to their Christian friends who are trying to help them. No doubt the experience of the underground organizations would be of great value in this matter.

(d) In order to ensure the equal distribution of funds a process of receipts should be established whereby no name of the disburser should appear on the receipt, but only the sum, date and signature of the recipient. This would prevent abuses, the intermediaries realising that the distribution is subject to control. This process, of course, would not completely exclude abuses, but would limit them.

(e) In Athens at least, funds should be distributed in gold sovereigns because of the continual depreciation of the local currency.

(f) The Greek Police of Athens may be of great help (identity cards, watching developments of German measures and warning the people in time.) But one must be careful of the new blackmailers or Gestapo agents working inside the Police. Other officials linked with the present Kally Government are likely to do their best in favor of the Jews.

XV. Difficulties and risks of individual (non-organized) attempts to escape by sea.

Generally speaking no one in Athens knows how escapes by caiques are effected. The reason is that those who attempt to escape and do succeed most often have no means of informing their friends of the procedure and on the other hand individuals belonging to organizations who have contacts with the Middle East have very good reasons for giving no information whatsoever. Thus, these escapes are shrouded in an atmosphere of great mystery, apprehension, overwhelming difficulties and enormous risks. With a sound knowledge of the route to follow, the help of local inhabitants in one or two places, courage and initiative, the chances of success are great. This has been proved by the fact that whole families (infants, invalids, old people) have managed a successful escape in the middle of the winter.

The greatest difficulty is to find the road leading to the places of embarkation along the coast. This is not easy for people in hiding.

By trusting unknown intermediaries or even the captain of a calque, the risk of falling into a trap set by the Gestapo is always present.

A further risk is that the intermediary who is pretending to arrange for an escape is actually only trying to exploit the person, but in this case the harm is not so great if the escapee is eventually conducted to the embarkation point: they then have a chance of being sooner or later, put on board a calque. This is what has happened to most Jews who have managed to escape from Greece. However, their stay in the coastal area can be a very difficult one if their sailing is delayed and they have not sufficient funds to buy food with, etc....

Another risk is that the calque may be in poor shape, too small a motor, badly equipped or a shipper with no previous experience in crossings. In such a case, of course, the crossing may be fatal.

All these escapes have to be arranged through a number of intermediaries and each one is interested in making a profit; thus, the amount of money requested is very often much higher than the price one can afford. In October 1943, while a Christian could arrange his escape for one or two gold sovereigns, a Jew would be asked at least ten to twenty and sometimes fifty or more per person. Owing to the present conditions in Greece such sums are available to a small number of Jews only. What frequently happens is that those possessing the money do not have the required courage and vice versa.

The greatest risk of the whole adventure is the crossing of the Riontis straits which is constantly patrolled by German guards on the look out for boats. Hence the reason for crossing the straits at night which takes approximately 4 hours owing to the swift sea.

The crossing of the Aegean Sea by calques leaving via the East Coast of the Attica renders the trip much simpler but longer. The greatest difficulty lies in the essentiality of coordinating the simultaneously arrival of boats and escaping parties, as there are no camping facilities on the coast of East Attica.

The above mentioned notes are aimed at showing as clearly as possible the need for a systematic organization to enable Jews in overcoming difficulties and avoiding unnecessary risks.

IVI. Suggestions about measures to be taken in order to facilitate escapes by Jews.

Personal experience lead us to make the following suggestions:

(a) No synchronization must be sought between departures from Athens and sailing from the coast of Euboea, which at the present moment is practically impossible. It would be advisable to direct as many Jews as possible from Athens to Euboea, provided strictest boats have been secured.

(b) Disperse them among the various villages of the region and send them to the coast only in small groups according to the facilities of evacuation by caïques existing at the time. For security purposes concentrations of refugees on the coast must be avoided.

(c) In order that evacuation of Jews from Athens to the regions of departure may be undertaken with the greatest possible safety, it is necessary to have reliable assistance. There are local people affiliated to secret organizations who exercise supervision, give useful advices, procure means of transportation, etc. Generally, they are considered as trustworthy people who also must have some remuneration adequate to the services rendered. Their collaboration in connection with assistance to Jews should be rewarded.

(d) The coastal region of Euboea from which caïques sail is very poor; the villagers can hardly afford their own lively-oods; transit and prolonged sojourn of numerous groups of refugees aggravates the shortage of foodstuffs. These conditions lead to a tremendous increase in prices which is of no importance for the few well-to-do, but greatly endangers the existence of the others. It must be added that the solidarity which should be expected among the refugees is very often lacking; the predominant feeling being "Every one for oneself".

(e) The Partisans who occupied the region in October last tried to enforce a little order in connection with the transit of Jews. But it seems that they have withdrawn recently further north leaving part of the sector in the hands of armed police of the Greek Gulating Government. This alteration has increased the difficulties. Among the men of this force, who is armed by the Germans and who is supposedly fighting communists, there must be numerous spies working for the Gestapo. Under such conditions points of embarkation must be moved further north.

According to refugees recently arrived in the Middle East, the following regrettable incident occurred a few weeks ago:

At the moment of sailing, a caïque was prevented from doing so by a group of Partisans; all the refugees aboard were searched; all their personal belongings, gold etc. were taken from them and they were told that they (the Jews) should be contented to save themselves without trying to save their possessions as well! Such an incident seems entirely inconsistent with the activity and help shown towards the Jews by the Partisans from the beginning. So, it may be presumed that they were not Partisans but ordinary malefactors. However, it is hoped that this will be the only incident of its kind; but it is a bad example and deserves full attention.

XVII. Arrangements for the improvement of camping conditions of refugees in the coastal zone.

In order to relieve the refugees during their usually delayed stay in the area from which the departures take place and in view of the prospective increase of the number of Jews in transit in Baboea it is essential:

(a) to send supplies for villagers who feed the refugees and for the refugees themselves. For example on their way back the caïques might carry the necessary foodstuffs. In the past, supplies were sometimes sent to the population of these regions. Wheat, corn, potatoes, onions, olives and figs would be appreciated.

(b) to grant material assistance to the refugees in need waiting for the arrival of a boat. It may perhaps be more convenient if part of the help to be granted was given in the local currency so as to avoid strengthening the feeling that all Jews are wealthy and possess gold.

XVIII. The necessity of improving the solidarity and the good sentiments of the native villagers: suggested message to be addressed to them.

The population in this area is poor, rather ignorant, but honest by nature. These villagers having passively or actively helped for the past three years in the traffic with the Middle East feel that they are thus contributing to the war effort. Since last October, not only Greek or allied officers have passed through to join the fighting forces, or bring valuable information, but also groups of men, women and children who are not directly connected with the war; these are the Jewish refugees. All they know about them is that Jews are different from the rest of the people. Why are they escaping? Why are they being persecuted by the Germans? They do not understand the reason for this persecution. The Partisans have asked them to help these Jews; their school teachers have sometimes tried to explain to them that these people are equally brothers in arms, and since the common enemy - the Germans - is

persecuting them, they must also be helped; they must accommodate and feed them though payment may sometimes be impossible. The Partisans, however, are not always natives of the area they rule and accordingly they are not fully trusted by the villagers. Another thing: "Jews are presumably rich;" thus the opportunity for profiteering.

It is obvious that under such conditions a message from the Free Greek Government would be of the greatest utility. The Greeks have a very highly developed sense of personal pride. This characteristic should be stimulated. They could be reminded that the Christian religion says "Love thy neighbor; all men are equal", those who suffer should be helped; Jews are equally Greek. One of them, a gallant officer - native of Balkis, the capital of their own island - was killed in action in the Albanian war; thousands of Greek Jews defended their land against the invaders, hundreds amongst them were killed, and it is upon those people that the Germans have concentrated their hatred using the most horrible means at their disposal. They are determined to exterminate them because Jews are declared enemies of Nazism. Besides, Jews all over the world are friends of Greece and the day is close when they will actively show what they can do to help realize the national Greek claims as well as relieve and restore the country ruined by the invaders. It is therefore, a national and patriotic duty as well as a question of honor to help Greek Jews in every possible way. It could also be mentioned that the help given up to now to Jews by the inhabitants of this region is well known in competent circles and that moral and material reward will be forthcoming as a reward to those deserving it.

An appeal embodying the above mentioned principles should be read in all the villages of the district. It would be preferable not to distribute leaflets which may fall into the hands of the Germans who would adopt measures of reprisals.

III. The Necessity of Increasing the Small Number of Boats for the Rescue of Refugees.

The efforts to be made for encouraging the evacuation of the Jews from Athens in directing them towards the coast would be useless and even harmful, if simultaneously arrangements were not made to provide an adequate number of boats.

Considering the geographical position of Greece, which is one of the best in occupied Europe, the number of escapes has been very few. The Jewish refugees, who have escaped to the Middle East during the last seven months has not exceeded 400, which seems to an average of about 2 Jews being rescued per day. One must point out that a good many of these Jewish refugees reach the Turkish coast through private arrangements of their own.

The Smyrna Allied Authorities have at their disposal many calques of different sizes, the smallest being able to hold 20 passengers and the largest 80. Since last October there has been much talk about a Jewish Organisation employing 2 calques; some even talked of 5 boats. Actually, we have not as yet heard of any Jews crossing the Aegean Sea in one of these calques. Besides, if there really existed 5 or even 2 calques for the exclusive use of the Jewish Organisation, we should have been able in seven months time, to save a much greater number of Jews. One must reckon that most probably the Jewish Organisation itself does not run any boat but has an agreement with some of the captains of calques to take refugees on board with the promise of being generously rewarded. Such arrangement which seems to help the rescuing of the Jews is still quite inadequate. The good will of the Captains in itself is not sufficient; a great deal depends as well on competent officials residing in Smyrna; a captain of a calque will not undertake the crossing unless he is ordered to; he is also instructed as to the number of passengers he is allowed to take on board and as to the point of the Greek coast from which he will sail. On the other hand, it must be remembered that it does not rest with the Smyrna authorities to rescue the Jews, their attributions being of a military character. Besides, the increase of the number of refugees is in some way considered as a danger to the main activities of the above mentioned service.

These are at present the chief difficulties in rescuing Jews through the Aegean Sea. Under the above mentioned conditions it is suggested to have the War Refugee Board take this matter up with the competent Military Authorities in order to reach a satisfactory agreement to both sides.

Furthermore, the rescue of the Jews must not continue to remain any further an auxiliary duty but a systematic and efficient effort to be not with full attention.

II. Utility of questioning every refugee upon his arrival in the Middle East.

The work of rescuing Jews in Athens would be greatly facilitated if the office of the War Refugee Board in Smyrna would organise an Information Department for the questioning of each refugee upon arrival.

- (a) On relatives and friends remaining in Greece.
- (b) On the conditions under which they are hiding.
- (c) How they can be traced, what help they need etc.

The information thus confidentially obtained would be extremely useful. Should this information be gathered in Palestine instead of Turkey, a delay of over a month would be caused.

XII. Help to be given to Jewish Refugees from the provincial towns at present living in regions occupied by Partisans.

(a) First of all it is necessary to obtain the information referred to in Para X (g through l) in order to know the scope of this special problem.

(b) Financial assistance should be organized according to the number and the living conditions of Jewish Refugees. Distribution of this assistance should be made under the supervision of the local Partisan Organization; this task will be more difficult where the Jewish refugees are not more or less grouped together.

(c) Organize the supply and distribution of foodstuffs, vitamins and medicines where they are most needed, with the collaboration of the local Partisan Organization.

(d) A message similar to the one suggested in para XVIII should also be addressed to the populations in different sectors of the country where the Jewish refugees have taken shelter. The local Partisan Organizations could undertake the adequate publicity.

XIII. Necessity of a warning to be given by the Free Greek Government relative to the blackmailing and denunciation of Jews.

It would be very desirable if the Free Greek Government should issue an official warning to the effect that any attempt to denounce or to blackmail any citizen persecuted by the German Authorities will be punished upon liberation of the country with greatest severity. All acts of this nature will be considered equivalent to acts of treason.

XIV. The duty of every Jew without dependents and eligible for military service should be to join the Partisans.

No matter how difficult present conditions are, the duty of every Jew is to contribute in every possible way towards the liberation of the country. Thus, those who are of age, who have been through the Albanian war, or who have received military training, and are without dependents should join the Partisans; that is what most of their fellow Jews, who avoided being caught in the other occupied countries have done. Should this policy be adopted

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the number of women, children and aged, to be evacuated would be greater. They should also be informed that upon arrival in the Middle East they are to be enlisted for military service with the Greek Armed Forces.

by Alfred H. Cohen

15th May, 1944.

cc: Miss Chauncey (For the Sec'y), Mr. Abrahamson, Mr. Akzin,
Mr. Bernstein, Mrs. Cohn, Mr. DuBois, Mr. Friedman, Mr. Gaston,
Miss Hodel, Miss Laughlin, Mr. Lesser, Mr. Luxford, Mr. Mann,
Mrs. Mannon, Mr. Marks, Mr. McCormack, Mr. Murphy, Mr. Paul,
Mr. Pehle, Mr. Pollak, Mr. Sargoy, Mr. Smith, Mr. Standish,
Mr. Stewart, Mr. Weinstein, Mr. H. D. White, Files.

The following statement by members of the Senate Foreign Relations Committee is being shortwaved to Hungary and released domestically as an Office of War Information broadcast to Hungary.

The people of the United States and all freedom-loving peoples are horrified by the news that Hitler has designated the 800,000 Jews in Hungary for death.

That the people of Hungary should countenance the cold-blooded murder of innocent men, women and children is unthinkable. Once Hungary was the haven of tens of thousands who fled the Nazi terror in other lands. Once Hungary protected the helpless who sought refuge within its borders. Once Hungarians shielded their Jewish fellow-citizens. But now the Hungarian puppet government has joined the Nazis in their ruthless determination to do away with the Jews.

While there is yet time the people of Hungary can demonstrate to the world that this unholy scheme is a betrayal of the true Hungarian spirit. They can hide the Jews until such time as they may help them to safety across the borders. They can refuse to purchase property stolen from the Jews. They can use every means to obstruct the Nazis and those Hungarians who are in league with the Nazis. They can keep watch and remember those who are accessories to murder and those who extend mercy, until the time when guilt and innocence will weigh heavily in the balance. That time is near.

Washington, D. C.
May 31, 1944

Signed:

Tom Connally, Chairman	James M. Tunnell
Walter F. George	Alben W. Barkley
Robert F. Wagner	Arthur Capper
Joseph-F. Guffey	Robert La Follette Jr.
Bennett Champ Clark	Arthur H. Vandenberg
Robert R. Reynolds	James J. Davis
G. M. Gillette	James E. Murray
Theodore Francis Green	

Members, Foreign Relations Committee, United States Senate.

INCOMING TELEGRAM

DGH-601
Distribution of true
reading only by special
arrangement
(SECRET-W)

Madrid

Dated May 31, 1944

Rec'd 2:56 p.m., June 2

Secretary of State,

Washington.

1931, May 31, midnight.

British Embassy Madrid has been informed from Algiers that shipping cannot (repeat cannot) be made available for scheduled evacuation from Cadix on June 7 of stateless refugees proceeding from Spain to Fedhala center.

While fully cognizant of difficulties of procuring shipping for such purpose at present stage of war, I feel that it should be pointed out that further postponement of the departure of this group will have extremely unsalutary effect on position of stateless refugees in Spain and on position of Blickenstaff's organization vis-a-vis Spanish Government. Latter has become increasingly disturbed over repeated delays in evacuation of these refugees, most of whom have been ready to leave for over three months, and postponement of June 7 departure, for which arrangements have already been made and assurances given, may well cause it to question good faith of Blickenstaff and interested Allied authorities. This reaction may in turn result in reimprisonment and reinternment of many stateless refugees who have been allowed to remain at liberty on basis of assurances of their early departure, and tend, therefore, to discourage entry into Spain of further numbers of such refugees.

Experience has shown that extent to which Spanish Government is willing to cooperate with Blickenstaff's organization in care of stateless refugees bears direct relationship to rate at which that organization is able to evacuate these persons from Spain and it is feared that willingness will be sorely strained by yet another delay in the evacuation of the approximately 700 persons comprising the Fedhala group.

Repeated to Algiers.

HAYES

JT
EJH

CC: Sec'y, Abrahamson, Akis, Bernstein, Behn, DeRoia, Friedman, Gasten, Hodel, Laughlin, Lasser, Luzzofri, Mann, Mannon, Marks, McCormack, Sargey, Smith, Standish, Stewart, Weinstein, E.D. White, Pable, Files.

CABLE TO MINISTER JOHNSON AT STOCKHOLM FOR OLSEN FROM WAR REFUGEE BOARD

Reference your 1820 of May 22 to the Department, your 20 to the War Refugee Board.

Arrangements are being made to make dollars 50,000 available to you as first installment for Lithuanian and Latvian projects. Please advise whether remittance through banks practicable or whether Goodyear channel suggested in response to your 1738 of May 16 to the Department, your 14 to War Refugee Board is preferable. If the latter, please advise whether Goodyear channel is available, and if not, we will undertake to find another.

THIS IS WRB STOCKHOLM CABLE NO. 21

May 31, 1944
4:55 p.m.

Sec'y, Abrahamson, Cohn, DuBois, Friedman, Hodel, Laughlin, Lesser,
McCormack, Stewart, Central Files, Cable Control Files.

LS:esser:als:db 8/20/44

CABLE TO SWEDEN

From War Refugee Board to Minister Johnson, Stockholm, Sweden.

Please refer to your 1877 of May 25. Your efforts to secure the BARDALAND are appreciated and we are gratified with the cooperation of the Swedish Foreign Office.

Your understanding is correct that the War Refugee Board will look after all technical arrangements concerning the selection and assembling of refugees at Constanza and exit permits.

This is War Refugee Board's cable to Stockholm No. 22.

May 31, 1944
4:35 p.m.

.....

Sec'y, Abrahamson, Cohn, DuBois, Friedman, Hodel, Laughlin, Lesser,
McCormack, Stewart, Central Files, Cable Control Files.

MJMarks:lak:db 5/31/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Legation, Stockholm
TO: Secretary of State, Washington
DATED: May 31, 1944
NUMBER: 1926

SECRET

Following is our No. 22 to the War Refugee Board and reply to WEB No. 20 (Department's cable of May 27, No. 1031).

Reference is made herewith to Legation's cable dated May 19, No. 1772.

We do not believe that the program recommended in our No. 18 to the War Refugee Board will overlap greatly the program of Norwegian relief and rescue which is being carried out pursuant to instructions of Department's message of April 8, No. 619. It would seem that substantial parts of the newly recommended program will be directed into different channels than those that are available to the labor group. Moreover, we believe it is more important to use any and all channels that seem reasonably effective than to be concerned with possible overlapping. We suggest that funds be supplied for one month as a test to the value of this operation. It should not be difficult to appraise the effectiveness of program after a month's trial in view of the promised reporting channels through the Swedish Foreign Office.

JOHNSON

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Legation, Bern
TO: The Secretary of State, Washington
DATE: May 31, 1944
NUMBER: 3467

SECRET

Tait presented a written request at the same time he personally requested the desired information on May 26.

Please refer to your message of May 23, number 1786.

Assurances were obtained orally that action would be taken immediately and that the results would be reported promptly.

HARRISON

DCR:MPL
6/10/44

CABLE TO TURKEY

From War Refugee Board to Ambassador Steinhardt, Ankara, Turkey

Please refer to our 470 of May 25 concerning the use of the SS **BARDALAND** for refugee evacuation operations.

We have just received a cable dated May 25 from Minister Jehansen reading as follows:

Quote. The Swedish Foreign Office has again been approached by the Legation in accordance with instructions contained in WEB no. 13. The Swedes have been extremely cooperative and sympathetic and today are instructing the Swedish Minister in Berlin to request the Germans for permission to divert the vessel and to guarantee safe conduct. The Swedish Red Cross has agreed to act as charter party. It is indicated by a cable received from the Master of the **BARDALAND** that the vessel is sufficiently seaworthy to make the proposed voyage and that after appropriate refitting in Istanbul to provide sanitary, lifesaving and kitchen equipment, the vessel will be able to accommodate between 400 and 500 persons.

The Swedes have been advised by us that all arrangements for selection of refugees for embarkation, exit permits, and assembling refugees at port of embarkation will be taken care of through War Refugee Board's facilities and that when the **BARDALAND** arrives at Constantinople, all such necessary arrangements will have been completed. This is important as the Swedes do not want to assume responsibility for such matters and, in fact, they have no available facilities in the area for such purposes.

The Swedes are sincerely willing to press the strongest possible case with the Germans although they are frankly very dubious regarding the whole proposition. Unquote.

It is assumed that the technical arrangements referred to by Minister Jehansen in the second paragraph of his cable will be made by you as soon as the likelihood of the **BARDALAND**'s sailing for Constantinople appears more concrete. We shall keep you advised of further developments.

This is War Refugee Board's cable to Turkey No. 48.

May 31, 1944
4:35 p.m.

NJMark:lsk 5/31/44

CABLE TO AMBASSADOR STEINHARDT, ANKARA, TURKEY

Your 895 of May 18 and 915 of May 20.

Reference your 915. Last paragraph Department's 440 of May 17 refers to persons reportedly arrested in Bucharest, Rumania for activities in aiding escape of refugees from Rumania and near-by countries. According to more recent information, only twelve to fifteen of them are still under arrest.

Regarding situation in Hungary, please consider advisability of your direct or indirect approach to Hungarian mission or other personalities in Turkey along the lines of the Cretzianu talks. If, in your opinion, such conversations are feasible and might serve some useful purpose, please act accordingly and keep Department informed.

Department and Board gratified to have your confirmation of report that Jewish refugees arriving in Turkey from Greece are permitted to enter and pass through Turkey without Turkish visas. In view of the critical situation in Balkans, it would appear most important, if you have not (repeat not) already done so, to attempt to obtain a similar arrangement with respect to refugees coming by land from Bulgaria. Please advise us of any results which are obtained in this matter.

THIS IS WRB CABLE TO ANKARA NO. 49

May 31, 1944
4:35 p.m.

Miss Chauncey (for the Sec'y), Abrahamsen, Cohn, DuBois, Friedman, Hodel, Laughlin, Lesser, McCormack (for Mr. Mann), Stewart, Central Files, Cable Control Files.

BAksin:MSargoy/jp:db 5/30/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
 TO: Secretary of State, Washington
 DATED: May 31, 1944
 NUMBER: 985

SECRET

Following message is from the Ambassador for WRS. Reference by 941 dated May 23, 1944; Ankara's No. 65, and Department's 470 dated May 25, 1944.

It is not my belief that the government of Turkey would have any objection to fitting the BARDALAND at Istanbul with essential accommodations for passengers. Nevertheless, information has been given me that material and labor facilities for this work are greatly limited, delays are interminable and cost is highly excessive under current conditions. It may be the desire of the Board to take into consideration this phase of the matter prior to assuming that any work of this kind can be undertaken at a fair cost within a reasonable length of time. I can suggest only one other alternative, viz., to have the fitting done in a port in Egypt where the facilities of the British Navy might be made available on request.

The WSA representative who recommends urgently that subsequent to the embarkation of the refugees at Constanza the BARDALANDA should go to Istanbul instead of to Haifa seems to have not taken into consideration the limited rail facilities to Palestine from Istanbul which I have stressed a number of times. If a goodly number of refugees are landed from the BARDALAND at Istanbul for movement by rail to Palestine, it is most likely that the Turk officials will be in a position to continue to move over the Midental single track line the considerable number of refugees who will continue, presumably, to arrive on the BELLACITA, MARITZA and MILKA, in addition to the usual transportation. It is very probable that the resulting congestion will cause the Turk authorities to be unwilling to allow the refugees from the BELLACITA, MARITZA and MILKA to threaten this constant although illegal transportation which has been tacitly sanctioned by the Minister for Foreign Affairs.

Provided, as it seems from the Board's cable to Stockholm the tentative trip of the BARDALAND is to be dependent upon a German safe conduct, as in the TARI case, there would appear to be no good reason why the trip should end at Istanbul instead of continuing to Haifa and in this manner relieving the rail line from Istanbul to Palestine for the transportation of refugees who arrive on vessels that are unable to go beyond the Istanbul port. Neither is the argument impelling that it will be any more troublesome to secure a German safe conduct to Haifa from Constanza than to Istanbul from Constanza. The fact is that the experience I have had with the government of Germany in endeavoring to secure a safe conduct for the TARI from any harbor to any other harbor establishes the contrary because by this time every conceivable proposal has been made without success to the government of Germany.

It will have.....

It will have been noted by the Board from Embassy's 941 of the twenty-third of May that as yet, it has not become liable for penalty payments concerning the proposed charter of the TARI even though we are without doubt under a moral obligation to make some sort of payment at a date in the future because of the period of time the boat had been held available to us. While endeavoring to cut the loss to the State Steamship Lines that resulted from the TARI's immobilization, which has by this time been prolonged for more than two months, without paying the penalty of five thousand pounds in Turkish money per day, while simultaneously having the boat at our disposal on short notice, should a Bulgarian or German safe conduct be coming forth, I have coaxed the Minister for Foreign Affairs to issue instructions that the TARI may be utilized by the State Steamship Lines for short voyages between Istanbul and Izmir or Samsun on the understanding that not any of the accommodations which were put in for refugees will be disturbed and that the ship will be available to us when each such voyage is completed, none of which is to last over two weeks.

We have no reliable data available concerning the current status of shipping from Constanza with exception of the knowledge that the harbor is mined heavily, wholly under German control and that the transportation of even the smallest of the boats is absolutely under German officials' control.

No

No definite schedule is in existence, insofar as regards plans for voyages in the future of the BELLACITA, MARITZA and MILKA since such boats are operating clandestinely and illegally. Such boats are easily hidden in harbors near Constanza since they are quite small. Refugees are collected and embarked by a well organized underground for lightly excessive amounts of money. The boat sails for Istanbul as soon as it is loaded to the fullest capacity. In this manner no prediction with any amount of accuracy can be made concerning prospective departure dates or arrival in Istanbul. It is indicated by experience that the ships return to Istanbul may be expected approximately a month after her embarkation from that same port, nevertheless.

STEINHARDT

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
TO: Secretary of State, Washington
DATED: May 31, 1944
NUMBER: 986

CONFIDENTIAL

Following is Ankara's No. 66 from the Ambassador for the War Refugee Board.

Today I received an unconfirmed report that the Bulgarian SS MARITZA foundered at sea while en route to Constanza on her return from Istanbul after she had disembarked on May 18, 316 Jewish refugees.

In view of the recognized unseaworthiness of the MARITZA (refer to my message of March 25, No. 527) we must regard it as an act of providence that the ship did not sink while carrying refugees en route to Istanbul

STEINHARDT

SECRET

OPTEL No. 174

Information received up to 10 a.m., 31st May, 1944.

1. NAVAL

One of H.M. Submarines torpedoed 5,000 ton ship off PENANG 22nd. In attack on eastbound convoy off ALGIERS this morning one 2,900 ton ship sunk, three enemy aircraft destroyed.

2. MILITARY

ITALY. In the mountains N.E. of CASSINO Italian troops have made considerable advance and further west New Zealanders are approaching SORA. Canadians are within three miles of FROSINONE. French have captured GECCANO and advanced two miles to the N.W. North of ANZIO U.S. troops have had heavy fighting at CAMPOLEONE and further West U.K. troops have advanced to a point three miles N.E. of ARDEA which they have captured.

BURMA. IMPHAL. Successful operations are taking place from both north and south against Japanese five miles south of BISHENPUR.

SALWEEN. Chinese have captured KAITOU and TATANGTZO. Rains have broken and supply difficulties are increasing.

YUGOSLAVIA. British and U.S. troops landed MJLET ISLAND 22nd 23rd. Enemy retired into difficult country. Our troops consequently unable to bring them to battle in time available and were withdrawn 23rd/24th.

3. AIR OPERATIONS

WESTERN FRONT. 30th. 4,438 offensive and escort sorties flown. Total 978 U.S. heavy bombers and 194 Thunderbolt bombers attacked:

Aircraft factories OSCHERSLEBEN	104 tons
and DESSAU	166 "
Airfields at HALBERSTADT	223
ROTTENBURG	382
DIEPHOLZ	92
HANDORF	118
ZWISCHENHAHN	172
and OLDENBURG	338
..... Railway centres at BRUSSELS	103
TROYES	161
and RHEIMS	163

Also six bridges in FRANCE - more than 130, and military constructions Northern FRANCE - 286. Enemy casualties reported in the air 66, 9, 5, and 7, 1, 2 on the ground. Ours 12 bombers, 14 fighters missing. Total 1,961 medium and fighter bombers and escorting fighters of A.E.A.F. attacked objectives NORTHERN FRANCE as follows :

17 road and rail communications	more than 480 tons
	and 256 rockets
5 R.D.F. Installations	55 tons
6 Military Constructions and Coastal Defences	52
Military Camp and Headquarters	250 rockets
3 Airfields	79 tons

One enemy aircraft shot down, six of ours missing.

30th/31st. Aircraft despatched:

Coastal Battery BOULOGNE - good concentration around markers	51
Chemical Works LEVERKUSEN - well concentrated attack, one large explosion	28 Mosquitos
Sea-mining	12
Intruders	6

All returned safely.

ITALY. 28th/29th. Wellingtons bombed SAN STEFANO Harbour - 87 tons.

29th. 256 medium bombers and over 700 fighters attacked viaducts, bridges and other objectives in Central ITALY and gave ground support. 84 motor vehicles were destroyed 7 aircraft missing

AUSTRIA. 29th. Escorted Liberators and Fortresses bombed:

WOLLERSDORF Airfield	600 tons
Aircraft factories at ATZGERSDORF	225
and WIENER NEUSTADT	195

Enemy casualties reported in the air 61, 14, 8, and 9 destroyed on the ground. Ours - 9 bombers, 5 fighters.

YUGOSLAVIA. 29th. Escorted Liberators (3 bombers, 2 fighters missing) dropped 481 tons BIHAC area with good results. Fighters shot down one enemy aircraft and destroyed 17 on the ground.