

Diary

Book 712

March 20-21, 1944

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March 20, 1944
9:00 a.m.

General
Somervell: Somervell.

HMJr: Morgenthau.

S: Good morning.

HMJr: How are you?

S: I'm here. (Laughs)

HMJr: I have, figuratively speaking, Madame Chiang Kai-shek sitting in my lap.

S: Well, how charming.

HMJr: She wrote another letter to the President and he has asked me to handle it, or prepare an answer for him.

S: Yes.

HMJr: And she raises this question of a loan again. It's a -- it's a better tone, and I wondered when you and I could get together.

S: Uh -- I've got a -- a three-hour conference with the cotton textile people this morning, but any time this afternoon would be all right, sir.

HMJr: How's three-fifteen?

S: Fine.

HMJr: I'll try to get somebody here from the State Department in order to save time.

S: All right, sir.

HMJr: Do you want to bring Clay with you?

S: Well, I may bring him and I may bring Carter.

HMJr: Oh, yes, that's -- well, whoever is -- well, whoever you want.

S: All right.

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HMJr: It's just this loan business again, and I'll tell you how my mind is working so you can be thinking about it. Hello?

S: Yes.

HMJr: I think this is more -- more of a military matter and I think we should give all the authority to General Stillwell while you've got these big operations on hand. That's the way I'm feeling.

S: Right.

HMJr: I mean -- I don't know whether the people -- my own people agree with me, but that's the way I feel.

S: Well, whatever is done has to take our operations into consideration. No doubt about that.

HMJr: Well, it's practically the same as invading a country.

S: Yes.

HMJr: Because -- and I -- and it seems to me that the Commanding General of the Area has to be in charge, in control and responsible until his -- but that's the mood I'm in anyway.

S: Uh -- what did she say?

HMJr: Oh....

S: Has she got any....

HMJr: She wants us to send somebody over there.

S: Uh huh. Uh huh. .

HMJr: And -- and she was lovely to everybody but me.

S: I see.

HMJr: I'm it.

S: I see. Well, I thought that I had that position but....

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HMJr: No.

S:I'm glad to find somebody else has got it.

HMJr: No, I have it for the moment.

S: (Laughs) All right, sir, I'll be there at three-fifteen.

HMJr: Right.

S: Thank you, sir.

March 20, 1944
9:15 a.m.

HMJr: Hello.

John
Pehle: Good morning.

HMJr: John, good morning. Did Mrs. Klotz give you the various messages?

P: I don't believe so. No, sir.

HMJr: She didn't?

P: No.

HMJr: I mean after I saw the President.

P: I didn't -- no, I haven't heard anything about that.

HMJr: That was Saturday. I can't remember them all now.

P: Yeah. Well, I can get it from her.

HMJr: But -- well, anyway there were a number of them. But this is one that I got over the week-end. I can't -- she wrote them down. I think she tried to get you or something.

P: Yes, probably.

HMJr: I think it would be very good ball if we invited Mr. Taylor to sit as an ex-officio member of the President's Refugee Board when we actually meet. And in that way tie him in in this Inter-Government Committee. Think it over.

P: All right. All right.

HMJr: And I don't see what harm it could do and it might do a lot of good.

P: Uh huh.

HMJr: Did you read the cables that he gave you?

P: Yes, sir.

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HMJr: Was there any -- could you get any impression out of it?

P: Yes, they were -- one or two we may have seen before, but they were cables that showed -- shed a favorable light on his activities before and showed that he made some attempt to get the United States to commit itself as to what it was going to do.

HMJr: Yeah.

P: Also showed, as we knew, that he didn't think the Bermuda Conference would do any good at all and he objected to going into it without some commitments in advance.

HMJr: Yeah.

P: And, as a matter of fact, you know, he refused to go to the Bermuda Conference because of that.

HMJr: No, I didn't know it. Well, now, if we're going to have him as ex-officio, we'd have to -- you'd have to make up our mind this morning. See?

P: Uh huh.

HMJr: Talk it over with your people....

P: Right.

HMJr:and let me know.

P: I will call.

HMJr: Thank you.

March 20, 1944
9:35 a.m.

FINANCING

Present: Mr. Bell
Mr. Tickton
Mr. Murphy
Mr. Lindow
Mr. Haas

MR. BELL: A couple of things before you start with where Tickton left off. We would like to announce Wednesday morning the refund of the Certificate of Indebtedness, five billion two hundred million dollars maturing on April 1. It will be just a roll-over of one-year certificates, seven-eighths.

H.M.JR: How much cash do you have?

MR. BELL: Fourteen billion eight hundred and eighty-eight million. You will probably want to increase the May 1. (The Secretary signs memorandum re: refunding the Treasury Certificates of Indebtedness maturing on April 1)

MR. BELL: And this is a press release on the re-funding that just closed. (The Secretary initialed press release announcing results of exchange figures of March 2?)

We have three billion nine hundred and ten million out of four billion seven - about eighty three percent.

H.M.JR: I would like to look at this a minute.

MR. BELL: We had four billion seven hundred and thirty maturing in the aggregate, and these are what we got of each. We got a total of three billion nine hundred and ten out of the four billion seven hundred and thirty, or about eighty-three percent of the total.

When we closed the other day you were talking about a lottery and I just thought maybe you would be interested in having me read a little article here in the London Economist about the Swedish credit policy. It is very short.

(Reading) "The latest annual report of the Svenska Handelsbanken to reach this country throws interesting light on the credit policy by which Sweden has endeavoured to insulate herself from the inflationary impact of the belligerent world around her. The main potential of inflation in Sweden has been the volume of foreign - especially German - purchases, the inability to import goods to a corresponding extent, the consequent increase in the gold and foreign exchange reserve of the country, and the volume of additional currency and credit built up, largely by external expenditure and backed not by additional goods, but by these metallic and paper assets of the Riksbank. To counter these inflationary forces the authorities in Sweden have adopted all the correct orthodox devices, plus a few of questionable orthodoxy, but undoubted efficacy. The main task has been that of mopping up redundant purchasing power. In the first place, the Government has borrowed above its current needs, and has done so by raising the price of its borrowing slightly above the market rates current when the new operations were launched. The Riksbank has requisitioned some Kr.500 millions of Treasury bills from the National Debt Office and has used these as a fund for feeding open-market sales of securities. Government expenditure has been reduced wherever possible, and by postponing Government payments under supply contracts forced loans have, in effect, been extracted from the contractors concerned. The sale of Government securities outside the banks has been encouraged and, as a stimulus to the canalisation of a larger flow of savings to the Government, the National Debt Office has created a new type of savings account, on which 3½ per cent interest is paid provided the deposit remains undisturbed for at least six years; if it is withdrawn before that period has expired the holder gets no interest and is charged 2 per cent of the amount withdrawn. The most interesting of the unorthodox anti-inflationary devices has been the issue of a Government Premium loan. The total interest cost of the loan to the Government is 3.3 per cent. Of this 2.1 per cent is paid by way of interest and the balance is distributed as prizes for which periodical drawings are made. The initial amount of this loan was Kr.150 million, but such was the public response to it that this total was doubled. The popularity of the issue may be gauged by the fact that since the lists were closed the Kr.50 bonds of the loan have risen to a premium. The second part of the loan was actually issued at the price of Kr.52. The response to the loan was

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such that the National Debt Office had to institute a rationing scheme which prevented a single subscriber buying up a whole series of Kr.100,000."

I thought that was interesting in view of your remark the other day.

H.M.JR: I tell you what you might do. There is a man in Sweden now for the Treasury in OSS. Why not ask him to give us more details?

MR. BELL: We might get the Annual Report, too, George.

MR. HAAS: Yes. I have seen reference to that some place.

H.M.JR: Do you want to sort of frame the cable on this?

MR. HAAS: I can get a copy.

MR. BELL: The Secretary wants to keep it and read it.

MR. LINDOW: What is the date on it?

H.M.JR: February 19. I don't know who the man is, but I know he is there.

MR. BELL: I know his name. White can give you his name.

H.M.JR: He works both for White and OSS. I don't think it is supposed to be known, but the fact that he is a Treasury man is a cover.

MR. BELL: I think he is a Treasury man. I know we sent him a secretary and everything.

H.M.JR: I think that is a cover, isn't it? I know he is there because he sent in some very interesting things about steel exports, and so forth.

The thing that is interesting in this, I think that a lot of people would fall for the higher interest rates. It would depend on the long-term deposits.

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MR. HAAS: I think that is going to be the main thing, historically, that you can look back on when you are an old man, that you have done that. That is the outstanding thing you have done, to finance this war. If you go I think the whole gate will be open.

H.M.JR: Arguing this a minute, we are practically paying them three percent now on the E Bond.

MR. HAAS: That is right.

H.M.JR: And I think the bargain is too attractive. How many years ago did we fix that interest rate?

MR. BELL: In 1935.

MR. MURPHY: We scaled down the intermediate rates in 1941.

MR. BELL: You mean in the bond?

MR. LINDOW: The two nine stayed the same.

MR. MURPHY: But the rates you obtain if you hold it for one, two, or three years were scaled down in 1941.

MR. HAAS: That is the limited amount each person can buy there.

H.M.JR: But I am just wondering whether we couldn't redesign the E Bond.

MR. HAAS: Put a little lottery in?

H.M.JR: Well, some of the features they speak of - the discount feature, maybe.

MR. HAAS: We might try that, but the Swedish thing - I don't see how they make both those things go over, because the person who would buy one would be reluctant to buy the other with the discount.

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You see, that would be a much less attractive bond than you are selling. The sales organization have trouble moving what they have got.

MR. BELL: It doesn't say that the first one there was a huge success. It was only the lottery that was a success. They don't comment on the savings account.

H.M.JR: Did you ask the Russians? Have you followed that up?

MR. HAAS: No.

H.M.JR: Follow up the Russians on the lottery.

MR. HAAS: That was Saturday morning.

H.M.JR: That is right. And the Swedes, too. You have the Russians right here.

MR. BELL: I am not sold yet on the lottery.

MR. HAAS: I am not, either.

MR. BELL: For Americans.

MR. HAAS: Another thing, now you have twenty billion dollars of E Bonds you have to watch out what kind of other instruments you put out.

H.M.JR: You mean that they cash these?

MR. HAAS: Yes, you have twenty billion out, and everybody owns them, and they will use those for redemption purposes.

H.M.JR: Are the redemptions still running so high now that the taxes are over?

MR. BELL: There is a lag there which we will get for some little time, probably. To the night of the 16th there were one hundred and forty-five million.

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H.M.JR: You don't know what it is today?

MR. BELL: No, but that will run on, I should say, until around the 20th and then it may begin to taper off, but we are going to have the largest this month that we have had any month, probably around two hundred and fifty million.

MR. MURPHY: To me, the most interesting possibility of the lottery, Mr. Secretary, is the rather small distribution of prizes to check redemptions in outstanding bonds, to give people an additional incentive to hold them.

H.M.JR: You people don't like that, either?

MR. BELL: Well, I am willing to study it, but I don't like a lottery in our debt. I look upon it as a little sacred. I know everybody points to Foreign Governments, what they have done with the lottery, but look where foreign Governments are.

H.M.JR: I don't think I would want to try it before election, but I might try it right after election. The trouble is you couldn't keep it a secret.

MR. BELL: You will get some sentiment in Congress for it. There have been four or five bills introduced. We have reported against them, you recall.

H.M.JR: Cissy Patterson would be with us.

MR. BELL: Yes, you would have the Hearst papers in general for the lottery - and a sales tax.

H.M.JR: Anyway, let's get on with the show.

MR. TICKTON: Do you have to have legislation before you start a lottery?

MR. BELL: It depends on how you work it. If you make it part of the terms and conditions of the issue,

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and within the interest, you probably could do it. The Secretary has very broad authority under the Public Debt Act to fix the terms and conditions of an issue, you know. I don't know just how this would work in.

MR. TICKTON: The subject of the lottery came up in connection with the discussion of partial payments. The reason we thought about partial payments was that you are going to have a long period here between June and November in which there will be no drive operations conducted, and the idea was to arrange something in connection with the drive that would do something in addition to the pay roll savings plan between the period of June and November. The pay roll Savings Plan is running about four hundred and seventy-five million a month as against four hundred and twenty-five million a year ago, but it is at somewhat of a peak, because the ten percent idea has been over-sold to the extent that it is very difficult to get people to go beyond ten percent. It is easier to have people take extra bonds than to raise the average deduction.

The thought was that maybe we could have some kind of arrangement that would permit the Treasury to offer something new that would pick up some significant volume of funds between, say, June 30 and the start of the Sixth War Loan sometime after November 15.

Our partial payment plan could be worked a great many ways. We have been thinking of it in terms of a partial payment plan on a large denomination E Bond. It could conceivably also be worked on marketable issues, but the reason we were sticking to the E Bond idea was that we were going to try to sell this partial payment plan, really, to factory workers and other people who are buying E Bonds, and sell it to them in addition to the pay roll plan.

One important matter that has to be considered in connection with any partial payment system is the fact that it involves some work on the part of the banking system as a whole, because a partial payment system,

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to be successful administratively, would have to call upon an administrative organization that is used to taking in partial payments and keeping records thereon.

Therefore, we would have to put it on a banking system to do it. Personally, I had thought of the possibility of giving in return for the partial payment system the elimination of the twenty-five dollar bond, using fifty dollar minimum denomination.

I say "personally," that way, because Gamble, for example - the whole organization in previous years, but Gamble is the only one I have checked that wasn't too keen on eliminating the twenty-five dollar bond from a sales point of view - but they are much more inclined to think of it as a possibility than it was thought of, say, a year and a half or two years ago when the Federal Reserve Banks first raised the problem of so much work. But at this point it might be possible for them to do without the twenty-five dollar bond and the banks could then reduce the volume of transactions, possibly sufficiently to handle a partial payment plan.

The one I had in mind, which I have worked out to some extent in our own shop, is on the basis of the Christmas Club principle where you have a booklet and you have a double stub, part of which is torn off when the person makes the deposit.

You remember that when we went to New York in connection with that campaign, the Manufacturers' Trust had such a plan and their booklet worked very simply. They had difficulty in selling it, because they tried to do it alone, and of course you can't do a job of this magnitude as just one organization in a big city like New York. But the mechanics were not too difficult.

A suggestion here would be to have a two hundred and fifty dollar denomination with an issue price of one hundred and eighty-seven fifty. It would be an E Bond, with the same terms and conditions. It would

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be paid in five payments of thirty-seven fifty apiece, and the first payment would constitute the establishment of contract, and for purposes of this whole operation, we would count as a sale the full amount of one hundred and eighty-seven fifty, even though we only got thirty-seven fifty cash.

In setting up the quotas we would make allowance by setting a much higher quota than the ordinary cash quota. Let's say cash would still be five billion dollars, or something in that neighborhood, and the partial payments would be added on to the quota so you may have two or three or four billion dollars' worth of unliquidated partial payments.

In order to prevent those from being dissipated as interest in the drive disappears in August, September, and October, we would suggest a series of planned post-drive activities - give the organizations something to do during this period that wouldn't be connected with the drive.

You could do that in connection with your regular pay roll plan operations, your regular follow-up activities, but it would not be a national drive headed from Washington with the usual amount of public relation activities.

(The Secretary holds a telephone conversation with Mr. Walter Stewart, as follows:)

March 20, 1944
9:53 a.m.

HMJr: Hello.

Walter
Stewart: Hello.

HMJr: Walter?

S: Yes, Henry.

HMJr: I was disturbed because I thought that possibly you weren't as well after you called me.

S: No. It's just that I -- I found -- when I began to analyze what it involved....

HMJr: Yeah.

S: ...and got in touch with people, they told me that I'd better behave.

HMJr: Oh.

S: And so I decided I'd have to.

HMJr: Well, I was just fearful that you -- maybe you weren't feeling so well.

S: No, I really am and, Henry, it's most considerate of you to call.

HMJr: Yes.

S: I appreciate it very much.

HMJr: Yes.

S: I'm sorry not to see you. I'm sorry not to be there because I know it's important, and I'd like to see the gang.

HMJr: Yes.

S: But I know if I stay in my routine, I'm all right.

HMJr: Well, there -- there -- I -- my only call was my personal concern.

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S: How very nice of you.

HMJr: But....

S: I appreciate that very much, Henry.

HMJr: Well....

S: I'll come down -- I'll let you know as soon as I get where I can widen my excursion limit a little.

HMJr: Well, if you came down just to spend a day or something like that -- just with me.

S: That's what I'll do.

HMJr: You won't find me too difficult.

S: No, I never have. (Laughs)

HMJr: All right, Walter. Well, I hope....

S: Thank you very much for calling.

HMJr: I was disappointed but I'm glad that you're all right.

S: Yes, thank you very much.

HMJr: Good bye.

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H.M.JR: He got to thinking it over and decided it would be too much. I was just worried that maybe he wasn't well.

MR. TICKTON: This whole program is designed for the twenty-five million persons who are making war wages, or who have incomes in the neighborhood of a thousand.

H.M.JR: Is that what is on the pay roll deduction? I thought it was twenty-seven.

MR. TICKTON: There are twenty million civilians plus three million in the Government, plus four million in the armed forces.

H.M.JR: I thought you had twenty-seven million.

MR. TICKTON: Twenty, plus three, plus four.

H.M.JR: You kept using the figure twenty-seven a year ago. That didn't include the Army.

MR. TICKTON: That included the Army.

MR. BELL: Hasn't that gone up lately?

MR. TICKTON: The money has gone up to four hundred and seventy-five, but the way it has gone up - people who were deducting fifteen dollars a month a year ago are deducting eighteen a month now.

H.M.JR: Does four hundred and seventy-five include the Army?

MR. TICKTON: That is right.

H.M.JR: Incidentally, I sent you a note. The Truman Committee says immediately on the cessation of hostilities they estimate eight million people will be discharged from industry. It is a little different from Stacy May.

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MR. BELL: What was Stacy May's?

H.M.JR: War as usual.

MR. LINDOW: He had two different assumptions; one was, the war in Japan would go on. This, I take it, would be after the war in both--

H.M.JR: I don't know. I sent a note to George to see what it was. The Truman Committee is pretty good. Pretty good when they agree with me, anyway!

MR. TICKTON: The pay roll plan has been relatively persistent in the last year, but it hasn't increased. In those firms that were able to get ten percent, they stayed or dropped back a little. Nobody has gone up in the last year because in order to sell them they had to over-sell them on the idea of ten percent.

These would be superimposed on these particular people, and thirty-seven fifty would be somewhat of a chunk to ask them to purchase, but the extra hundred dollar bond idea was sufficiently successful in the plants where it was tried to indicate that something of the magnitude of one hundred and eighty-seven fifty over five months might be a reasonable expectation.

Because we are considering these particular people, we are suggesting that this plan be handled with an E-type bond. It is a little more difficult, administratively, to handle an E-type bond, but terms and conditions have all been sold to the public. They know what E Bonds are, and are redeemable, and know all their features. This would maintain that same pattern.

A marketable bond would be somewhat easier, administratively. However, the experience with the two percent bond last time indicated that a lot of people are desirous of fulfilling their quotas to any extent possible by free riding, that if we sold a very large volume of marketable bonds, there is no reason to believe that a large proportion of them wouldn't be free ridden.

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H.M.JR: May I interrupt you? This, in a sense, is padding. I mean padding your quotas.

MR. TICKTON: Put it this way: You can set up any type of a drive in the beginning, if it is generally understood exactly what you are doing--

H.M.JR: Now, let me just interrupt. If you can sell this thing to Gamble and his organization, it is O.K. with me, but I don't want to be in the position that along in September and October when everybody gets very political and they begin to analyze this thing, and then they say, "Now look, Morgenthau increased this thing and he put it up here, and the people aren't making their partial payments." Then they jump all over me.

Now let's squeeze the water out of it and sell - what was to be the bond?

MR. TICKTON: Two hundred and fifty dollar bond.

H.M.JR: Let's sell the fellow a two hundred and fifty dollar bond, but only have the quota for his partial payment.

MR. TICKTON: That is possible.

H.M.JR: Then I am not going to be on the anxious seat from then until Election Day when everybody is going to be sharpshooting.

MR. TICKTON: The only reason we are interested in getting--

H.M.JR: You get the same results.

MR. TICKTON: Only why should a man buy a two hundred and fifty dollar bond if it doesn't count any more than thirty-seven fifty toward his quota? He says, "I will buy a fifty dollar bond and I get the same fifty dollar quota." The theory would be tied into a--

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H.M.JR: You sell him a two hundred and fifty dollar bond; let's say he signs a contract with the Government for a two hundred and fifty dollar bond. The Government is on a strictly cash basis. As he makes his payment we give him the credit, but he has to sign a piece of paper that he will take the two hundred and fifty dollar bond.

Mr. BELL: I was talking to John Keilly, the local Chairman, about it the other day. He said he thought you would be making a mistake if you gave the local committees credit for anything except the cash collection, because these saleswomen will sell anything on paper. They will get these fellows to sign these contracts and one payment is all you will get. From there on they won't care.

H.M.JR: I don't want to be on that basis. And let's say the last payment should fall in September, they don't come through, then the whole Fifth War Loan is a failure. I wouldn't be put in that position, and nobody can sell it to me, either.

I mean, in September and October I am going to be in nice shape where nobody can criticize me - where I can humanly foresee it. Now, if a fellow wants to get a very serious looking piece of paper and a contract between John Doe and the United States Treasury, and get him to sign that thing that he buys a two hundred and fifty dollar bond, then if he wants to break his contract with his Government, that is something else. But I am not going to be on the spot. I am not going into the installment business and then have it fail. You wouldn't know whether the Fifth War Loan is a success until the last payment is made.

Mr. HAAS: What it amounts to, you extend the activity of the Fifth War Loan way over into the fall.

H.M.JR: I am not going to have anything happen in September or October, that I can foresee, except success.

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MR. TICKTON: That is a good thing.

H.M.JR: So you will have to reorient your thinking.

MR. HAAS: You are just presenting different ideas.

MR. TICKTON: Yes, that doesn't eliminate the possibility of a partial payment plan.

H.M.JR: I just want to squeeze the water out of it, that is all.

MR. TICKTON: All that you would say about this type of a plan would be that we ought to count only cash, and that we sell partial payment on the idea that partial payments are a good thing in themselves, and the cash that comes in the Treasury is what we count as part of the sales operation.

H.M.JR: That is right. Mr. Neilly agrees with me.

MR. MURPHY: It would be hard to get the salesman to sell it on that basis. If the salesman has several opportunities he can sell a man a hundred dollar bond at seventy-five dollars and that is toward his quota, or he can get him to sign a contract for one hundred and eighty-seven fifty, and that is thirty-seven fifty towards his quota, the salesman will go for trying to sell him a hundred dollar bond every time.

So I would be inclined to believe that the partial payment plan without putting it in the quota would be almost a preordained flop, and it would be better forgotten.

H.M.JR: Let some of these State Chairmen take a look at it.

MR. BELL: I think you will find some opposition to it in the banks in handling the mechanical difficulties.

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H.M.JR: All right. Would you please all bear in mind that in September and October we only want success up to and through election day; I repeat, up to and through. When is election day? I might as well find out. I am not being politically minded; I am like Walter George and Doughton. "It would be good for the nation!" It is the first Tuesday after the first Monday. The first Tuesday is the 7th; Wednesday is the 1st. I am very serious about that; I don't want it hanging over my head in September and October.

MR. BELL: May I be excused? I will try to get the bankers started.

H.M.JR: Yes. (Mr. Bell leaves the conference.)

MR. TICKTON: I might say on the partial-payment plan that a year ago sales people were all convinced that a partial-payment plan was a bad idea. The Washington group, Gamble, Coyne, and so forth, have come around in the last year to believe that a partial-payment plan has some opportunities. They haven't worked out any details, and the main problem today with the partial-payment plan, as Bell said, is whether you can get enough sales on the one hand to offset the extra work on the commercial bank level on the other.

A partial-payment system as the Manufacturers Trust set it up was very simple, but when you do it on a national scale and you have banks that are less well organized than the Manufacturers Trust, and the Treasury wants to have all the necessary safeguards, why, it maybe somewhat more complicated.

People in the Bureau of Public Debt have been working on the problem for the last couple of weeks. I have turned over to them such stuff as I have been able to get from Manufacturers Trust and such booklets as we have been able to work out ourselves.

H.M.JR: You fellows are very discouraging. I hope that you give some of the same medicine to Gamble that you are giving to me.

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MR. TICKTON: I am afraid that we have. Of course, the trouble is they say, "You staticians are always pessimistic." The main trouble is that they sometimes try to shove off some of these particular facts. However, the figures, I think, were a little discouraging to them after the drive closed, as you recall that last two weeks. They had to work an awful lot harder than they thought would be necessary to put the Fourth War Loan Drive over. During the period in which you were away, I know that every State Chairman was contacted at least once a day, and in the big States they were contacted sometimes three times a day, trying to stir up the last-minute sales. I am convinced that the fact that they went over, say, on E bonds by a small amount was due--part of it--to that stirring, because it is evident from the March sales that any bonds that were sold in January to February were actually cleared up by February 29. We have had practically nothing come in since the 1st of March.

I think the first fifteen days it was one hundred and twenty-seven million, which is less than ten million a day against an average ordinarily of twenty-five million a day. So everything was cleared up in the field for accounting purposes. That was strictly a matter of Washington pushing the field to get all these things in.

MR. LINDOW: It makes the redemptions look particularly bad this morning, because they have so many of the sales in ahead, and redemptions are up in an income tax month, and I am afraid some of the editorials about the redemptions are fifty percent of sales, and all that sort of thing-- They are not fair, but--

H.M.JR: Let's find out what the redemption is. I want to know it quickly.

MR. LINDOW: I suppose this month they will all say they are redeeming for income tax.

H.M.JR: George, I want to know; don't fool around; don't give me a bureaucrat.

MR. HAAS: You don't want it usually. (Laughter)

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H.M.JR: I mean, the four sons should fix it up for me please today, George.

MR. HAAS: Yes, sir.

H.M.JR: Why are these redemptions?

MR. TICKTON: I know, for example, that we finally arranged it so we counted three and a half months Army and Navy sales in this two-months period. Some of the Army sales that would have come in in April were deposited on February 29. Mr. Bell was appealed to by the Chicago office to see that the stuff was actually put through by the close of business on the 29th.

H.M.JR: How much was that?

MR. TICKTON: We got in one hundred and twenty-seven million, the money that would ordinarily show up in March and April. Sixty-five of that came in some time after eleven o'clock on the 29th of February.

H.M.JR: Eleven a.m. or p.m.?

MR. TICKTON: Sometime in the afternoon of February 29, the last day. Some of that money would have gotten in in March, but some of it wouldn't have gotten in until April, but it was all pushed into the drive. Every postmaster, I think, got a notice from the Postmaster General saying, "Please get your money in before February 29." All these things were done to stir up reporting so that everything got reported. But I think the sales organizations are aware that this was a lot harder job than they had ever thought ten days before the drive. And they didn't realize it, as you know, until about the 12th of February.

MR. HAAS: Not until the Secretary had that meeting.

H.M.JR: Remember the day I had the meeting?

MR. TICKTON: I remember all too well, because they kind of razzed me a couple of hours before your meeting

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and a couple of hours after, but unfortunately the beams weren't forecast too accurately. They didn't believe it at the early stage. They have a copy of this stuff, this memorandum with this information in it. They have had it given to them orally a dozen times in the last month. Whenever they have been too enthusiastic, I have used the opportunity to plug some of these things.

H.M.JR: George, I would get some lawyer in the Treasury--supposing I wanted to give some of these prizes for holding where I have the legal authority to do it--will you, please?

MR. HAAS: Yes, sir.

MR. TICKTON: Now, there are two other things.

H.M.JR: I mean whether I can do some of this--give Swedish Smorgasbord prizes--if you gave everybody a pound of salmon who held his bond, I think most of them would hold it.

MR. MURPHY: Give them the grand prize of a steak.

H.M.JR: If you gave them an extra food ticket or a quart of whisky--

MR. HAAS: We had better explain--

MR. TICKTON: We have been talking on partial payments about an E type bond. As you know, we are very much sold on E bonds and very much against marketable issues for small purchases. It would be much easier to sell a marketable bond for five hundred dollars and make a loan of four hundred dollars to the purchaser and count it as a five hundred dollar purchase, but only take a hundred dollars in cash from him and give him four months to pay it off. We are against that operation, because it really allows the people who want a marketable bond to put their foot in the door and end up really with as much water in the deal as could possibly be wished for. That is, a great many people would buy the five hundred dollar bond, knowing that the worst that could happen to

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them would be that the bank would sell them out and take over the contract, because you can't put any penalties on these operations. Having a nice sweet obligation like a two point nine bond--you can't sell anything that is worse. If you sell a two and a half percent bond that is marketable to a fellow who is inclined to buy it during the drive, and if during July he decides he doesn't want to continue his contract, all that happens is the bank closes him out, takes over the five hundred dollar bond, and he has lost nothing, because he gets his hundred dollars cash back. The market will not fluctuate sufficiently to make any difference.

H.M.JR: I would like to take another look, making it so we don't get any interest on the E bond for the first five years.

MR. TICKTON: That raises the difficulty of how you can sell to a tough market an obligation that is less sweet than your present obligation. Our problem is that we have to borrow twenty-two billion dollars from the banks. The reason is that the individuals and corporations don't feel like buying the merchandise that we now have to the extent of twenty-two billion dollars. Now, if you ask why they don't--

H.M.JR: You are going a little bit too glib. - We have to borrow twenty-two billion dollars over what period?

MR. TICKTON: The calendar year of 1944.

H.M.JR: What is the total amount that I have to borrow in the calendar year 1944?

MR. LINDOW: I will give you a table, Mr. Secretary.

H.M.JR: Let me just have that a moment.

(Mr. Lindow hands the Secretary chart entitled "Federal Government Expenditures, Revenues, and Deficit, Calendar Years '40 through '44.)

MR. LINDOW: The deficit is estimated at fifty-seven billion, and redemptions in cash securities at another

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twelve, so you have to borrow a total of sixty-nine. Now, in addition you may have to go over that a little, because you are going to have a long drought between June and December.

H.M.JR: The deficit is fifty-seven.

MR. LINDOW: If you have three war loans like the last one, you will have fifty-one billion from that. Your other financing will provide you with fourteen.

H.M.JR: What other?

MR. LINDOW: This is the regular sales. So you will have to go to the banks for an extra program, which we estimate at eight.

Now, the twenty-two billions that Tickton mentions would be this eight plus four of seepage.

H.M.JR: What do you mean?

MR. LINDOW: War loan money which is turned over and the banks get the securities in the market rather than directly. Now, in this last war loan the banks picked up quite a chunk, riding and market switches.

H.M.JR: That is indirect, but let me get it in my head. Sixty nine; war loan, fifty; bill program, eight; other financing--

MR. LINDOW: That is the regular sales of savings bonds and savings notes between drives.

H.M.JR: That would keep it at--

MR. LINDOW: ...at a minimum of about three billion.

H.M.JR: Is this all in my report?

MR. LINDOW: Yes, sir, this is one of the memos on the borrowing programs.

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MR. HAAS: That is number one.

H.M.JR: Just leave it here for a minute.

MR. LINDOW: That is in more detail on the back here.

H.M.JR: If I snitch this, can you--

MR. LINDOW: Oh, sure, I brought this in in case it came up.

H.M.JR: I will just snitch this one.

Let me just interrupt you fellows once for a minute. Who did the study for me, or did I do it myself largely, where we said that a year ago I gave to the Byrd Committee a statement where we would save a billion or a half a billion dollars? Who worked with me on that?

MR. HAAS: Heffelfinger and Dan Bell, didn't you?

H.M.JR: Yes, I guess that is right.

When you see these figures and see how hard it is to get the money, I don't think the Army or the Navy or Mr. Roosevelt or anybody ever stops to think, "Well, is this really necessary?" I don't know whether they do. They just don't consider the cost. Maybe they shouldn't, but I wonder what other things there are going on in the Government so you could say, "Well, this is just too luxurious. We just can't afford that." Talk about three coupons, or two coupons--maybe we are still contributing to public roads and this thing and that thing. Maybe we can save another billion dollars. I mean, it doesn't matter much, but it will be damned good if I can get up another memorandum like that other one. God, when I first talked about doing away with NYA and everything else, Oh, boy! I was just a year ahead of my time. They have done about everything I suggested. Let me just weigh it a minute. In all of this talk, when you realize this thing--

(Mr. Heffelfinger enters the conference.)

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H.M.JR: Bill, just come in here a minute. I haven't seen you in a long time. Sit down.

Have you or anybody around here done any thinking along the lines of what are some of the things that maybe are just too luxurious, you would have to stop spending temporarily just the way we stop buying meat or this or that? I mean, you worked with Bell and me on that memorandum that goes back to a year and a half ago.

MR. HEFFELFINGER: You mean from the standpoint of the Government as a whole?

H.M.JR: Yes, not military.

MR. HEFFELFINGER: Not in any detail, no, sir. You mean where we could still--no, sir, we haven't.

H.M.JR: We haven't taken a look at this thing, but I wonder if we couldn't squeeze another billion dollars out?

MR. HEFFELFINGER: I don't know. Congress has been squeezing quite a little.

H.M.JR: Yes, but they do it here and there.

MR. HEFFELFINGER: I don't know. The big spending programs are still Agriculture and Social Security. You can't do much on Social Security. That is a more or less fixed obligation. Veterans aren't very large, but that is a growing thing because of the war activity they are taking off. We can't cut that. I think they are still spending considerable, though, for roads and buildings, and things of that sort.

H.M.JR: Public works?

MR. HEFFELFINGER: I believe they are expanding.

H.M.JR: How busy are you now? Are you working nights?

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MR. HEFFELFINGER: No, sir, I had to give that up. I took sick for a little while.

H.M.JR: Are you not too busy to take this on?

MR. HEFFELFINGER: Yes, to show the trends and things.

MR. LINDOW: Public works in fiscal 1943 was about half a billion.

H.M.JR: There you are. Supposing we just said, "No public works. To hell with it."

MR. LINDOW: Some of that may be rivers and harbors.

(The Secretary held a telephone conversation with Mr. Paul Appleby, as follows:)

March 20, 1944
10:23 a.m.

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HMJr: Hello.

Operator: Mr. Appleby.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Paul A.
Appleby: Good morning.

HMJr: How are you?

A: Fine; how are you?

HMJr: All right. Is Harold Smith ill?

A: Well, he was down at his farm yesterday and he got snowbound or icebound.

HMJr: I see. Well....

A: I don't know whether he will be up late in the day or not. It will depend upon the road.

HMJr: Right. Well, Paul, this is what I'm calling about. It's been a long time since I've taken a look at Government expenditures to see whether we could save something. You see?

A: Yes.

HMJr: But when I see what our borrowing program is for the rest of this year, I'd like to, with the help of you people, take a fresh look and see whether there isn't something that we could declare a holiday on, particularly on the non-military front. For example, Public Works or something like that, where there's a possibility of saving maybe a billion dollars, and -- because this borrowing thing is beginning to get a little tough. And I don't know whether it's fair but could our people, maybe, have a fresh look at it with you and then....

A: Surely.

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HMJr:and then maybe -- I'd like to sit down with Harold Smith and with you and Danny Bell and myself.

A: We have a feeling that on the Public Works we have been tough in holding it down to things that have military justification. I don't think that we have approved anything that the Army and the Navy haven't plugged for.

HMJr: Yeah.

A: But two heads are frequently better than one.

HMJr: Well, I just wondered -- I'm looking -- do you suppose maybe by Friday you might have something?

A: If what?

HMJr: By Friday? Hello?

A: Yes. I think Friday would be a good day.

HMJr: I wondered if you and Harold might like to come over about a quarter of one and have lunch with me.

A: All right. I think that will be okay. I'll have to check and find out whether he's got anything.

HMJr: Will you? And, if during the week you have anything, why either Bell or Heffelfinger will be available.

A: Oh, no. Friday I have the War Department Board of Review all day....

HMJr: Oh.

A:as far as my part of it is concerned. My lunch time would be a little short.

HMJr: Well....

A: But how long would you want to take?

HMJr: Well, just -- I think a quarter of one to a quarter of two.

A: Yeah, well, that's all right.

HMJr: What?

A: That's all right. I'll check on Harold's calendar and unless he's got something, why, we can count on it. I'll not call back....

HMJr: And....

A:unless we have something.

HMJr: Should I have Heffelfinger contact you? He's Bell's assistant.

A: Yeah. Yeah.

HMJr: Supposing....

A: A preliminary contact would help in the conversation.

HMJr: And what I'd like to do is to challenge everything and even, maybe, some of the military.

A: Oh, we've been doing that and we -- we wouldn't mind some help probably.

HMJr: Well, if you wouldn't, because I mean -- I just concluded an agreement with Canada and -- where they're taking over some of our expenditures in order to reduce the dollar balances. Well, my God, some of the things that we've been doing up there are just unbelievable. The military....

A: Have you been looking at this just from a standpoint of borrowing or have you been looking at it from a standpoint of the budget?

HMJr: Well, up to now, borrowing.

A: Yes.

HMJr: But I would, this week, with your help like to look at it from the standpoint of the deficit.

A: A couple of things on the budget that might be of some interest to you.

HMJr: Yeah.

A: We will be going up with three or four billion less, I think....

HMJr: Yeah.

A:than the estimates in January.

HMJr: Yeah.

A: We've finished with the War Agencies and there's four and a half billion in the Navy for Ordnance that's unreal -- that isn't going to be spent.

HMJr: Well, we've got the deficit -- what we've got the deficit down for for this calendar year is fifty-six and a half billion. Hello?

A: Yeah.

HMJr: Now, I don't know how realistic that is.

A: I don't know. I'll have our boys do a little figuring on that.

HMJr: Would you?

A: For this calendar year?

HMJr: Yeah.

A: All right.

HMJr: And that -- that's what we're working on now, but the thing -- I mean, we're planning the Fifth War Loan and I'm planning my financing and I think that -- I haven't seen Harold in a long time -- I think it would be good if we could do a little preliminary work between the two Departments and let's put our heads together for an hour.

A: All right.

HMJr: It will be helpful to me anyway.

A: Yeah. Well, unless you hear from me within the hour....

HMJr: Yeah.

A:or two, why, this is definite.

HMJr: Good. And I'll have Heffelfinger get in touch with you.

A: Yeah. Okay.

HMJr: Thank you.

A: All right.

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MR. HEFFELFINGER: We will work up some tables showing the comparison of what has gone before and the program for 1945. We have anticipated reductions in the budget already.

MR. LINDOW: Those are all pared down from the budget.

H.M.JR: I wondered if this is something new he is throwing at me.

MR. HEFFELFINGER: We discounted war activities two or three billion dollars in our cash estimates.

H.M.JR: Do some work, will you?

MR. HEFFELFINGER: Yes, sir. McKellar has gone back, I think, to get his road stuff in. That is where we can cut down, it seems to me. I mean, if necessary, I will make another report to the Byrd Committee. I had in mind that you might want to do something along that line to give it a little impetus again.

H.M.JR: O.K. You tell Dan Bell what I did, will you? I don't want to go into that luncheon cold. I want a preliminary education. I don't care what it is. When I see what they have done up there in Canada, and what they are doing in China--they are not always right. My God! Nobody has had the nerve to say to the Army and Navy, "Now wait a minute." Every Army officer I have talked to is worried about the debt and the interest, and what he is going to do after the war, and how his pension is going to be affected. There isn't a regular Army officer who, when you talk to him, isn't interested. Don't forget that General Marshall is going to have lunch with me Thursday. I may say something if you will give me something, because things like what General Somervell told me--there are two thousand new planes to be delivered to the English that they have never uncrated. There are two thousand planes, I know, in Cairo that he saw there that were never uncrated.

How much more do you want to get over to me this morning?

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MR. TICKTON: We have covered practically all of the main points. We have all these same things in these memoranda.

H.M.JR: I am having lunch with Gamble. I think we have to get some new ideas around here. I don't know just what they are.

MR. TICKTON: These aren't the only suggestions.

H.M.JR: I don't think they are too good. If you don't mind my being too frank, I don't see how they are going to get the money. I was living in a sort of pleasant pink vacuum. I thought things were in much better shape than they are, but it is your job to tell me.

MR. HAAS: Sid doesn't feel particularly expert on how to sell bonds, but he--

H.M.JR: No, I am not criticizing Sid; I am just saying that I think--I have told that to Gamble--I want to hear Sid give these same fellows a talk, and then let them come back.

MR. HAAS: If they have ideas, they will come out.

H.M.JR: Hell, these boys know me, and I know them. Unfortunately, they have been too right on some of this stuff, that is all. But the last time on the sources of funds, if my memory serves me right, you said there were sixteen billion dollars available. I cut it down to fourteen and thought that was going to make it easy, and it didn't make it easy. Are my figures right?

MR. LINDOW: Absolutely. In order to make what was made they pulled in a lot of stuff for a month and a month and a half ahead. The real increase in E bonds was more like three hundred million.

H.M.JR: The carelessness of the military--it is the way they go ahead. I am all for doing the war, but the luxury of some of these things is just unbelievable.

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I hear they have a Director of the Budget who is sick, and doesn't get around. He has never been to the front. The waste which comes with this thing--I mean, the Director of the Budget--I think he ought to spend half of his time going around and seeing some of this stuff. Everybody is afraid to say anything for fear they will say, "You are interfering with the war."

MR. TICKTON: That is right.

H.M.JR: Now, I know that on this air business they have more plants than they need. I wonder if anybody in the Army would have the nerve. I wonder if General Carter would have the nerve to squeeze down on some of this stuff?

MR. HAAS: Bell had this General Richards, the budget officer, over in connection with that thirteen billion, and I think--Dan will tell you this straight, but I think the Budget people quieted him down and told him not to talk to anybody but the Budget. I think it was Wayne Coy who told him he couldn't talk to Bell, but I am not positive of that.

H.M.JR: That is crazy. Was Richards inclined to cut down?

MR. HAAS: Richards seemed very frank the day he was in. Who was there?

MR. LINDOW: I was. He was quite frank. He seemed to know what the score was, too.

H.M.JR: He is the budget officer?

MR. LINDOW: You suggested that Bell talk to either one of those two, as I remember, and Richards came over and explained the whole thirteen billion. I thought it was very good.

H.M.JR: Coy jumped all over him and said it wasn't correct or something. Well, Coy is out now. Appleby would be friendly with us. He is not my idea of a budget officer, but maybe he will be very good.

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On the question of salesmanship, if the Treasury could become active again and show some activity in trying to save a little money, it would be very helpful.

Well, when will we meet again now? We will see.

All right.

March 20, 1944

George Haas

Secretary Morgenthau

I heard over the radio that the Truman Committee announced immediately on cessation of the war eight million people would be laid off in industry. I suggest that you get the report and study it. —

March 20, 1944
11:00 a.m.

TAXES

Present: Mr. Gaston
Mr. Paul
Mr. Sullivan
Mr. Flough
Mr. Graves
Mr. Cann
Mrs. Klotz
Mr. Surrey

H.M.JR: Good morning.

Well, somebody talk.

MR. PAUL: I will state the problem. The Federal Act of 1943 contains a provision, which has been in the press a good deal, requiring exempt organizations to file annual statements of gross income receipts and disbursements. As you know, that is directed, primarily politically, at labor unions.

Some time ago before this provision was in the law, the Bureau got out a form 990, which dealt with some of the organizations in Section 101, but not all, particularly not labor unions.

Now, the Bureau has gotten up a tentative form to comply with this new provision. The form follows to a large extent the questions and answers which were contained in Form 990 previously issued under this same Statute, and a number of questions arise which are basically policy questions.

The first question is, if one can think of it in terms of labor unions or in terms of Boy Scouts of America, whichever you want, but should we require returns only from the main international labor organizations, which would be maybe two or three hundred, or should we require the return to be filed by the locals, which would be about eighty-five thousand? That is one of the basic questions.

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H.M.JR: Do we have a choice?

MR. PAUL: Well, the Statute isn't clear. The Statute uses the term "organizations," and I don't know what an organization is. I don't think anybody knows.

H.M.JR: I wouldn't want to take that responsibility.

MR. PAUL: Let me give you the second question as just how far we should go on certain types of detail. The Committee report states that the purpose of this new provision is to find out whether certain of these so-called exempt organizations are really engaged in business in competing with other business organizations.

This tentative form contains--and here the tentative form follows the old Form 990--that is the embarrassing part of it. It is divided into two parts, part A and part B.

Part A is designed to cover organizations which have no business whatever.

Part B is ~~is~~ supposed to be a little more comprehensive, dealing with organizations that do have some business activities.

In part A we asked for gross income receipts and disbursements. That is the language of the Statute. There could be no question about that.

H.M.JR: Excuse me. Is this a new Statute?

MR. PAUL: Yes, part of the '43 Act. And we had contemplated that the returns should have to be filed by March 15.

H.M.JR: For this?

MR. PAUL: Yes.

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H.M.JR: Well, I can remember a time when Harold Graves and I wished we could have part A when we were working in the State of Indiana.

MR. GRAVES: This is the very thing.

MR. PAUL: Part A is obviously all right.

H.M.JR: Also for lawyers it would help, the same sort of question. I am serious.

MR. SULLIVAN: You mean doctors.

H.M.JR: No, I mean lawyers.

MR. PAUL: I didn't know that lawyers were in such a favorable position as doctors, not the country lawyers, of course.

There is a question in our mind whether we have the right, where a concern is not in business at all, to ask for a statement of assets, liabilities, and net worth. On the lower part of page two here--then there are two further questions. We ask here, following the old precedent of Form 990, for a statement of all receipts and all payments out, disbursements, over three thousand dollars. We ask who received the money and who paid it in. If we don't ask that, they will say, "Why did you discontinue it after you used to ask it in Form 990?" If we do ask it, we are in a little possible litigation. The same thing is true with respect to a footnote at the bottom of the page there, in case of his membership organizations. Item one must be supported by the schedule showing the total number of members, classes, if any, of the membership, numbers of members in each class, and assessment dues or other charges applicable to each class.

We have had some preliminary conferences with the labor unions, who generally show a complete willingness to file information on a consolidated general basis. For instance, the Steel Workers pointed out that they sent you and sent every Congressman a complete report very much in detail, an audited report of their receipts and disbursements and assets.

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There generally isn't any difficulty about the general central organizations giving full information. There are a lot of practical difficulties about asking returns from all the locals for various reasons which they have outlined to us.

As Harold Graves puts it, the Statute contains no sanctions. There is nothing we can do except criminally prosecute if they don't file. He also points out that their local people are not skilled accountants, and they are pretty untrained in keeping records. They might even have trouble getting these people to take local jobs if they are going to be held to account for filing these returns. Harold thinks, I think, that we won't be able to enforce the Statute at all on that basis. In other words, if we don't get the general pattern of labor organizations as such that some dues are collected locally and part of them are forwarded to the main organization--so if we didn't get something from the locals, we won't get the whole picture.

H.M.JR: Have you made up your mind how to advise me?

MR. PAUL: Not completely. We wanted to have this early meeting on the subject in order to get some of your basic ideas on it. I would prefer, of course, not to have, and I think the Bureau would prefer, not to have returns from all the local organizations, because we would get a mass of data which would be impossible to digest.

H.M.JR: I think you people ought to make up your minds first and say that this is what you recommend.

MR. PAUL: Well, we wanted to report to you, because it is a problem that may have a lot of political repercussions.

H.M.JR: True, but that doesn't keep you gentlemen from making up your mind what would be the best way to proceed. Then I will consider it.

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MR. PAUL: Well, we can do that, but I wanted you to be fully informed here, because you might have some slant that we didn't have.

H.M.JR: It is very technical.

MR. PAUL: It sounds technical, but--

H.M.JR: I am getting it absolutely cold. Do you fellows from Internal Revenue have any fixed ideas?

MR. GRAVES: As to the labor unions, I feel very strongly that the only way we can do a job here is through the international labor organizations. They have indicated that they would be willing to have their local unions reporting to them, and they would then consolidate the reports of the locals and submit them to us, together with a return for the national organization. I think there is a practical solution for our problem in that way. If, on the other hand, we are to take the position that we must go to the locals to get returns from them, we have a problem which I think simply cannot be solved for the reason that Randolph just gave, that there are no penalties applicable to any organization who fails to file these returns.

MR. GASTON: It seems to me pretty plain that in all these labor organizations the local is a chartered branch of the national organization, and just as in a business establishment they have their own bank accounts, and they don't necessarily return all their receipts, and so forth, through the central office, so some of their funds are expended locally. But it seems to me the law is fully complied with if the national unions do as they have offered to do, to get figures of complete organizational receipts and disbursements from the locals and give you consolidated figures.

MR. GRAVES: I think, Herbert, you are going further than you should when you say they have offered to do this. I don't think that is correct. That is a suggestion we have been considering with them. They didn't reject that, but they did not say--and nobody could say, because there

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are many of these national organizations--they did not say they were willing.

MR. PAUL: There is one reason we should point out why they don't want to do it on a local basis, and it is that they fear whatever is filed will be made public, not by us, but through Congress, and then they will be put at a local disadvantage with employers. For instance, if they showed a weak balance sheet, the employer would know that they couldn't hold out on a strike very long, and things like that.

H.M.JR: John, have you any notions?

MR. SULLIVAN: I have one, sir, and that is, whatever we decide on we should notify both the Committees. I think that every problem that we have to solve, every close question should be outlined to both Committees.

H.M.JR: I go further. The thing that is running through my mind is that once the Treasury makes up its mind which is the best way to proceed we should ask this Joint Committee on Taxation for a hearing, and then say, "Now, look, this is the way we are proposing to proceed. Are we interpreting it correctly? If not, we don't want to go forward."

MR. CANN: I might say, Mr. Secretary, the Ways and Means Committee has asked us to submit this form for their examination.

H.M.JR: I wonder if they wouldn't be satisfied if it were done before the Joint Committee. What do you call it, the Joint Committee on Taxation?

MR. BLOUGH: I think they would personally prefer it to be done informally before the Committee, as they say, because I don't think we ought to get in the habit of clearing our regulations and forms with the Congressional Committees. Here they have asked for it, and we go to them and say, "In response to your request, here it is. Stam asked for it." But--

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H.M.JR: But you go before the Joint Committee.

MR. BLOUGH: The Joint Committee is made up of a few people from each of the other Committees.

H.M.JR: Nobody on except from Ways and Means and Finance?

MR. BLOUGH: That is right.

H.M.JR: I mean, if we meet with the Joint Committee and with Stam? I am thinking of saving time and not doing the whole thing twice. Say that anybody who wants to come can come, too.

MR. CANN: Mr. Secretary, if we were to meet with the Committee, whether it is the Joint Committee or Ways and Means Committee, do you think it is wise on our part to submit a form which may be taken as a suggestion that we want a statement of assets and liabilities? We really don't know that we want it.

H.M.JR: I would have to think about it. I am more interested in the public relations on this thing as between the Treasury and the Hill, and I think it is very important that we meet with the Members of the Legislature who are interested in this and give them a chance.

MR. BLOUGH: With that in mind, it seems to me it would be wiser to go to the two Committees than to the Joint Committee, because the Joint Committee leaves out a lot of people on the two Committees who would like to be consulted.

H.M.JR: Let Doughton and George--

MR. SURREY: It leaves out Robertson, who should see these returns.

MR. SULLIVAN: Our difficulty here is that the law was passed in such vague form that Congress has ducked the responsibility of anything we asked for. We take the heat.

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Now, I think we should outline each of these problems to each Committee, and we should get approval before we go ahead. I think that Norman's suggestion that we withhold the form until after we have had the benefit of discussions with the House Ways and Means Committee is a good one.

H.M.JR: Again, I have to have time to think about the thing, but the only thing I feel strongly about is that we do consult with them. That, I think, is important, and we should talk publicly afterwards and announce in advance why we are going to do this thing, and so forth, and so on, that we plan it so it is perfectly clear.

MR. BLOUGH: Of course, what is going to happen, I think, is when this return is taken down, the whole legislation is going to be opened up again in the return. Knutson is going to say, "You ought to have the local union and everything."

Dingell is going to say, "You shouldn't have the local union; you should have the minimum."

Knutson was for the legislation, and Dingell was against it.

H.M.JR: That doesn't bother me. They may even reconsider it if they see how difficult it is.

MR. SURREY: The one thing I would like to point out is that this policy, as Mr. Blough is saying, involves some basic difficulties later on, because the Treasury has the responsibility to exercise an independent judgment on this.

H.M.JR: You have a tough situation. Let the future take care of itself.

MR. SURREY: All I meant is the situation could get tougher as a result of this policy.

H.M.JR: In regard to this particular thing?

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MR. SURREY: That is right, because they may ask you to put something in the return form which you don't think should go in.

MR. PAUL: For which you don't have authority.

H.M.JR: You are correct in pointing out, Surrey, but I still say the only thing I can contribute to this is, I think we should consult Congress. It would be absolutely wrong to go ahead without consulting them and hope for the best. That is all we can ever do. But I certainly think it would be unwise to go ahead without consulting. Does anybody here say we should go ahead and get out the form without consulting?

MR. BLOUGH: We can't now, because they have asked to see it.

MR. SURREY: I think I probably would have said that before, but I recognize the pertinence of Mr. Blough's observation.

MR. BLOUGH: It seems to me, though, we should go to the Committee and say, "Here is what your legislation said; here is what your Committee report said; and here is what we think the reason is, and here is what we think the answer is, and we want your approval." And say, "Here is the way we propose to do it. Is it all right?"

H.M.JR: What is the next move?

MR. PAUL: The next move is to make up our mind. I think we ought to resubmit to you our decision on a couple of these questions.

H.M.JR: I think so, too.

MR. PAUL: Particularly the question of local as against national.

MR. GASTON: I think that question will solve itself pretty simply.

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H.M.JR: Supposing you people clarify your own thinking a little bit, will you? And if Paul and Gaston have a minute, I would like to talk to them.

Luncheon meeting with the Secretary,
Monday, March 20, 1944.

I discussed with the Secretary the proposed letter to Stettinius that the North African Government use assets of the French Government in paying for civilian goods imported from the U.S. to North Africa. The Secretary approved the letter. I also called his attention to the statement made by the State Department that we had urged the French Government prior to its collapse to send its funds to this country for safety. I told him that we had no record of any such promise or conversations and that nobody here remembered any such promises nor did the State Department have any evidence of it. I asked whether he had ever made any such commitment to the French Government and he said definitely not.

H. D. White.

March 20, 1944

Mr. White

Secretary Morgenthau

Please send a cable to Adler complimenting him on Letter No. 5, and sign my name to it. Also when we take up Madame Chiang-Kai-shek's letter to the President with General Somervell, I would like to have Letter No. 5 at hand.

Letter sent 3/22/44 -

Meeting in Secretary's Office
March 20, 1944
3:15 P. M.

Present: Secretary Morgenthau
General Somervell
General Clay
General Carter
Mr. D. W. Bell
Mr. Vincent, State Department
Mr. H. D. White

Secretary Morgenthau said that the President had transmitted to him a letter dated February 17 from Madame Chiang to the President and a note appended asking "What do you suggest?" He read the letter aloud to the group. After reading the letter the Secretary said that it was his understanding that the work on the airfields was now proceeding satisfactorily. General Somervell nodded assent. Secretary Morgenthau then went on to say that it was his thought that a reply to the letter from the President to Madame Chiang should indicate that the discussions on the financing of the Army expenditure should go forward in Chungking between General Stilwell as the President's representative on this matter and the Generalissimo. He said he felt that during the next couple of months while the airfields were being built the Army ought to handle this matter.

General Somervell replied that he thought that it was all right for the Army to handle the immediate question (he said the Army would, of course, continue to work closely with State and Treasury representatives in Chungking and here) but he thought somebody very important should go to China to settle the larger economic and financial mess and he said that the only man who could handle the job, in his opinion, was Secretary Morgenthau. The Secretary replied "Well, if I thought that the work for the Army was being held up I would of course go but I understand that things were going all right and the work not now being held up. Is that not so?" The General replied that that was true but that there were these larger problems which were not being settled which needed to be taken care of. The Secretary replied, that if necessary he might be able to go this summer. By that time, the military situation in the Far East might be substantially improved so that he might be able to accomplish much more.

General Somervell answered that he was not in control of the military situation and therefore was in no position to promise that the military situation in the Far East was going to be substantially improved but that he certainly hoped it would be. However, he repeated, that he thought that the economic and financial job to be done in China was a very big one and somebody would have to go that would have more authority than himself or anybody else and that the person who could go there and speak to the Generalissimo with the necessary authority would be Secretary Morgenthau. General Somervell said he thought that the job to do in China was big enough and urgent enough to justify Secretary Morgenthau's going there.

Division of Monetary
Research

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General Somervell expressed the view that Madame Chiang's letter to the President had a much improved tone than the earlier one. Apparently the negotiations, events and second thoughts had a sobering effect on her he thought.

Mr. Vincent said that he would like to raise the question first as to whether a reply to Madame Chiang's letter was the appropriate medium to transmit information that so important personage as Secretary Morgenthau was to go to China. He thought that it might be preferable to be vague at this point and if later it deemed desirable for Secretary Morgenthau to go, some other channel might more appropriately be used to communicate that fact to the Generalissimo. He thought that sending that information through Madame Chiang would serve to further build up Madame Chiang.

The Secretary asked Vincent whether it was not true that there was no certainty that Madame Chiang was not always expressing the view of the Generalissimo or Kung, that she at times plays an independent role without making it clear that that was so. Mr. Vincent agreed that that was so.

The Secretary commented that the point that Vincent raised seemed sound. L pointed out to the Secretary the next day that the letter from Madame Chiang to the President specifically stated that she was transmitting a request for a mission from Kung and the Generalissimo and Vincent who had not read the letter but had only heard it read once by the Secretary probably overlooked that point. General Clay replied that the matter of the appropriate channel of making the invitation was a matter about which he could not know, that would be State Department and Treasury business.

Vincent also said that the Secretary before he went would probably want to have in mind specifically what he was prepared to offer the Chinese. The Secretary said naturally he would want that decided before he left. The Secretary said he would go into that aspect of the problem thoroughly before he would go if the President were to send him.

General Somervell said that General Clay had an idea that seemed to him pretty good, as follows: They would like to offer the Chinese US\$500 million as an advance payment against the expenditures in the months to come. He said that they expected to spend more than that during the ensuing months. The Secretary said he didn't believe that would be of any help in solving China's inflation problem and was inclined to doubt the wisdom of any such step at this time. However, he would like to think about it. Mr. Bell commented that he thought that was much too much money to give the Chinese at once and he hoped they would only give them a part of that each month.

Division of Monetary
Research

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The Secretary said that it was his view that the decision as to whether or not to go along with the contemplated construction program in China in the face of the claim by the Chinese that the program would break down their economy was a military decision. Vincent asked whether the Treasury was willing to recommend that the plans on the airfields be continued even should Adler's reply to our cabled questions indicate a similar attitude as that expressed in Gauss' recent telegram. White replied that the Army doubtless realized and should be constantly aware of the fact that the impact on the Chinese economy of their proposed program was a serious matter, that it would definitely accentuate the rate of inflation and that presumably the Army felt that the important military results of the program outweighed the damaging effect of the program on the Chinese economy. That decision, White stressed would have to be a military decision since the rest of us were in no position to determine the military need for or consequences of the program. General Somervell said that he could assure us that the effect of the program was going to be significant, whether it would outweigh the economic consequences he did not know.

Vincent, in response to a question by the Secretary, said that he thought it was an exaggeration to say that the Chinese economy couldn't stand up under the impact of the added expenditure of the proposed program. Nonetheless he said it would have some damaging effect. He wondered whether it would not be possible for the Army to request the possibility of shipping in the 2,000 tons of food a month as was suggested by Ambassador Gauss to alleviate the situation. General Somervell and General Clay both expressed the view that it was definitely impossible to utilize any of the shipping facilities for such goods. In any case they doubted the efficacy in such shipments for checking inflation. White commented that even partial shipments of that character could have a substantial effect in reducing the intensity of the impact in the areas where most expenditures by the Army were taking place if the distribution of consumers goods and materials were confined to those areas. General Somervell reiterated that transportation facilities were definitely not available for such purposes.

The meeting adjourned with the understanding that the Secretary would have the reply drafted and would show it to the Army and State.

H. D. White

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

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DATE

TO Secretary Morgenthau

March 20, 1944

FROM Joseph J. O'Connell, Jr.

I spoke to Marvin Jones this morning and explained the purpose of the meeting held in your office last week on the liquor situation. He said he had read some of the newspaper stories referring to proposals for a resumption of the production of alcohol for drinking purposes, but "did not take them seriously", nor did he understand that you were among the proponents of such a program.

He did indicate, in no uncertain terms, that he would strongly oppose the use of any grain for the purpose of making whiskey at this time.

Joseph J. O'Connell, Jr.

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March 20, 1944

MEMORANDUM FOR SECRETARY MORGENTHAU

From: J. L. Sullivan

JLS

In accordance with your request to be advised of court action in liquor black market cases, I wish to report:

<u>Cases Submitted to U. S. Attys.</u>	<u>Persons Recommended for Indictment</u>	<u>Indictments Returned</u>	<u>Persons Indicted</u>	<u>Persons Convicted</u>
289	501	42	118	10

<u>Taxpaid Liquor Seized (Wine Gallons)</u>	<u>Value of Liquor Seized</u>	<u>Suspension Proceedings Instituted</u>	<u>Permits Suspended</u>	<u>Permits Surrendered</u>
62,527	\$706,000	99	12	34

I am attaching a memorandum from Commissioner Nunan and a letter addressed by the Assistant Attorney General to all United States District Attorneys which you will probably wish to have in your file.

I regret that I cannot concur in the opinion that the black market has been broken.

Attachments (2)

TREASURY DEPARTMENT

WASHINGTON 25

OFFICE OF
COMMISSIONER OF INTERNAL REVENUEADDRESS REPLY TO
COMMISSIONER OF INTERNAL REVENUE
AND REFER TOMemorandum for Mr. Sullivan,
Assistant Secretary.

In accordance with your request, the following statistical data are submitted up to and including March 4, 1944, reflecting administrative and criminal action instituted in connection with black market cases:

Cases Submitted to U. S. Attys.	Persons Recommended for Indictment	Indictments Returned	Persons Indicted	Persons Convicted
289	501	42	118	10
Taxpaid Liquor Seized (Wine Gallons)	Value of Liquor Seized	Suspension Proceedings Instituted	Permits Suspended	Permits Surrendered
62,527	\$706,000	99	12	34

While these figures are informative, they do not fully reflect the progress that has been made in controlling and suppressing the black market traffic in distilled spirits. It can be definitely stated as a fact that the black market in distilled spirits above the retail level has been broken, in that very few large-scale transactions above ceiling prices are now being made. This has been accomplished through the Bureau's investigative, regulatory, and industry self-policing programs.

As the investigative program progressed many members of the industry operating under permits discontinued sales at over ceiling prices. They were suddenly confronted not only with suspension of their permits and prosecution for violations of the Emergency Price Control Act, but were faced with the realization that they



Memorandum for Mr. Sullivan.

Page two.

must pay income taxes on millions of dollars in "cash side money" received in connection with transactions not reflected in their accounts.

Perhaps the best evidence that the black market in distilled spirits above the retail level has been broken is the fact that rectifiers and wholesale liquor dealers in New England, New York, New Jersey, and Illinois are no longer disposing of a substantial portion of their production or allocation into Georgia, Florida, South Carolina, Mississippi, Texas, Ohio, California, and other states where the liquor shortage has been particularly acute. In two southern states where the figures were analyzed, state tax payments dropped from 40 to 50 per cent in January and February 1944 as compared with October 1943, indicating a very definite curtailment of shipments of liquor into these particular states in the black market after the Bureau had instituted its control program.

The strategy of the Bureau has been to cut off the black market at its source by tracing the "cash side money" paid in connection with these transactions to the distiller, rectifier, or wholesaler, depending upon the facts in the particular case.

As the situation stands today, a substantial number of wholesalers who were engaged in black market operations are either under citation or the institution of administrative proceedings are pending. A number of indictments have been returned involving wholesalers. Investigations have progressed to the point where most distillers, rectifiers, and importers who have engaged in this traffic, as well as the so-called brokers or agents who have handled the "cash side money" in connection therewith, have been identified. Some of these cases have reached the citation stage, and others have been or are being further investigated by grand juries. Indictments have been returned in several cases of this type.

Inasmuch as the scope of black market operations of some distillers and rectifiers was nation-wide, grand jury investigations in these cases are a slow process because of the

Memorandum for Mr. Sullivan.

Page three.

necessity of subpoenaing many witnesses from distant points. It must be understood that United States Attorneys cannot be "hurried" in handling cases of this magnitude. It can be stated that confessions are being secured from a considerable number of wholesalers and brokers. It is only through this process that the "cash side money" can be traced to its source where distillers and rectifiers are involved.

The success of this means of inquiry is, of course, entirely dependent upon full cooperation from United States Attorneys, inasmuch as commitments necessarily must be made to witnesses. There is every reason to believe that practically all these investigations which involve distillers and rectifiers will be successfully concluded.

With reference to the prosecutive aspect of this program, there is attached a communication directed by the Assistant Attorney General in charge of the Criminal Division, Department of Justice, to all United States Attorneys under date of February 18, 1944, which, it is believed, you will find of interest.


Commissioner.

Attachment

ADDRESS REPLY TO
"THE ATTORNEY GENERAL"
AND REFER TO
INITIALS AND NUMBER

DEPARTMENT OF JUSTICE
WASHINGTON, D. C.

Re: Black Market in Liquor

Dear Sir:

The Department of Justice, the Treasury Department, and the Office of Price Administration have embarked upon a vigorous program of investigation and prosecution directed against the extensive black market in liquor.

The basic objectives of this drive are to prevent the public from being compelled to pay excessive and illegal prices for liquor, and to prevent the legitimate liquor industry from deteriorating into a racket with the consequent adverse effect on law enforcement generally. Black market operations frequently involve, in addition to price ceiling violations, violations of the internal revenue laws and the Federal Alcohol Administration Act. For this reason and because of its experience in combatting liquor violations, the Alcohol Tax Unit of the Treasury Department has made its investigative facilities available for joint operations with OPA investigators. The basis of this cooperation is described in the attached OPA circular dated January 27, 1944. Appendix B of that circular also lists some of the statutory provisions which may be violated in the course of black market operations in liquor. The most frequent types of illegal conduct encountered (aside from the basic violations of the Emergency Price Control Act) are as follows:

1. Doing business as a wholesale liquor dealer
 - (a) without a permit, 27 U.S.C. Sections 203,207,

FOR DEFENSE



BUY
UNITED
STATES
SAVINGS
BONDS
AND STAMPS

- (b) without paying the special tax, 26 U.S.C. Sections 3250-3254,
 - (c) without registering with the Collector and posting the tax stamp, 26 U.S.C. Sections 3270-3274,
 - (d) without posting a wholesale liquor dealer's sign, 26 U.S.C. Section 2831,
 - (e) without keeping records of receipt and disposition of distilled spirits, 26 U.S.C. Section 2857.
2. Wholesale liquor dealers holding permits and special tax stamps;
- (a) making false entries in records of receipt and disposition of distilled spirits, 26 U.S.C. 2857,
 - (b) signing or executing false records and reports required by regulations under 26 U.S.C. 2780, 3793,
 - (c) knowingly making any false statements or representations in a matter within the jurisdiction of any department or agency, 18 U.S.C. 80.
3. Wholesale purchases from other than authorized distillers, rectifiers, and wholesalers, 26 U.S.C. Section 2860. (A \$1000 forfeiture is provided in this section; additional sanctions available under 18 U.S.C. Section 88 in conspiracy cases.)
4. Possession of liquor or other property for use in violating Internal Revenue law, 26 U.S.C. Section 3116. (Provided for forfeiture of property; other sanctions available under 26 U.S.C. Section 3115 and 18 U.S.C. Section 88.)
5. Interstate shipment of liquor without proper label identifying consignee and nature and quantity of contents, 18 U.S.C. Section 390.

The foregoing list is illustrative rather than an exhaustive catalogue of violations. In case of doubt as to the applicable sanctions the Criminal Division will be glad to give assistance.

We believe that an immediate and intensive program of prosecutions is essential, both because of the extent of the violations and in order to avoid a recurrence of the wholesale law violations of the prohibition era with consequent diminution of respect for law generally. Experience indicates that enforcement efforts can most profitably be directed against illicit operations by wholesalers, brokers, importers, rectifiers and distillers, but this is not intended to preclude enforcement against offending retailers, particularly where these retailers act as blinds or cover-ups for wholesalers, or others. Particular emphasis should be given to the development of evidence against and the prosecution of, those firms and individuals who are the source of streams of price violations. Some United States Attorneys have already been successful in securing evidence involving extensive black market operations on the part of distillers, rectifiers, importers, and wholesalers by subpoenaing before grand juries wholesalers or retailers who have been making large and disproportionate purchases from such concerns or their intermediaries.

The Department favors the concurrent employment of civil and criminal sanctions whenever this will not prejudice the litigation. The investigating agencies have agreed to keep the United States Attorneys fully advised whenever it is contemplated that such concurrent remedies will be employed, and not to bring civil proceedings without the approval of the United States Attorney where a recommendation for criminal prosecution has been or is to be made.

The Criminal Division will receive copies of case reports or transmittal letters recommending prosecutions to you, and I should like you to forward to it copies of indictments and informations promptly upon their return or filing, and to keep the Division informed of the developments of new evidence implicating firms and individuals operating in more than one judicial district. We shall, in turn, keep you informed of evidence developed elsewhere of activities affecting operations in your district or cases which have been submitted to you.

We have been advised that in some cases enforcement of price ceilings on liquor has been hampered by a policy of condonation and acquiescence by state officials. Such an attitude on the part of state officials should not be permitted to discourage the federal enforcement program, and the circumstances should be brought to the attention of the Criminal Division.

The Department has had inquiries regarding the policy as to arrests in this program. We suggest that the practices now in ef-

fect in each district as to clearance by the investigative agencies of complaints for warrants be followed in these cases. The agencies have agreed, however, always to consult you in advance whenever a number of simultaneous arrests are contemplated.

Very truly yours,

Tom C. Clark

TOM C. CLARK,
Assistant Attorney General

AM

March 20, 1944

MEMORANDUM FOR SECRETARY MORGENTHAU:

From: J. L. Sullivan

Mr. Charles Murchison of Jacksonville, Florida,
is in town and intends to be here for a few days. Do you
wish to see him?

March 20, 1944

Fred Smith
Harry White
Joe O'Connell
The Secretary

I notice that Congressman Smith of Ohio is going to present a case on Wednesday. I wish you both and Fred Smith would talk it over how we can be on hand and answer whatever accusation he makes. I think that some member of the house should be thoroughly posted on what the situation is so he can intelligently debate with Smith. I think this is very important and I appoint O'Connell, White and Fred Smith as a Committee to act. *Fib-*

Harry White
The Secretary

March 20, 1944

Ambassador Gromyko called me at seven o'clock Saturday evening to say that he had looked up the cable, and that the Russians want samples of the paper and not actually the paper, itself.

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TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

MAR 20 1944

TO Secretary Morgenthau

FROM Mr. Paul

The other day you requested Luxford to compare the propaganda line of El Pampero for the week before the Argentine break in relations with the Axis and the copies of its successor, El Federal for the week immediately following the break.

There is attached a lengthy analysis on this subject. This analysis discloses that there was no change in the newspaper's pro Axis and anti United States propaganda line as evidenced by the following typical headlines:

El Pampero:

- Jan. 18 - "United States Attacks Pope"
- Jan. 19 - "Allied Lack of Confidence in Russia Grows"
- Jan. 22 - "Senator Nye Affirms that 'The Atlantic Charter' and 'the Four Freedoms', Sleep in the Bottom of the Sea."
- Jan. 26 - "Only the Victory of the Reich Can Avoid the Third World War"

El Federal:

- Feb. 10 - "Japan Denies Allied Accusations of Prisoners: Affirms Received Humanitarian Treatment"
- Feb. 11 - "German War Economy Assured"
- Feb. 12 - "Roosevelt Declares that the Situation to the South of Rome is Tense"
- Feb. 13 - Editorial on Charlie Chaplin Affair
Comments with respect to victim that it is presumed "that she was trapped in the calculating plot with which the Jews play with love, considered a weakness of the Christians"

While El Pampero frequently in the past has had its outbursts against the President and members of his Cabinet, the particular editions we reviewed did not happen to carry any special features of this character.

[Signature]

MEMORANDUM

March 14, 1944

To: Mr. Luxford

From: Mr. Mann

We have been fortunate enough to obtain copies of the newspaper El Pampero for the week before the Argentine break in relations with the Axis and the copies of El Federal for the week immediately following this break. Mrs. Breese and I have read most of these newspapers and this memorandum is an attempt to show that the propoganda line remained the same after the break as it was before. We have tried to find specific instances of criticism of our Government, our Chief Executive and Cabinet. In this we have not been too successful.

You realize, of course, that a reading of the papers for this period in a hurried attempt to cite headlines, leading articles, and such, does not point out as well the "party" line which this paper (El Pampero--El Federal) has followed as could have been done had we traced the leading editorial policy of this paper since the beginning of the war. El Pampero is probably the best known German propoganda organ in South America. However, it is not necessarily the most blatant.

From time to time it has had its outbursts against President Roosevelt, our various Cabinet officers including the Secretary, the United States, "Yanqui" imperialism, the Allies, etc. However, its propoganda as the war developed became less blatant and more subtle (in its own eyes). There are many more blatant propoganda organs in

Argentina

- 2 -

Argentina, such as the notorious Clarineda, which is largely given to cartoons and more direct attacks. While El Pampero and El Federal both attempt to be subtle, they are, of course, very blatant insofar as we are concerned. In studying the brief sketches which follow, I have attempted to show the "party line" followed. It must be remembered that both El Pampero and El Federal contain little if any news. There are headlines but what appears to be a news story really turns out to be a nice piece of Nazi propaganda. You will note that there has been really no change in the line used by El Pampero before and immediately following the break and El Federal after it's publication was started. I regret that during this period we have been unable to find editorials bitterly attacking the United States and President Roosevelt. It does not mean that these do not appear but means that they didn't appear in this period except as indicated below.

You may be interested to know that the officers of El Pampero and El Federal are the same; the editors and editorial staff are the same; the owner is the same; and there was no change whatsoever except that El Pampero became El Federal. The picture which appeared on the masthead of El Pampero still appears in El Federal, only to the latter has been added the motto "Sovereignty or Death". There follow a few brief sketches from the cited editions of the two newspapers.

In the issue of El Pampero dated January 18 there appeared the following headlines which, in themselves seem self-explanatory. They are: "Germans Advance in Schaschkov--Retake Various Positions-- Destroy 213 Tanks"

"Japanese

-3-

"Japanese Anti-Aircraft Defense Destroys 102 North American Planes in Rabaul"

"London Contradicts Announcement of Pravda Regarding Anglo-German Peace--Berlin Ridicules Russian Version"

"United States Attacks the Pope"

"Negroes Do Not Want Labor Draft (in U.S.)"

"Europe Preoccupied with Russian Attitude Toward Poland"

"England Favors Communistic Elements of Polish Emigrants"

"Germany Denies Supposed Blow Against Spain and Portugal--False Rumors Planted by Anglo-Yanqui Propaganda"

"Clark's Advance Paralyzed"

"New Reich Anti-Tank Arms Cause to Fail Russian Attempt to Break Through Eastern Front"

El Pampero for January 19 was of the same tenor as of January 18 with the following significant headlines:

"German and Japanese Air Fleets Will Fight Together Against Allies--Japan and Germany Hope to Destroy Enemy on a Common Battleground"

"Intense Soviet Attacks Fail--Grave Anglo-Russian Tension"

"Allied Lack of Confidence in Russia Grows"

"Optimism from Teheran Vanishes in England: Now Fear Soviet Tricks"

In the edition of January 20, El Pampero in an article entitled "For Naples 'La Prensa' donated 100,000 pesos; For San Juan 50,000". As you are aware, the period in which we studied the newspapers in question was the period following the San Juan earthquake which catastrophe the Argentine Government played up to the nth degree in

order

- 4 -

order to attempt to unite the people under it and in order to divert attention in the countries of the exterior from the policy which Argentina was following and which promised to bring about the application of economic sanctions. La Prensa is one of the truly great papers of the world today. It is democratic and insofar as it could under Argentine Government press decrees did its utmost for the cause of the Allies. In the article cited, El Pampero ruthlessly attacks La Prensa and scorchingly says, "La Prensa has offered to contribute 50,000 pesos to aid the stricken people of the catastrophe of San Juan. This sum, it is simple to understand, is ridiculous beside the potential wealth of the organization and the enormous fortune in bonds of every kind which are owned by its millionaire owner. What are 50,000 pesos for the wealthiest in the world? What value has this sum in relation to the gigantic gains which it obtains annually?" (El Pampero has continually attacked La Prensa as a tool of the foreign interests.) The article proceeds to state that La Prensa donated 100,000 pesos to Naples during a similar catastrophe and says that the reason it could spare more for that was that the money was not for humanitarian purposes but for political ones to further the paper's prominence and to gain the good favor of the Italian people in order to conserve the clientele of its gigantic business, its want ads and personnel placement agency. The article attacks La Prensa for "burying" the story of the greatest national catastrophe of the century on page 6 and for dismissing the story

with a

- 5 -

with a few terse comments.

In order to completely understand the point of the Pampero attack, it must be remembered that during this period, La Prensa successfully thwarted the efforts of the Government to divert all attention from the war and political affairs by continuing to publish war news and such political news as it could. The attitude demonstrated toward La Prensa in this article is identical to that shown in an article in the February 8 issue of El Federal.

It is of interest to note that the advertisers in El Pampero are all black listed firms and the same firms are now advertising in El Federal. Some of the larger advertisers are Carlos Mayr, Siemens-Radio, Cafiaspirina, and Editorial La Mazorca, the latter advertising such propoganda books as "The International Jew" by Henry Ford, and "Communism and Religion".

The Pampero issue of January 22 carried the usual war news and advertising. One significant article was headlined "Senator Nye Affirms that 'The Atlantic Charter' and 'the Four Freedoms', Sleep in the Bottom of the Sea." Under this headline follows a lengthy dissertation claiming that intelligent people in the United States and Great Britain agree with Senator Nye and that the words quoted will find a tremendous echo in both countries.

El Pampero of January 26, 1944, announces the break in relations with Germany and Japan. It contains the Government news releases including Ramirez's explanation to the country of how the

detection

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detection of Axis espionage activities made such a step necessary. This same issue on page 3 carries a feature Trans-Ocean news story from Berlin entitled "Only the Victory of the Reich Can Avoid the Third World War". This story points out that if the United States and Great Britain win, then there will be another war against Russia-- of which there are already indications. Also, it is pointed out that the world cannot be properly organized for the good of all the people under capitalist leadership.

There is a feature cartoon on the back page attacking the Jews entitled "Evacuees and Invaders". The cartoon shows a person drawn to appear as inhuman as possible sitting at a desk with a sign "Everything is bought and sold". Under the cartoon is stated "To separate the San Juaninians from their Province for too long a time would favor the substitution of Jews for Argentines in Argentine territory".

In the January 27 issue of El Pampero, a conspicuous front page editorial written by the publisher, Enrique Oses, announces that the break in relations with the Axis was received with "absolute tranquility" in all parts of the nation. He then informs the reader that by such a measure the neutrality of the Fatherland is "burned, broken and substituted by a new juridical 'status' which, according to American antecedents, can be considered as belligerent". He explains that in the face of all obstacles, and pressure during the past two years, Argentina maintained its spiritual, traditional, and moral right

by staying

- 7 -

by staying neutral—the flame of its sovereignty. It was persecuted and imprisoned. When the former government started walking toward a break, it fell. Then a military and revolutionary government sustained the sovereignty. For 15 years we have supported nationalism, and it was not essential to burn up our neutrality today. If there were other reasons they constitute a detriment to our sovereignty, and place the country in a position contrary to its tradition and spirit of progress. But since it is done, as Argentines and nationalists, our duty is to strengthen Argentine unity, and clearly show the real spirit of the people before this present resolution and impede this move against our neutrality which was gallantly maintained until today.

In this same issue of El Pampero, headlines picked at random are the following:

"47,000 Tons Allied Shipping Sunk in Front of Anzio"

"Japanese Destroy 58 American Planes Over Rabaul"

"Intense Fighting in Leningrad—Grave Bolshevik Casualties—
Russian Booty Captured"

"German Attack Breaks Through Soviet Line at Pogrebistche and
Schaschkov"

A cartoon in this issue pictures a group of bejeweled society women. The caption is "100 Pesos for San Juan!!" Below it reads: "Ladies; It is not possible to forget that you paid great sums of money to lodge in your mansions any foreign charlatan of the notable type such as Waldo Frank who visited our country! ... It is not possible to forget the mountains of pesos which you have sent abroad to help foreigners

who

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who fell for a cause distant from our own... Is it possible on the other hand that you will forget that San Juan needs from you a little more than 100 Pesos?" (The cartoon appears to be drawn by the same cartoonist who is always depicting rich Jews in Clarín.)

It was thought that the contents of El Federal following its publication after the break in relations were of more significance and accordingly we have devoted more time to them. The first issue of El Federal following the break was that of February 8, 1944. In that issue a front page editorial renews the line so long followed by El Pampero, namely, that of sovereignty and nationalism. In that editorial, it is stated: "The upright Argentine should consider as irreconcilable love of country and political, economic or social internationalism. He should abominate liberalism". A front page editorial sarcastically discusses Vice President Wallace's hope stated in San Francisco to the effect that the post war period would bring a raise of from five cents to one dollar per day to the poor people of Latin America.

In an article of this issue, under the headline "Bolivia will be Recognized by the United States if it Changes its Present Government", datelined Washington and labelled "Special", it is stated that the United States means, in effect, that the anti-democratic color of the regime may be changed "administratively"—with not even so much as an election or another "coup". It says that ordinarily in times of peace, there would be no hesitation on the part of the United States to recognize such a

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such a government... "but that since the United States is at war, the exigencies are such that continental democratic order must be defended, which prevents it from recognizing governments "which do not wholly respond to the ideals for which the United States is purportedly fighting".

There follows an article reporting that a severe blow has been dealt to the economy of Bolivia through United States failure to renew antimony contracts.

Also, in the issue of February 8, there is a story, dateline New York (Special - Captured), relative to the Democratic meeting in Chicago which says that "the assembly approved among other things the following resolution: 'The present executive power has surrounded itself with counselors of foreign mentality who are destroying the North American form of government, organizing bureaucratic regulation of the lives and businesses of our (United States) citizens and creating the impression that the man (the President) is irreplaceable".

El Federal of February 9, 1944, has as its feature headline, the following: "The English Capitalists Do Not Wish to Run Risks in Their Investments in South America". There is a front page editorial entitled "The Foreign Capital Always Cries", which praises Argentine capital and points out that it took risks and developed the country but that the foreign capital takes no risks. The foreign capitalists busy themselves getting laws passed to protect such capital, etc. In short, foreign capital has done nothing for the country--it has always cried.

A front page article in this same issue points out that

Argentina

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Argentina is being very generous in helping her neighboring countries and it is because of this generosity that the recent gasoline shortage (which was so sharply felt) occurred--Argentina had sent her gasoline to Paraguay, Bolivia, Uruguay, according to El Federal.

There is an interesting story relative to El Federal's first day appearance. It was quickly taken by the public from all the newsboys and vendors. It might be well to add here that when El Federal appeared, many newsboys continued "hawking" it as "El Pampero". It is pointed out that Senor Oses (named Finance Minister in Rawson's Cabinet) will give the Argentines a paper which will speak of things Argentine and that this is a good thing for the Argentine people for they have had years and years of supporting a press that was venal and an enemy of the national; obedient to foreign chanceries and enterprises.

The paper on this date has the usual headlines such as "Grand German Offensive at Nettuno". There is a story about the Japanese encircling the British in Burma. A London dispatch announcing that bombers raiding Germany encountered the heaviest anti-aircraft fire to date. There are many cartoons attacking the establishment of diplomatic relations between Russia and Uruguay.

The issue of February 10 contains the same headlines and reasons along in the same vein as did El Pampero, calling attention to Axis progress and United Nations failures. Some headlines are:

"German Submarines Sink 9 Ships in Indian Sea and Atlantic"

"Japan Denies Allied Accusations of Prisoners: Affirms Received Humanitarian Treatment"

"Kesselring

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"Kesselring Advances in Anzio—5th Army Repelled"

"Clark Suffers Grave Casualties"

"Luftwaffe Destroys 6 Ships off Nettuno"

"Russians Checked in Vitebsk—21 Attacks Halted"

In this issue it becomes evident as it was in El Pampero that when there are no news stories of an optimistic nature insofar as the Axis is concerned, the paper is filled with long editorials which point to social, economic political or military weaknesses of the Allies.

One of the feature stories of the issue of February 11 is concerning the bombing of the Papal Villa, Castel Gandolfo. According to the story, great damage was caused and there were a number of innocent victims. "Projectiles fell on a seminary where numerous poor families were lodged who are now left homeless and without means of livelihood... That which has happened is all the more shameful because of the public knowledge that the Pontific villa and adjacent properties belong to the Holy See and had been converted into a refuge for more than 15,000 persons, women and children included".

There is a cartoon showing an angel from heaven throwing cookies to people below. The angel is saying "Food, beloved South Americans". One of the creatures below is saying "I prefer my bone". This cartoon is surrounded by a story ridiculing Vice President Wallace's speech in San Francisco wherein he stated that he hoped the post-war would bring a raise of one dollar a day for South American workers. .

In a column entitled "Wood-Shavings" (miscellaneous comments and items)

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items) is the following: "We read in a newspaper that in the United States every 15 minutes a newborn baby is abandoned or left to a charity institution."

Some other interesting articles in this issue are: "German War Economy is Assured" and "The Fascists of Wall Street and the Admiration of Mr. Wallace for Russia". The latter article refers to Mr. Wallace's statement that certain Wall Street groups are the American Fascists. El Federal feels slightly insulted at this and will not claim them for Fascists. Much of the article is given to praising Fascism for what it has done. The article states in effect that Mr. Wallace thinks that Russia is heaven. Mr. Wallace's ideas of post war trade are said to be very closely akin to the means of international trade long ago developed by the Totalitarian States.

A February 12 headline reads: "There is a scarcity of beef for feeding the people of Uruguay--It is sent to the United Nations". Another reads: "The Communistic Regime Enslaves and Teases the Worker--There is no Equality, Liberty nor Justice in the Soviet... Thus States the Writer Max Eastman in the Readers Digest". The front page of this issue is given largely to a picture showing misery in Russia under the Soviets. An article on page 5 makes much of the accusation levelled at Charlie Chaplin. However, in reading the article, it appears that the attack against him is not so much for his alleged crime but because he is a Jewish comedian and made the moving picture entitled "The Dictator".

The paper

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The paper again attacks the establishment of diplomatic relations between Uruguay and Russia. An article is headlined: "The Bridgehead of the Third Front of the Young Reds--Montevideo". Some typical war headlines are:

"The Germans Use New and Powerful Arms on the War Fronts"

"Roosevelt Declares that the Situation to the South of Rome is Tense"

"The Situation at Nettuno Presents a Grave Danger for the Allies"

"The Counter-Attacks of the North Americans in Nettuno are Checked"

"Tito Leaves Dalmatia"

"The Luftwaffe Steps up its Defensive Action over the Sky of Europe"

In the February 13 edition of El Federal there is a front page editorial entitled "Towards an America, Single and Grand ~~Nation~~". It is thought that this editorial shows to some extent the propaganda policy of El Federal and accordingly it is treated in this memorandum in some detail. This editorial attacks the meeting in Montevideo of a "supposed" Continental Conference of the Youth for Victory. There is a bitter attack against the "supposed" Argentine delegate who in the initial address spoke of the support of the Latin American Youth for the efforts of Roosevelt, Churchill and Stalin, and pledged adhesion of the Continental Youth "to the now almost forgotten Atlantic Charter and the accords of Teheran and Moscow". El Federal suggests that there should be an investigation to determine who

appointed

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appointed this delegate when he adheres only to the bidding of one country--Russia, a country with which Argentina has been forced to sever relations. According to El Federal, one of the motives for the Conference was to hasten the defeat of the Axis and better Pan Americanism. This is bitterly attacked. There is quoted a part of a speech which states that "there exist in South America, nations given to antiquated economic concepts of isolation--these abnormalities must disappear inasmuch as the Americas in the future ought to be one and indivisible". This, concludes El Federal, is the real notion that pervades the conference. It is an attempt to "sweep away boundaries with one word and create only one state ruled by someone yet not known perhaps but who would bring about such an absurd state of confusion, mixture of opposed races and interests because the "state of work" counsels it". The editorial states that this is an attack on national sovereignty and it must be prevented by Argentina without loss of time. Those who support this theme come close to treason.

On page 2, there is an article entitled "La Prensa and the Formation of the Pan American Spirit by Means of the School". In this, La Prensa is attacked in the usual Pampero manner and is adding a characteristic of El Pampero that international Masonry is condemned. On page 5 there is a very defamatory cartoon of Charlie Chaplin and in bold faced type an editorial which talks of the affairs of the North American comic. "We were ignorant until today of the

name

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name of that new victim of the farcial and presume that she was trapped in the calculating plot with which the Jews play with love, considered a weakness of the Christians".

There were the usual war headlines announcing British-American defeats and quoting a Spanish journalist to the effect that the landing at Anzio was a complete failure and asking "how can the Allies land in Western Europe for a second front if they can't advance towards Rome"?

There is a picture of the Pope and an article stating that he and certain high Cardinals are studying the violation of the Vatican neutrality in connection with the bombing of Castel Gandolfo.

JHM:dnb

FEB 20 1944

Dear Mr. Wallace:

From your letter of February 17 it is plain that we basically disagree about the facts on which the article, "You Can't Pay the Workers That Much," is premised.

We in the Treasury continue to believe the testimony of our own representatives. We are satisfied that the record demonstrates that no such distinction was made in the disallowance of deductions as the article claims.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. DeWitt Wallace, Editor
The Reader's Digest
Pleasantville, New York

VM:md

The READERS DIGEST

Editors · DEWITT WALLACE · LILA ACHESON WALLACE

Pleasantville, N.Y.

Executive Editor · KENNETH W. PATNE

February 17, 1944

Dear Mr. Morgenthau:

We have studied your letter of February 3, and have checked back over the article by Roger William Riis in our February issue, "You Can't Pay Workers That Much." We agree, of course, with your belief that our readers "deserve to know the facts"; and we still believe that this article gave them the facts.

We hold the considered belief that your representative in Cleveland did make the statement that "you can't pay workers that much," namely, \$5,000 a year. It is true, as you say, that these words are not in the written record of the case. The Treasury representative, according to all the testimony we have been able to gather, made the statement on October 27, 1942, in the presence of six men, three representing the company's executive, legal, and accounting departments, and three representing the Treasury.

Your agents in Cleveland are good men, and the last thing we wish is to make life any more difficult for them. We have no doubt that they found themselves in the position of having to carry out rulings which we think we fairly characterized by "you can't pay workers that much."

The reason for the October 27 meeting was to discuss tax items which the Treasury was challenging; and it was compensation to workers which the Treasury was challenging; and it was compensation to workers which the Treasury was challenging as "excessive." The nature of the discussion, of which the remark "you can't pay workers that much" was a part, is summarized in the testimony of James F. Lincoln before the Ways & Means Committee of the House of Representatives, Tuesday, September 14, 1943.

The Treasury representatives also expressed the thought that they would have no objection to Mr. Lincoln's receiving higher pay than he did. But they could not, they would, approve such high compensation for workers.

Hon. Henry Morgenthau, Jr.

February 17, 1944

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The company's representatives are willing, even eager, to talk about this matter, as they have been ever since it occurred. The Treasury agents who were present were unwilling to discuss it.

It appears, however, that whatever was or was not said at that meeting is a minor point. You state that the written record contains no evidence that the Government took such a position on workers' compensation. In respectfully disagreeing with you, we are prepared to rest on the written record. Under date of July 3, 1942, the Treasury presented to the company a finding of tax deficiency containing as subhead (a) the title "Excessive Compensation," and detailing this in Exhibits C-D-E. Exhibit E carries the names of 380 factory workers, all but one of whom was receiving over \$5,000 a year, and that one was under \$5,000 only because he had left the company.

The Treasury lumped into a single total each worker's base pay, bonus, annuity premium, and interest in trust fund, and then labelled as "excessive" an amount of each worker's total compensation, - an amount which bears no detectable relation to any of the individual items listed. For the 380 actual factory employes, the average of the Treasury figures runs:

Base pay	\$2,466.43
Bonus	2,625.94
Annuity Premium.	845.40
Interest in trust fund	<u>1,414.65</u>
Total Compensation	7,352.42
"Allowed" compensation	3,981.51
"Excessive" compensation	3,370.91

The distinction between "allowed" and "excessive" compensation is the Treasury's, not anyone else's. The "allowed" compensation is well under \$5,000.

There was some publicity and public comment on this matter. The Treasury's notice of deficiency of January 15, 1943, seems to have taken such comment into consideration, inasmuch as it appears to shift the ground of disallowance away from "compensation," and stresses objections to the annuity premiums and the trust fund. Your present letter to us stresses the annuity and the trust fund as the questioned items, holding that they are unnecessary and extraordinary expenses and that the employes have no firm right in them. Yet the Treasury seems to have approved deductions for the annuity premiums for every year from the inception of such compensation in 1936 up to the moment of this controversy.

Mr. Hon. Henry Morgenthau, Jr.

February 17, 1944

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Moreover, and perhaps more important, the Treasury did not abandon its contention as to the "allowable" character of the compensation, for the deficiency letter itself, referring to the disallowance of the annuity premiums and the trust fund, states that "even if so considered" (that is, as accrued liabilities for additional compensation) "then such amounts are considered unreasonable compensation and not allowable."

The annuity premiums, it seems pertinent to note, are payments by the company to an insurance company for retirement benefits for each employe. This has been done each year since 1936. The trust fund is a portion of the employe's compensation paid to a trust company for the benefit of each employe. This transfer, we are told by company counsel, is absolute and the employes could not be deprived of the amounts held in trust for them except in case of death, in which case it would be paid to their surviving dependents.

To say that disallowance of such funds does not really affect the workers' compensation appears to us a somewhat legalistic point. The amount the Treasury disallows works out, perhaps by chance, close to a \$5,000 limitation on their compensation. We are glad to note your statement that you would never countenance any disallowance "on the ground charged by Mr. Lincoln." But from the viewpoint of the worker looking at his annual earnings, it would not appear to matter whether the same disallowance were on that ground or any other ground.

You misapprehend part of our article when you develop the point that the workers quoted in the article did actually get over \$5,000 a year. Yes, they did. That is what the article said. It said that Lincoln workers averaged \$5,400 a year. They were quoted not because they got less than \$5,000, but because they got more than \$5,000, they felt they had earned it, and they foresaw that the Treasury ruling would reduce it. Hence their objections.

We appreciate the problems of the Treasury in collecting the Federal taxes at present war-time levels, and we have no desire to make the task harder. We do not think the Riis article does this.

The Lincoln company's long history and present management reveal a perfectly definite theory which seems to be the root of this whole discussion. This theory may be stated: if a company can produce a greatly needed product more efficiently, and sell it at a lower price, by paying a machine operator above conventional rates -- paying him in

The Hon. Henry Morgenthau, Jr.

February 17, 1944

fact what he earns -- then it is reasonable and proper to compensate the machine operator on that basis.

The Treasury Department, administering the tax laws under its statutory powers, held that such compensation was in part not allowable to the company as a business expense because the Treasury considered that it exceeded a "reasonable allowance for salaries or other compensation for personal services actually rendered." We understand that the Treasury Department, despite any shift in emphasis in its last ruling, still takes that position.

Obviously if the compensation actually paid to the employe or his account is not going to be allowed in its entirety as a business expense to the company, the company can not continue to pay compensation on the Lincoln theory. To pay such compensation and then pay taxes on it, at present rates, would mean bankruptcy.

There is no doubt in our minds that the issue is squarely presented in the controversy of the Treasury Department with the Lincoln Company: "What is the reasonable upper limit of compensation for a man who works with his hands?" This is an issue of great public interest. We think the discussion of this issue in our pages, far from impeding the Treasury in the administration of the tax laws, is very definitely in the public interest.

Sincerely yours,

Dwight Wallace

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

CONFIDENTIAL

DATE March 20, 1944

TO Secretary Morgenthau
 FROM Mr. [Signature]
 Subject: The Business Situation,
 Week ending March 18, 1944.

Summary

Cost of living: The narrow movement of the BLS cost-of-living index during the past nine months indicates a considerable degree of success for the price stabilization program. Last month the index declined slightly, due to moderately lower food costs. Thus far in the present war the index has risen about 25 percent, as compared with a rise of more than 90 percent during the comparable period of the first World War.

Commodity prices: Continuing its gradual rise of the past few months, the BLS index of 28 basic commodities registered a very slight advance last week, due largely to a substantial rise in hog prices. The all-commodity index in the week ended March 11 was unchanged from the preceding week at 103.4 percent of the 1926 average. During the past year this index has deviated less than one point from its present level.

Farm real estate values: Farm real estate values during the four months ended March 1 rose at a rate approaching that of the record 1919-20 boom year, with the index of average value per acre showing a rise for the period of almost 9 percent, according to preliminary confidential figures of the BAE. The percentage rise in farm real estate values thus far in the present war is equal to that of the comparable period of the first World War.

Stock market: Trading activity on the New York Stock Exchange last week rose to the highest level since last July, with daily average transactions approximating 1,400,000 shares. At the close on Saturday, industrial stock prices were a trifle lower than a week earlier, but railroad stock prices rose 3 percent, attaining the highest level since October 1937.

Steel operations: Steel ingot production last week was scheduled to reach a new high for the year at 99.1 percent of capacity. On a tonnage basis, this is the second highest output figure on record.

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Living costs continue narrow movement

A considerable degree of success in the stabilization of living costs has been achieved under the price stabilization program, as shown by the continued narrow movement of the BLS cost-of-living index during the past nine months. Due to a moderate decline in food prices last month, the cost-of-living index declined slightly, and now stands 1.1 percent below the level reached last May.

Although the cost-of-living index has risen over 25 percent from the pre-war level of August 1939, this rise is only about two-fifths as large as that of the comparable period in the first World War. (See Chart 1, upper section.) The divergence in trends in the two war periods has become much greater during the past nine months under the program for stabilization of retail food prices. Whereas food prices had risen 53 percent by May 1943, which was approximately the same as the advance in the comparable period of the first World War, since that date they have declined 6.0 percent, in contrast to the continued sharp rise in food prices in 1918. (See Chart 1, lower section.) It is of interest that living costs continued to rise very steeply after the last war had ended.

A 1.2 percent decline in food prices last month more than offset the slight increases registered by all the other components of the index. (See Chart 2.) The reduction in food costs was due largely to a noticeable decline in prices of fresh vegetables and oranges, both of which were influenced by the large supplies coming onto the market and by the extension of community price ceilings. Clothing costs, following a slight decline in January as a result of clearance sales, resumed their upward movement. Temporary increases in anthracite coal prices, permitted by the OPA because of the 7-day week instituted in the mines during February, caused a slight rise in the cost of fuel, electricity and ice. Costs of household furnishings as well as costs of various services continued to edge higher.

Civilian food situation more favorable

Although the civilian food supply situation this year is expected to be about the same as in 1943, the supply during the next couple of months is likely to be more favorable than for the same period last year, the Department of Agriculture stated recently. Production of eggs, citrus fruits, winter truck crops, meat, and lard have been running substantially above the levels of a year ago, while stocks of butter and potatoes are relatively large. These increases, together with foods

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secured at home, will more than offset reduced civilian supplies of commercially canned fruits and vegetables.

Livestock slaughter has tapered off from the peak level reached in January, but February slaughter was the largest for that month on record. Stocks of meat on March 1 were especially large and will help to offset the seasonal decline in meat production. Moreover, despite the heavy slaughter of recent months, the numbers of cattle, calves, and hogs on farms are at record levels. To relieve the tight feed situation, and to avert a possible market glut next fall, the WPA is considering an increase in the beef cattle subsidy in order to induce additional marketing of 2 or 3 million head of cattle during the next four months.

The seasonal upturn in egg production has been considerably larger than usual, due in part to favorable weather as well as to a larger number of layers. Most of the increase has been going into civilian channels. While butter production has increased seasonally, it has fallen below the levels of a year ago. Nevertheless, since all noncivilian requirements are now being filled from reserve stocks, civilians are receiving the benefit of the seasonal upturn in production. Beginning next month, however, part of the butter produced will be set aside for government use.

Supplies of fresh citrus fruit for civilians have been plentiful in recent months, with the citrus fruit crop in the 1943-44 season expected to be about 6 percent above that of last year and about 52 percent above the average annual production in 1935-39. Cold storage stocks of apples and pears as of March 1, however, were 36 and 61 percent, respectively, below those of a year ago.

The production of winter vegetables has increased greatly, not only in comparison with the small tonnage that escaped the winter freezes last year, but in comparison with other years. Total tonnage, according to the March 1 crop report, is expected to be 74 percent larger than last year. Moreover, present indications are that the supplies of fresh vegetables in the spring will exceed those of the corresponding period of 1943, although the increase will be less than in the case of the winter truck crops. Unlike last season, the supply of white potatoes is still abundant. Reduced supplies of canned vegetables will be available to civilians, however, due largely to expanding military needs.

Cold storage holdings increase

Cold storage holdings, in the aggregate, showed a moderate increase last month. Indicating the tight storage

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situation, freezer space was 92 percent occupied on March 1 and cooler space 73 percent, as compared with occupancy of 80 and 68 percent, respectively, a month earlier. On March 1, 1943 only 64 percent of the freezer space was occupied and only 57 percent of the cooler space. While the bulk of the holdings are for civilian use, some are owned by the armed forces and the WFA.

Storage stocks of shell and frozen eggs, lard and meat, particularly pork, increased considerably during February, but withdrawals of fresh and frozen fruits, frozen vegetables, and creamery butter were heavier than normal. Stocks of all groups of food items except fresh fruits were sharply higher than a year ago. The poor apple crop last season was largely responsible for the lower fresh fruit holdings. Comparisons of cold storage stocks of various groups of foods on March 1 with those a month ago and with those a year ago are shown below:

	Percentage change	
	Feb. 1944 to Mar. 1944	Mar. 1943 to Mar. 1944
Fresh fruit	- 32	- 37
Frozen fruit	- 11	+ 29
Meats	+ 18	+ 50
Frozen eggs	+ 22	+ 76
Cheese	+ 3	+ 84
Frozen vegetables	- 9	+106
Shell eggs	+158	+108
Poultry	- 8	+117
Lard and rendered pork fat	+ 43	+190
Creamery butter	- 17	+772

Commodity prices show little change

Commodity prices moved within a narrow range last week. The BLS index of 28 basic commodities, continuing the gradual rise of the past three months, made a very slight advance. At 121.0 percent of the August 1939 average, the index is 2.7 percent above the level of a year ago. (See Chart 3.) The price of hogs, rising 2.5 percent, was the only item to show any significant change last week. With the tapering off in hog marketing in recent weeks, hog prices have risen from around the support levels of \$13.75 per hundredweight at Chicago to within 43 cents of the \$14.75 ceiling.

In the week ended March 11 the BLS all-commodity index was unchanged from the preceding week. Seasonal advances in the prices of certain fruits, vegetables, and other farm products were offset by a downturn in the price of anthracite

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1921. The index now stands at 103.4 percent of the 1926 average, which is practically the same as a year ago. During the past year the index has deviated less than one point from the present figure.

Farm real estate values rise sharply

Leading further concern over the war-time inflation in farm real estate values, the index of average value per acre of farm real estate rose almost 9 percent in the four months ended March 1, according to preliminary confidential figures of the Bureau of Agricultural Economics. Rising more than 2 percent a month, the index showed almost the same rate of advance as during the record 1919-20 boom year. (See Chart 4.) The volume of farm sales has been increasing, and in 1925 was at the highest level on record. While farm real estate values are still considerably below the levels of the First World War, by March 1 they had registered the same percentage rise (36 percent) as during the comparable period of World War I.

Farmers continue to make up about two-thirds of the buyers of farms, and cash sales continue to form a large proportion of the total sales. In mortgage transactions, the average down-payment appears to have increased somewhat, and now averages probably more than 40 percent of the purchase price. Nevertheless, due to the rise in land values, many sales are resulting in heavier mortgages being placed against individual farms. Individuals and commercial banks are making an increasing proportion of the loans to finance sales, and short-term mortgages are numerous.

A significant amount of speculative buying has been prevalent. In a survey being taken by the Department of Agriculture, returns from 80 counties throughout the country indicate that 10 percent of all sales were farms that had been held less than 2 years. In 1 out of 7 of the counties, sales of farms held less than 2 years comprised 20 percent of the total sales.

Stock market activity increases

Following up the previous week's rise, stock market activity showed a further increase last week, and for the first time since last July transactions on the New York Stock Exchange ran above 1 million shares on every full market session of the week. Daily average trading approximated 1,400,000 shares as compared with 1,200,000 shares in the previous week. Industrial stock prices rose moderately to

- 6 -

new high for the year on Monday but were unable to make further headway, and at the close on Saturday were a trifle lower week-earlier levels. Utility stock prices during the week showed an insignificant advance. (See Chart 5.)

On the other hand, railroad stock prices shook off the rising tendencies noted earlier in the month and resumed the rise which had been under way in January and February. On Friday the Dow-Jones average of railroad stocks was 3 percent higher than at the close of the previous week, and stood at the highest level since October 1937. It should be noted, however, that despite the recent price advance and the great improvement in railroad traffic and finances under war conditions, railroad stock prices are still 38 percent below the 1937 high reached in March of that year.

Railroad traffic above last year's levels

Although railroad freight carloadings have dropped about 10 percent from last fall's peak, loadings in the first 11 weeks of 1944 have increased about 5 percent over year-earlier levels. Carloadings of export freight (excluding coal and grain) handled through U. S. ports in February were 47 percent higher than in February 1943.

Figures covering total freight movement in ton-miles during February are not yet available, but ton-miles of freight handled in January reached the highest levels ever attained in that month, and were 120 percent above the 1935-39 average. (See Chart 6.) The slower rate of increase in freight carloadings, amounting to only 33 percent since the 1935-39 base period, reflects the heavier loadings, longer hauls and more efficient equipment use that has occurred under the pressure of war-time operations.

Equipment outlook improves but manpower shortage threatening

Prospects for railroad equipment deliveries in 1944 have improved over last year's showing. Class I railroads installed almost twice as many new locomotives in January and February as a year earlier, while nearly 5,200 new freight cars were installed as compared with 3,000 in January and February 1943. Moreover, at the beginning of March, 779 new locomotives and 34,012 new freight cars were on order as compared with only 1,929 locomotives and 19,329 freight cars a year earlier.

Some large orders for new equipment have been placed in recent weeks, including one for 5,000 new coal cars for the Chesapeake and Ohio Railroad. Indicative of the improving outlook for railroad equipment and materials, the quantity of carbon steel allotted for domestic transportation requirements in the second quarter of 1944 is the largest since the ODT

- 7 -

become the claimant agency for domestic transportation in 1943. Nevertheless, the railroads continue to be hard pressed for equipment, with the daily freight car shortage around the beginning of this month averaging 3,600 cars.

The greatest present problem confronting the railroads appears to be the manpower shortage. Prior to the inauguration of the current recruiting drive for 100,000 workers, it was stated that around 230,000 railroad workers had already been inducted into the armed services, and about 85,000 more were expected to be inducted within 6 months.

Near the end of last month it was reported that the shortage of shop maintenance workers had become particularly critical at some points, and that an average of 40 trains daily were being delayed due to a lack of road crews. Specific evidence of the railroad manpower shortage is seen in an ODT order, effective March 12, authorizing the Central Railroad of New Jersey to discontinue 68 of its suburban commuter trains, partly "to provide train and engine crews to handle the record movement of war freight being offered to the railroad."

Steel industry faces manpower shortage

In the face of recent concern of labor leaders and others over unemployment in the steel industry arising from cutbacks in war contracts, the industry actually appears to be confronted with a shortage rather than a surplus of workers. During the past week WPB Chairman Nelson is reported to have warned industry representatives of forthcoming severe manpower losses due to Selective Service requirements, with the added admonition that the industry will have to undergo such manpower losses even if war production suffers in the process. The industry is already troubled with a serious shortage of common labor, poorer worker efficiency, and greater delays in effecting repairs.

At the same time, demand for steel for war purposes continues extremely heavy. After turning out the largest tonnage of steel ingots for any February on record last month, steel operations have continued to move higher in March. Operations last week were scheduled to rise to a new high for the year at 99.1 percent of capacity. (See Chart 7.) On a tonnage basis this is the second highest figure ever attained in the steel industry. Steel trade reports indicate that the decline in order backlogs which occurred around the end of 1943 was a result of cutbacks and shifts in war contracts has been

- 8 -

reversed, and bookings for most products now extend into the third quarter of the year.

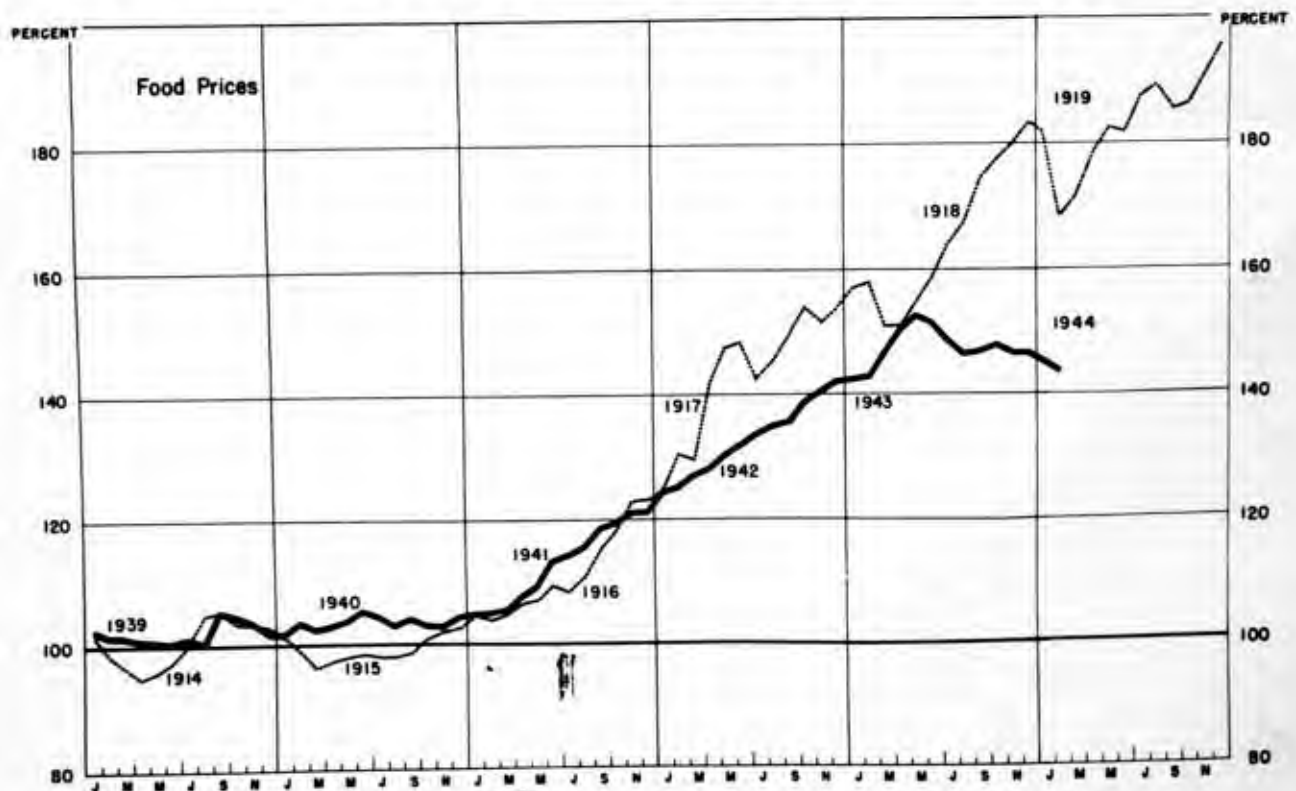
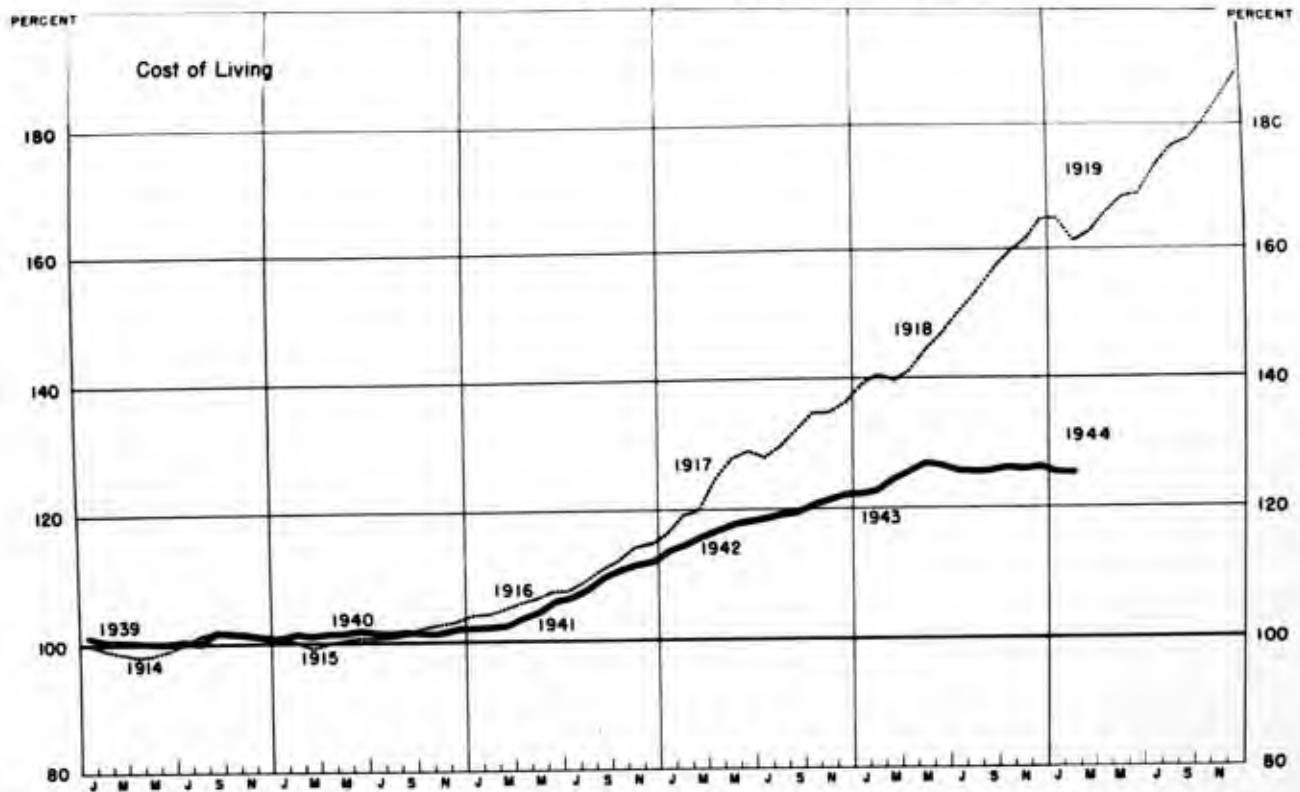
Shipbuilding demand heavy

Recent steel order volume is said to have been sized by demand for plates for Navy and Maritime Commission work. Plate output during the current month is expected to break all records, and this concentration of output is causing sheet deliveries to be retarded, thus adding to order backlogs for this item. The landing barge program, which is expected to expand during the first half of the year, is contributing to the heavy demand for plates.

The first of the new Victory ships was delivered in February. Despite manpower losses and conversion difficulties, shipyards last month delivered 10 more ships and 168,000 more deadweight tons than in January. Indicative of the dominant role of shipbuilding in steel consumption at present, it was recently revealed that the shipbuilding industry accounted for 19 percent of total finished steel consumption in 1943. This contrasts with 16 percent in 1942 and only 2 percent in 1940.

COST OF LIVING AND RETAIL FOOD PRICES IN TWO WAR PERIODS

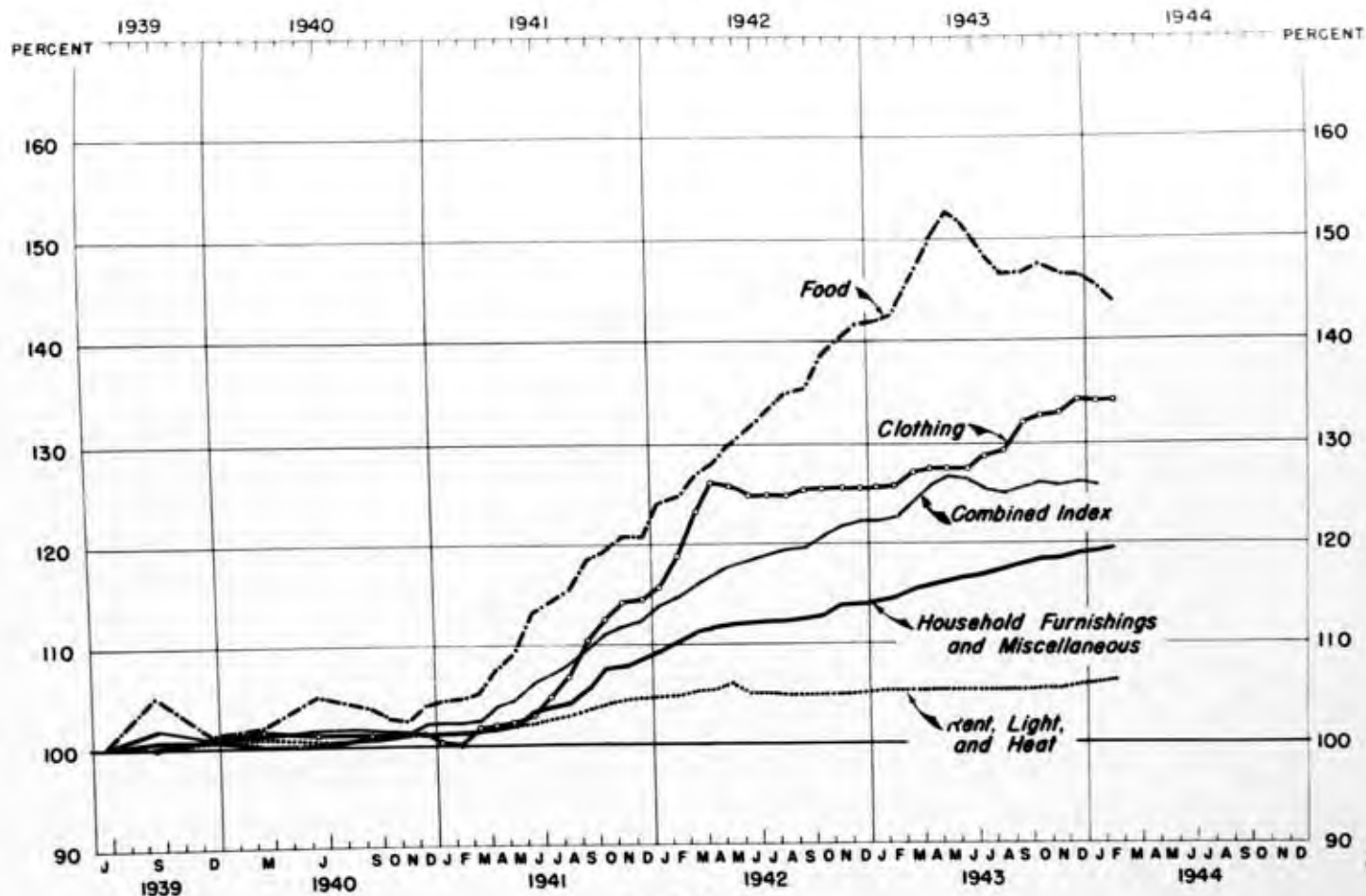
July 1914=100 World War Period, Aug 1939=100 Present Period



97

COST OF LIVING AND SELECTED ITEMS

June 1939=100



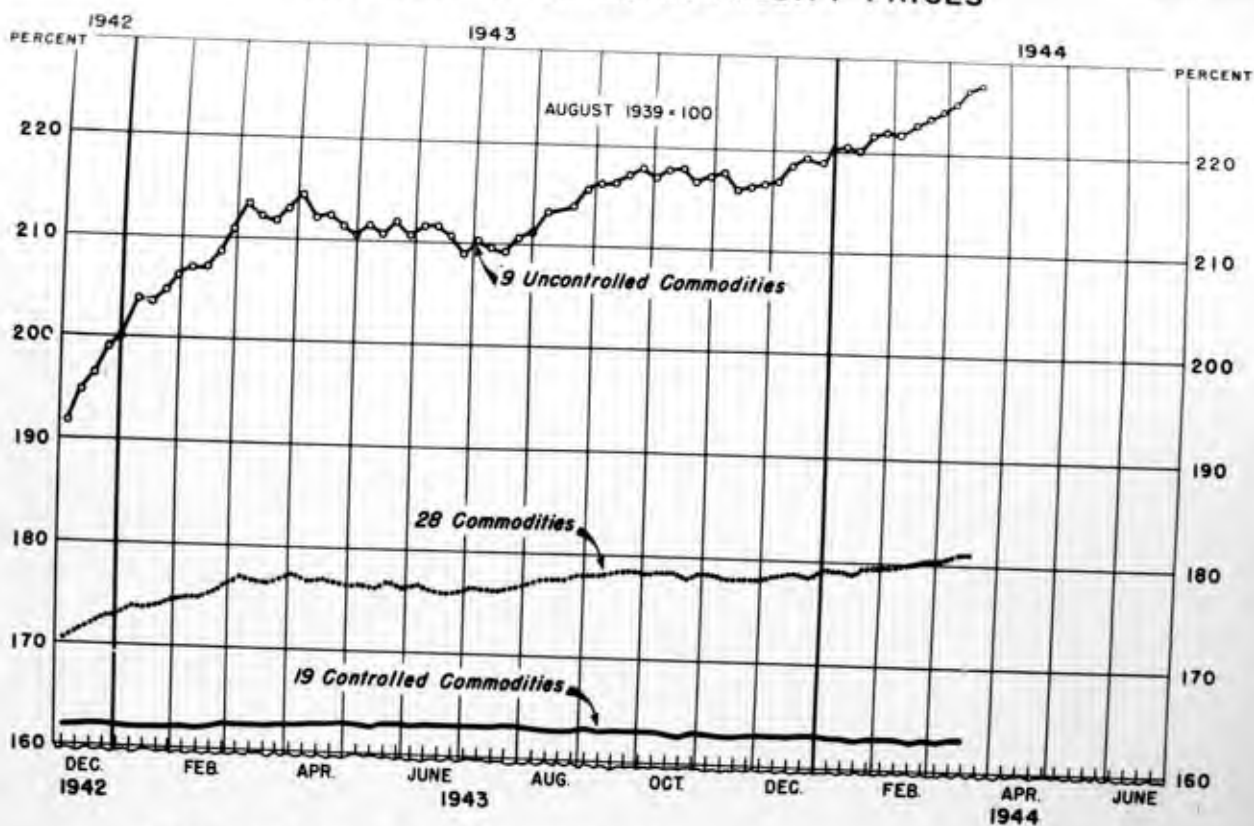
Source: B.L.S.

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

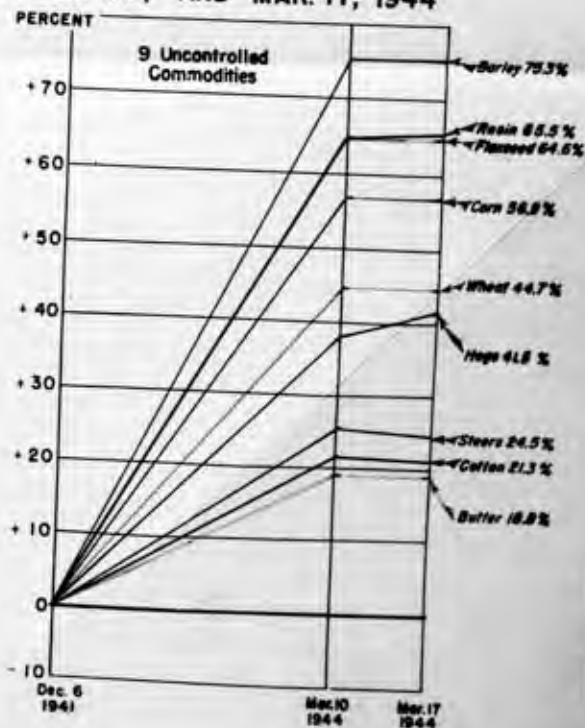
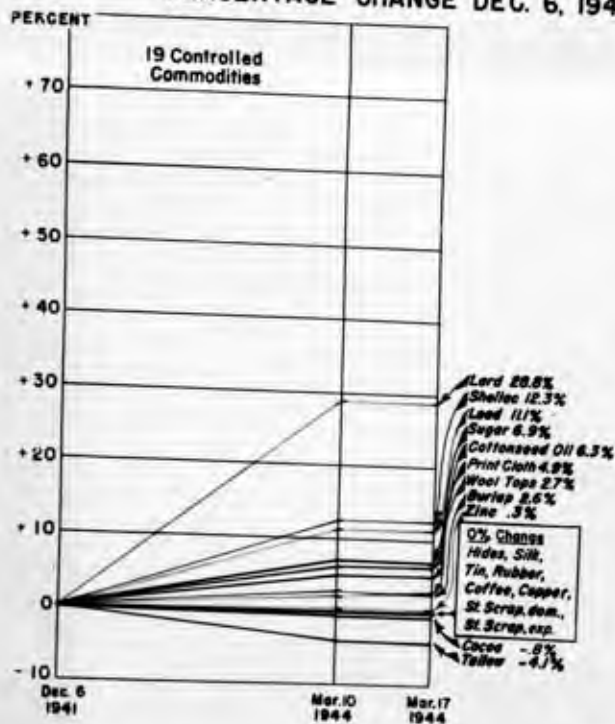
C-413-B-98

Chart 2

MOVEMENT OF BASIC COMMODITY PRICES



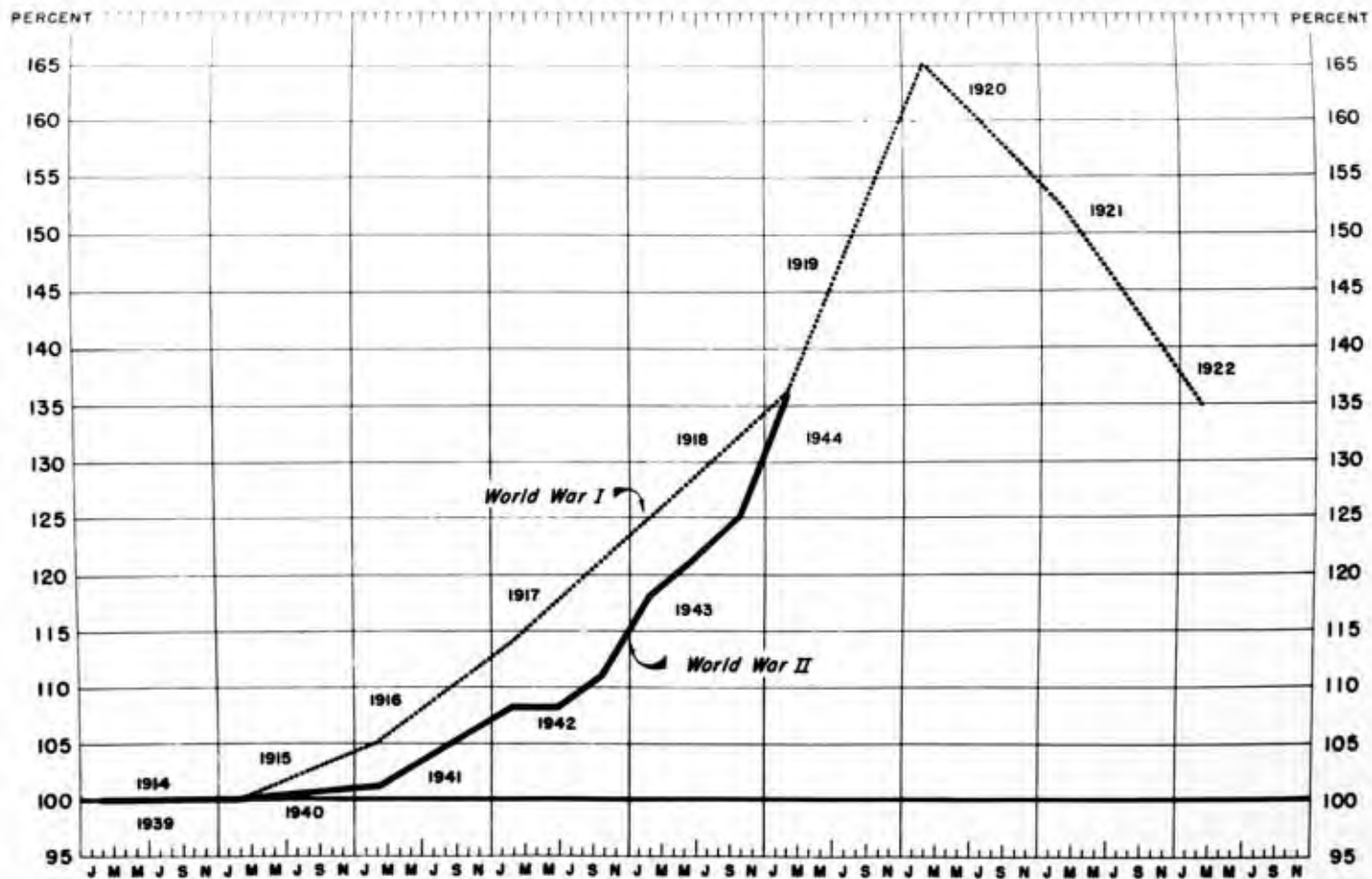
PERCENTAGE CHANGE DEC. 6, 1942 TO MAR. 10, AND MAR. 17, 1944



99

FARM REAL ESTATE VALUES IN TWO WORLD WARS

World War I, 1914=100; World War II, 1939=100



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

Chart 4
CONFIDENTIAL

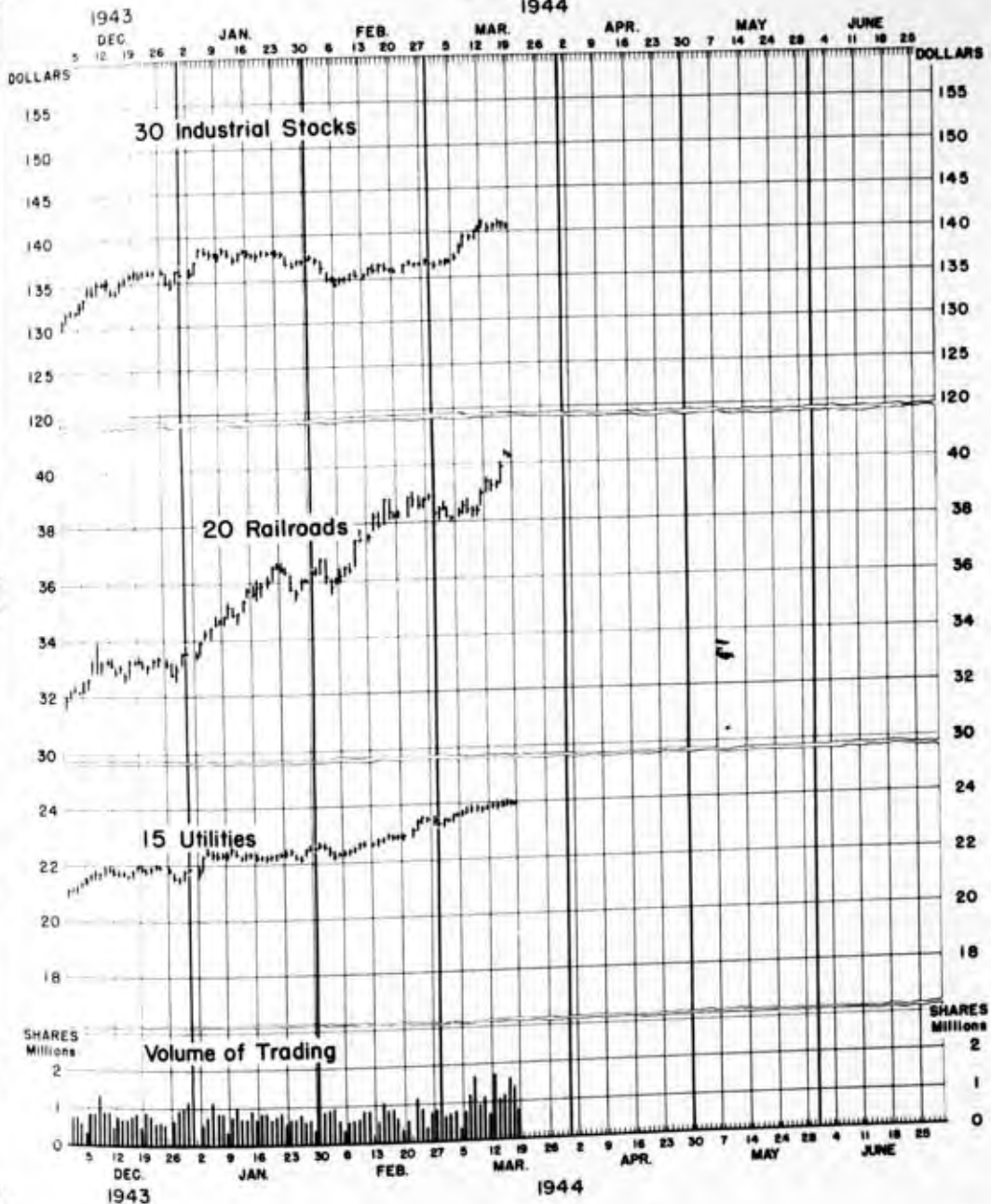
C-515

100

Regraded Unclassified

STOCK PRICES, DOW-JONES AVERAGES

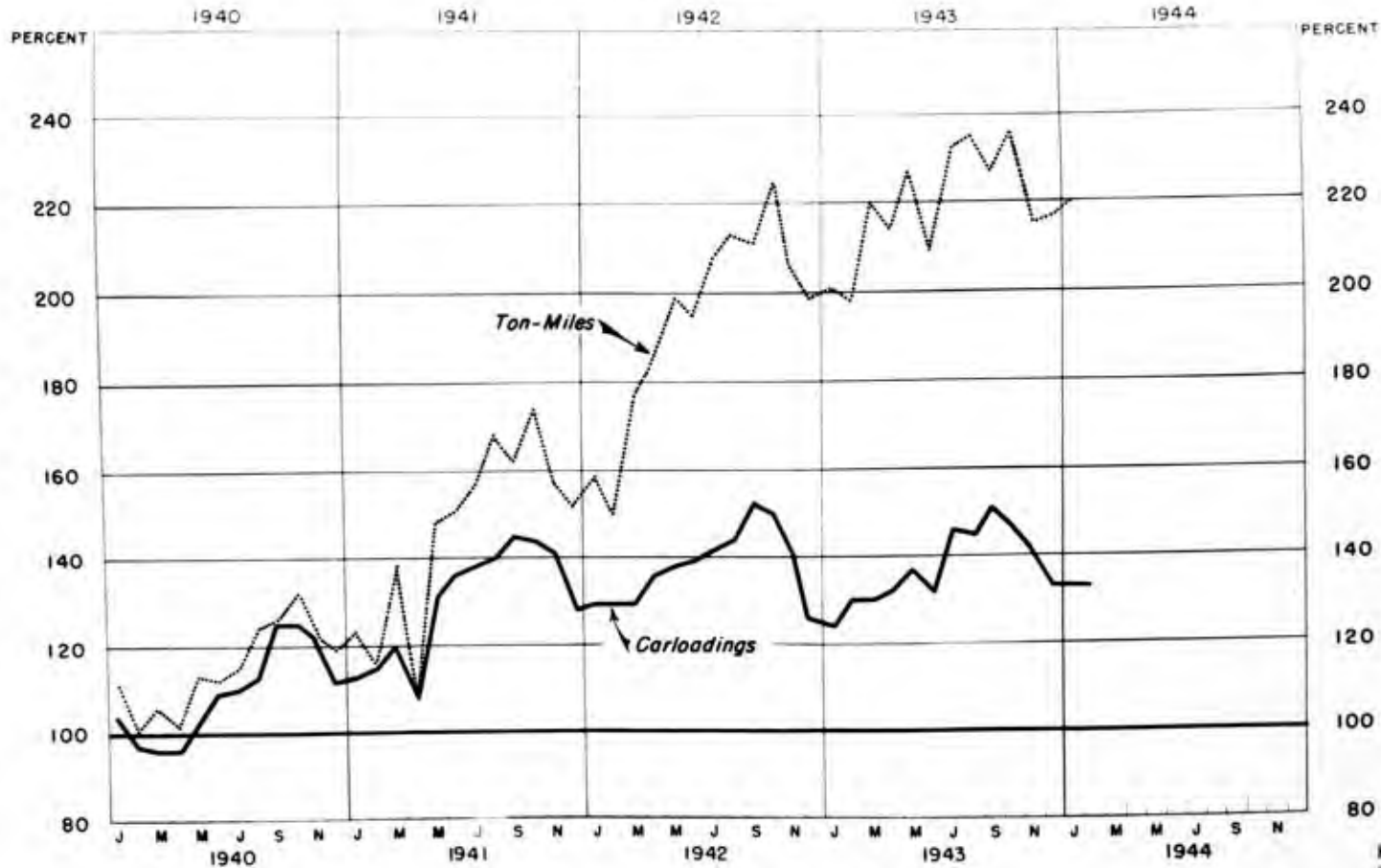
Daily



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

RAILROAD FREIGHT TRAFFIC

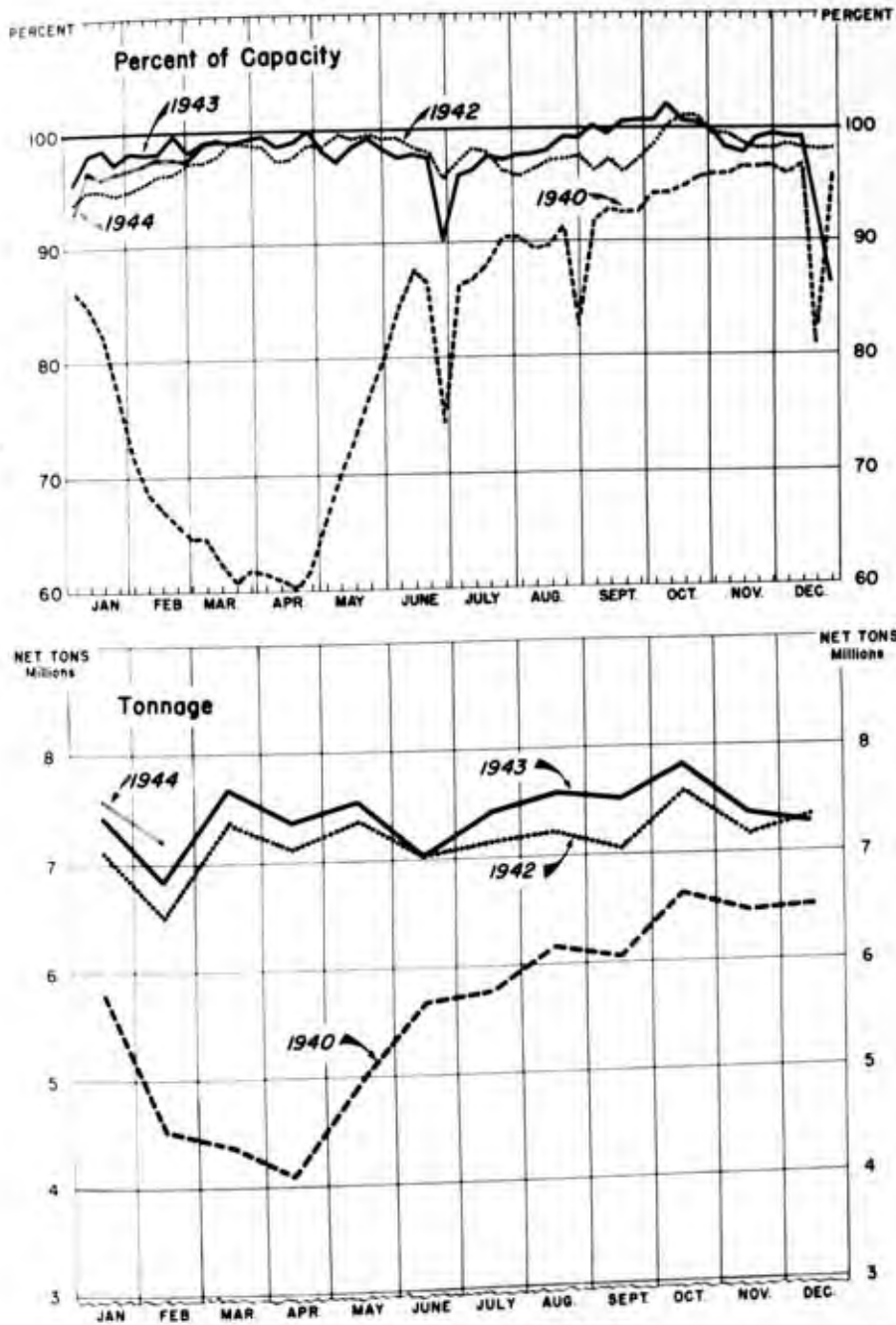
1935-'39 = 100



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

Chart 6
 102
 G-448-A

STEEL INGOT PRODUCTION



Source: American Iron and Steel Institute

U.S. Dept. of the Treasury
Bureau of Economic and Statistics

C-532

104
1



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. 128 and 129 -- Air-
craft Despatched -- for the weeks ended March
7th and March 14th respectively.

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

March 20, 1944.

MOST SECRET

STATEMENT NO. 129

106

Aircraft Despatched from the United States
Week Ended March 14th, 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>BOEING</u>					
Fortress III	U.K.	U.K.		4	
Catalina IVB	U.K.	U.K.		4	
<u>CONSOLIDATED</u>					
Liberator B VI	U.K.	U.K.		1	
Liberator B VI	M.E.	M.E.		7	
Liberator B VI	India	India		10	
Liberator GR VI	U.K.	U.K.		1	
<u>GLENN MARTIN</u>					
Baltimore V	M.E.	M.E.		26	
<u>VEGA</u>					
Ventura GR V	U.K.	U.K.		2	
Ventura GR V	M.E.	M.E.		2	
Ventura GR V	S. Africa	S. Africa		3	
<u>D. LAS</u>					
Boston IV	U.K.	U.K.		9	
Dakota III	India	India		2	
<u>BEECH</u>					
Expediter	Canada	Canada			6
<u>GENERAL MOTORS</u>					
Avenger II	Canada	Canada			1
<u>GRUMMAN</u>					
Widgeon	Canada	Canada			1
<u>NORTH AMERICAN</u>					
Harvard	S. Africa	Capetown		20	
<u>VULTEE</u>					
Vengeance	Australia	Melbourne		8	
Vengeance	Australia	Sydney		10	
<u>Waco</u>					
Gliders	M.E.	Alexandria for onward to Karachi		20	
<u>CURTISS</u>					
Kittyhawk	New Zealand	Auckland		10	
<u>STINSON</u>					
Reliant	U.K.	U.K.		3	
<u>REPUBLIC</u>					
Thunderbolt	India	Karachi		17	
TOTAL:				88	71
					8

Movements Division
British Air Commission

mmh

March 18, 1944.

Regraded Unclassified

Received from Achilles of State,
March 20, 1944. Achilles says this is
a copy of the statement as he handed
it to Hayter of the British Embassy
on March 18, 1944.

C
O
P
Y

107
Statement as it
was given to
the British

STATEMENT BY THE PRESIDENT OF THE UNITED STATES

The United Nations are fighting to make a world in which tyranny and aggression can not exist; a world based upon freedom, equality and justice; a world in which all persons regardless of race, color or creed may live in peace, honor and dignity.

In the meantime in most of Europe and in parts of Asia the systematic torture and murder of civilians -- men, women and children -- by the Nazis and the Japanese continue unabated. In areas subjugated by the aggressors innocent Poles, Czechs, Norwegians, Dutch, Danes, French, Greeks, Russians, Chinese, Filipinos -- and many others -- are being starved or frozen to death or murdered in cold blood in a campaign of savagery.

The slaughter of Warsaw, Lidice, Kharkow and Nanking -- the brutal torture and murder by the Japanese, not only of civilians but of our own gallant American soldiers and fliers -- these are startling examples of what goes on day by day, year in and year out, wherever the Nazis and the Japs are in military control -- free to follow their barbaric purpose.

In one of the blackest crimes of all history -- begun by the Nazis in the day of peace and multiplied by them a hundred times in time of war -- the wholesale systematic murder of the Jews of Europe goes on unabated every hour. It is therefore fitting that we should again proclaim our determination that none who participate in these acts of savagery shall go unpunished. The United Nations have made it clear that they will pursue the guilty and deliver them up in order that Justice be done. That warning applies not only to the leaders but also to their functionaries and subordinates in Germany and in the satellite countries. All who knowingly take part in the deportation of Jews to their death in Poland or Norwegians and French to their death in Germany are equally guilty with the executioner. All who share the guilt shall share the punishment.

Hitler is committing these crimes against humanity in the name of the German people. I ask every German and every man everywhere under Nazi domination to show the world by his action that in his heart he does not share these insane

- 2 -

criminal desires. Let him hide these pursued victims, help them to get over their borders, and do what he can to save them from the Nazi hangman. I ask him also to keep watch, and to record the evidence that will one day be used to convict the guilty.

In the meantime, and until the victory that is now assured is won, the United States will persevere in its efforts to rescue the victims of brutality of the Nazis and the Japs. In so far as the necessity of military operations permit this Government will use all means at its command to aid the escape of all intended victims of the Nazi and Jap executioner -- regardless of race or religion or color. We call upon the free peoples of Europe and Asia temporarily to open their frontiers to all victims of oppression. We shall find havens of refuge for them, and we shall find the means for their maintenance and support until the tyrant is driven from their homelands and they may return.

In the name of justice and humanity let all freedom loving people rally to this righteous undertaking.

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD

INTER-OFFICE COMMUNICATION

DATE

March 20, 1944

TO : Mr. Tolson

FROM : Mr. Staudish

Subject: Attitude of British and French toward use of
North Africa as a refugee haven.

On March 16, I had a brief conversation with Mr. Robert D. Murphy in the State Department regarding possible use of Libya as a temporary refuge for refugees. He reported that the British (apparently the Cairo area) were not very sympathetic to the use of Libya as a temporary refuge for people escaping from enemy-occupied Europe. Mr. Murphy stated that it was his personal belief that the British intended to keep Libya after the war. He stated that the French were reluctant to permit the use of North African territories as a refugee haven. Concessions in this regard are obtained by us with great difficulty.

In view of these conditions in mind, I strongly recommend that we continue our efforts to dispatch a representative of the Board to Cairo on the earliest possible date. In this connection I refer you to my memorandum of March 16, 1944, suggesting Mr. Irving C. Christie as a possible representative there.

Irving C. Christie

PARAPHRASE OF TELEGRAM RECEIVED

TO: The American Consul, Algiers
 FROM: The Secretary of State, Washington.
 DATE: March 20, 1944
 REF: 916

CONFIDENTIAL

The following message, number 4, is from Ackermann for the Refugee Board.

Section 1. With reference to a cable from the Combined Chiefs of Staff, FAN 347 dated March 15, 1944, a captain on the staff of General Caffey G-3 yesterday called at the office of Robert Murphy. My letter dated March 7 concerning the movement of refugees to Italy from Yugoslavia referred to this same matter. I strongly urged, when my opinion was requested, that only military necessity should interfere with the program, explaining the underlying reasons for the Board's establishment.

Section 2. Since I have not heard whether you have a representative in Italy and only North Africa was mentioned in your cable dated February 26, I have hesitated to inject myself too strongly into the Yugoslav situation. A military government officer with whom I have had discussions pointed out this latter fact to me. Since Italy is an important region I suggest that a representative be appointed there and that I be given certain directives with reference thereto so that AFHQ and I can work together. Also, since the job requires people both in Italy and here, I believe this is better than giving me both Italy and Africa.

CHAPIN

RC:RPL
 3/21/44

GAB-14

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

Darban

Dated March 20, 1944

Rec'd 1 p.m.

Secretary of State

Washington

9, March 20, noon

With reference to your No. 8, March 6, 6 p.m., according to information obtained from Jewish board of deputies there are 1500 Jewish refugees in detention camp at Beam basin, Mauritius. 600 from Czechoslovakia rest from Austria, Germany, Poland, Russia and Hungary.

Malnutrition is general as Mauritius is unable to meet demands. 50 expectant mothers suffer from lack of vitamins. Children in poor health and considerable eye trouble because of malnutrition. Some malaria and heart disease. Refugees from cold climate affected by tropical conditions.

Refugees not allowed to leave camp. Daily rations might be supplemented by purchases from Chinese shop but prices high and allowance of four shillings and six pence per month (repeat per month) limits purchases.

Requirements dried milk dehydrated vegetables and fruit and medicines for malaria and heart ailments. Clothes badly needed.

SMITH

WSB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Embassy, London
TO: The Secretary of State, Washington
DATE: March 20, 1944
NUMBER: 2245

CONFIDENTIAL

In care of Donald Hurwitz, 242 Rua Aurea, Schwartz is enroute to Lisbon. We are telegraphing the substance of Department's number 2017 dated March 17, to Lisbon since it is not deliverable here.

WINANT

DCR:MPL
3/22/44

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, LONDON
TO: SECRETARY OF STATE, WASHINGTON
DATED: MARCH 20, 1944
NUMBER: 2251

CONFIDENTIAL

Information has been received by the Embassy that check in sterling equivalent should be sent to the Foreign Office and that it should be made in favor of the Finance Officer. We regret that there is not available in London the answer to the final question in the Department's cable of March 9, 1944, no. 1782.

WINANT

MEMORANDUM

TO: Mr. George L. Warren

March 20, 1944

FROM: Mr. Pehle

4:35 p.m.

Re: The Establishment of the Unitarian Service Committee in Spain

As you know, the War Refugee Board must, of necessity, carry out many of its operational functions through private relief agencies. In connection with proposed operations in Spain, the Board has been considering how various private agencies operating in this highly important area can be effectively used to carry out the policy with the execution of which the Board is charged. The Board intends to discuss with the Friends and other agencies now having representatives in Spain the manner in which they are prepared to cooperate.

It has been noted that the Unitarian Service Committee, a highly reputable organization which has been active in refugee matters, is presently not operating in Spain except to the extent that it contributes to the "Joint Representation of Private Relief Agencies in Spain". While the latter organization can assist the War Refugee Board in many projects, it is the opinion of the Board that the Unitarian Service Committee can be of considerable assistance in other fields and should be permitted to operate in Spain. Since the "Joint Representation of Private Relief Agencies in Spain" is located in Madrid, it is thought that because of geographical considerations the Unitarian Service Committee should be permitted to establish an office in Barcelona. The Committee, of course, would work with the "Joint Representation". Accordingly, the War Refugee Board requests that as soon as conveniently possible, the State Department cable the United States Ambassador in Madrid asking him to obtain the consent of the Spanish Government for the Unitarian Service Committee to operate in Spain with offices in Barcelona.

As soon as your office has confirmed to me that the requested instructions have been transmitted to the United States Ambassador in Madrid, I shall obtain from the Unitarian Service Committee a list of the personnel proposed to be sent to Spain. If the names submitted are satisfactory to the Board, I shall immediately furnish you with such list in order that the State Department may instruct the United States Ambassador to obtain the necessary Spanish visas. It is anticipated that if the Unitarian Service Committee is permitted to operate in Spain, Dr. Robert C. Dexter, the Acting European Commissioner of that Committee, who is stationed in Portugal will go to Spain to survey the situation and make necessary arrangements for the setting up of the office.

(Signed) J. W. Pehle

JEP:bbk - 3/18/44

3/26/44 115

CABLE TO AMBASSADOR HAYES, MADRID

Please refer to your No. 683 of February 28, with respect to War Refugee Board. Your comments and suggestions are appreciated.

War Refugee Board wishes to make clear to you that Camp Lyautey will not be the only haven of refuge to which refugees can be removed from Spain. The Board is currently carrying on negotiations for other havens, and you should assume and may advise the Spanish Government that all refugees entering Spain from occupied areas will be taken on to other places.

The Board is delighted to learn that the Spanish Government is not putting obstacles in the way of stateless and other refugees attempting to enter Spain from France with or without proper documentation, and is hopeful that that Government will in the future follow a generous policy in this regard.

The Board is aware of the fact that at present the number of stateless refugees entering Spain from occupied territory is extremely small. The Board however wishes to inform you that it is presently taking vigorous steps vis-a-vis Germany and its satellites which it is hoped will have the effect of stimulating the flow of refugees from occupied territories into neutral countries including Spain. The Board will continue to take all possible action to this end.

In any event the flow of refugees into Spain is certain to increase in the approaching months when the snow melts in the passes of the Pyrenees.

The Board believes that as a result of the pressure which is now being brought to bear upon the Axis, and as a result of the coming of Spring, Spain is very likely to receive substantial numbers of refugees in the near future. The Board is most anxious to relieve the Spanish Government of as many as possible of the problems, including finance, supply and supervision, which will necessarily be involved in connection with this influx. Accordingly, the War Refugee Board submits the following plan of proposed operations in Spain for your consideration, advice, and comment, and such action as may be necessary.

The Special Attache to your Embassy would supervise under you all the Board's operations in Spain, including the establishment and maintenance of refugee camps. He will have assigned to him a small staff which might include Transportation, Supply and Finance Officers. It is planned that

- 2 -

the attache and his immediate staff base their operations in Madrid. In addition to the Madrid staff, should the volume of refugees so warrant, it is proposed that up to three reception centers be established along the Franco-Spanish frontier. Each of these centers would have a supervisor possessing experience in refugee work. Each supervisor would likewise have a small staff. At least one Medical Officer and possibly a small nursing staff would also serve at each of the centers. An important member of the staff of the centers would be a qualified Security Officer approved by the War Department. These Security Officers would, of course, be assigned to the reception centers as refugee welfare workers rather than to the Office of the Military Attache in the Embassy. They would have the dual responsibility of screening refugees in search of possible enemy agents and obtaining possible military information from the bona fide refugees. It is tentatively proposed that reception centers be established at Figueras, Murillo and Tolosa (or such other localities as may be agreed upon) as points readily accessible to all who cross the Pyrenees. The Board considers it desirable that these centers should be in frontier zones rather than in the interior of Spain for the following reasons:

(1) The nearness of the centers to the border would reduce to a minimum the time during which the refugees would be on the hands of the Spanish authorities.

(2) Most of the refugees will have been in hiding in France and subjected to the rigors of strenuous travel on foot over mountain trails and will require, once they have crossed the Spanish frontier, immediate assistance with regard to food, medical attention and clothing. The refugees would be kept as far as possible out of the principal population centers, would minimize attention to the presence of the refugees in Spain.

(3) The location of the centers near to the frontier would permit close cooperation between their staffs and Spanish frontier officials. The refugees would remain in the reception centers only so long as is necessary to assure medical officers that they were in physical condition to travel, to permit preliminary security screening and to provide refugees with the necessary travel documents.

As the fundamental plan is to move as rapidly as possible to North Africa those refugees who may enter Spain from enemy-occupied territory, it is hoped that the French authorities will assign to their Delegation in Madrid, for special detail to the reception centers, officers qualified to screen refugees for security and to affix the necessary visa to their travel documents.

- 3 -

In this connection, it is indeed possible and probable that enemy agents may attempt to disguise themselves as refugees and enter Spain. It is eminently desirable, therefore, that, should the Security Officers identify enemy agents, such identification not be disclosed in Spain but that the agents be passed along to North Africa for apprehension there. This has been the policy toward enemy agents in the past; it is obviously preferable that they be in custody in United Nations' territory rather than at liberty in neutral country.

Do you perceive any objections which the Spanish Government might raise to the establishment of these centers in the manner suggested above or to their being financed through the Board? The funds for their operation will probably come from private sources in the United States. This plan, you will note, involves a minimum of handling of the refugees by the Spanish authorities. The Board would appreciate your recommendation whether it would be more practicable for the personnel of the centers to be known to the Spanish Government as official employees of the United States Government or as employees of private American welfare services. For your information, it appears that the American Red Cross would be reluctant, at this time, to participate officially in its own name in the proposed operations.

In you 683 of February 28, 6 p.m. (Section I), you request a clarification of the meaning of "involuntary" removal of refugees from Spain. It is appreciated that many of the refugees will desire, once they have escaped from enemy territory, to proceed to areas of the world other than North Africa. The Board feels, however, that it is undesirable that these refugees remain in Spain and that it is desirable that they proceed to North Africa where they may undertake preparations for further travel with considerably greater security for themselves and with complete avoidance of any embarrassment to the Spanish Government because of their presence in Spain. It is proposed that border officials and police authorities in the frontier zones direct the refugees to the reception centers and provide them with a safe conduct pass valid only for travel from the point of apprehension by these authorities to the nearest reception center. At the time of issuance of these safe conducts, it is hoped that the Spanish officials will advise the refugees that their presence in Spain will be tolerated only so long as they remain in that country pursuant to this program. On arrival at the reception centers, the officers there would explain to the refugees that the Spanish authorities have released the refugees to their care. Every effort would be made to impress upon the refugees that the continued passage through Spain of other refugees is dependent upon their own rapid departure from that country. Further explanation would be given the refugees that while they are proceeding

- 4 -

to North Africa they are under the auspices of the UNRRA rather than under the direct control of the French authorities. It is believed that such a policy, if intelligently executed by the Board's representatives, will assure the ready and voluntary departure from Spain for North Africa of all those refugees who may cross the Spanish frontier.

The War Refugee Board hopes that you will give its proposal your prompt personal attention and consideration and submit your criticisms and suggestions as soon as possible.

This cable has been cleared with the War Department and has the full approval of the Department.

MS/dm
3/20/44

100-1150-2

War Refugee Bd
119
Mr. Reilly

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Embassy, Madrid
TO: The Secretary of State, Washington
DATE: March 20, 1944
NUMBER: 974 (SECTION ONE)

1 copy only

CONTROL COPY

SECRET

Answering Department's message number 726 dated March 16 I should like to call attention to the considerations which my message number 683 dated February 28 raised.

In so far as it applies to Spain, it has not yet been demonstrated to my satisfaction that the proposed program of the War Refugee Board without incurring risks which would outweigh the possible humanitarian benefits, could make any substantial contribution toward the rescue of refugees from German-occupied regions of Europe. I find myself firmly disagreeing with the Board as I have already pointed out, for reasons which my number 683 set forth regarding the efficacy and wisdom of the program which Department's number 463 dated February 18 outlined. The attempted implementation of the program would not only jeopardize the continued effectiveness of refugee relief operations being carried on by Blickenstaff's office and Allied missions by virtue of which more than twenty thousand war refugees were evacuated through Spain to further destinations during 1944 but also would endanger objectives of immediate strategic and military importance such as the control of German agents and the rescue of Allied and American airman from German-held territory. Therefore what functions the Board's proposed full time representative

~~Handwritten signature~~
~~Handwritten signature~~
2- #274 (Section One) March 20, 1944

full time representative would perform or in what manner he would be useful is not yet clear to me.

HAYES

DGR:NPL
3/22/44

APR 1 4 39 AM

PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Embassy, Madrid .
TO: The Secretary of State, Washington
DATE: March 20, 1944
NUMBER: 974 (SECTION TWO)

SECRET

If the War Refugee Board wishes to work in Spain I am of the opinion that it should try to take full advantage of the experience which has been gained by those who have been actively working with this problem during the past fifteen months and should try to shape its efforts to fit conditions the existence of which have been shown by this experience. Since Blickenstaff has demonstrated his ability to cope with the problems of evacuation, relief and rescue as they exist here and is thoroughly familiar with them I feel for this reason that the Board should avail itself of his services. With reference to the feeling of the Board that it should have a full time representative here it is my feeling that the work which it could profitably do in Spain is already being done or can best be done by Blickenstaff's office and that the appointment of a representative from outside would involve a duplication of effort in addition to the waste of time involved in having to familiarize a "new" person with the Spanish situation.

I feel sure that the Foreign Minister would question the appointment of a representative from the outside as being contrary to the spirit of my agreement with him early in 1943 that
activities of all American

o- #914 (Section Two) from Madrid. March 20, 1944

activities of all American organizations desiring to participate in refugee relief work in Spain should be centralized in Blickenstaff's office and on the other hand I feel equally sure that in addition to Blickenstaff's other duties the Foreign Minister would give sympathetic consideration to the acceptance of him (Blickenstaff) as the Board's representative although I have made no approach to the Government of Spain regarding the Board's representation in Spain.

In view of the already large number of persons which other government agencies desire to send to Spain as attaches and in view of the desirability of keeping such appointments from the outside to an absolute minimum consistent with the effective prosecution of the war effort, the designation of Blickenstaff would be highly preferable. Moreover it would not be so likely to provoke German reaction which might embarrass the Government of Spain and make difficult its cooperation.

Because of the reasons given above I strongly recommend that Blickenstaff be designated as representative by the Board if it feels that it is necessary to have a representative in Spain at this time.

The foregoing repeated to London and Algiers.

(END OF MESSAGE)

HAYES

DCR:MPL
3/23/44

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Legation, Bern
DATED: March 20, 1944
NUMBER: 916

CONFIDENTIAL

Given below is the substance of a message which you are requested to please deliver to Intercross, Geneva, from War Refugee Board, referring to your cable of March 4, no. 1334.

The following concerns the equivalent of \$100,000 in Swiss francs received from the Joint Distribution Committee which was referred to in your letter of February 29, 1944, addressed to the United States Legation at Bern: Joint has informed the War Refugee Board that full discretion in respect to the use of the funds under reference has been placed in the Intercross, but Joint hopes that the Intercross will, after consulting with Saly Mayer, coordinate the proposals set forth in February 29 letter with the feeding program being carried out in Turkey at present and with the work which is being done by Saly Mayer. Joint assures the Intercross that no exploitation for propaganda purposes will be made of this relief action.

HULL
(GLW)

March 20, 1944
12:20 p.m.

CABLE TO AMBASSADOR STEINHARDT AND IRA HIRSCHMANN, ANKARA, TURKEY FROM
WAR REFUGEE BOARD

Board has received following information which may merit investigation not merely in particular case involved but as to situation generally.

According to information a father and son named Franki have escaped from Slovakia to Hungary from where they are trying to reach Palestine. They have received in Hungary Palestine immigration certificates and all necessary transit visas except Turkish. They have been unsuccessful in obtaining Turkish transit visas.

As you know, the Board does not undertake projects limited to the seeking out and rescue of specific individuals, but this case may possibly constitute a type situation which can be taken up with Turks.

THIS IS WRB ANKARA CABLE NO. 8

JEF:bbk - 3/18/44

PARAPHRASE OF TELEGRAM SENT

FROM: SECRETARY OF STATE, WASHINGTON
TO: AMEMBASSY, ANKARA
DATED: MARCH 20, 1944
NUMBER: 221

CONFIDENTIAL

War Refugee Board sends the following for Hirschmann's attention.

War Refugee Board has received a report considered authentic which indicates that Jews who can prove that Palestine is their ultimate destination are allowed to leave Bulgaria to go to Turkey under present Bulgarian policy. Apparently, the Rumanian position is the same. At the same time the Board has received information that no entrance certificates to Palestine are available or being allotted for persons in enemy controlled areas. The case of Stephen Holczer is an illustration. Holczer while residing at Timisoara in Rumania received both a transit visa to Turkey and an exit-visa from Rumania which were arranged for by the Swedish authorities, but he was not able to use them as he was refused an allotment of a Palestine entry permit while in Rumania and consequently was not able to give the Rumanian authorities assurances that Palestine was actually his ultimate destination.

It is evident that there is an urgent need to break the impasse which this situation has created. The solution of the problem possibly may be to find a way of meeting the conditions imposed upon the exit of Jews from Bulgaria and Rumania if the information we have regarding the positions of those countries is correct.

It is requested that you ascertain the authenticity of the reports received by us concerning the attitudes of the two governments. We suggest that Shaul Meyeroff at Istanbul be contacted by you in connection with the above, especially with reference to an official letter dated June 19, 1943, addressed to Spassof, a photo copy of which was sent to Mereminski by Bader in August. If it appears that our information is correct you should use every possible means to avail yourselves of this avenue. You should keep us informed of the developments as they take place.

HULL

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, ANKARA
TO: SECRETARY OF STATE, WASHINGTON
DATED: MARCH 20, 1944
NUMBER: 497

CONFIDENTIAL

Following is Ankara's no. 2 for the Department and WRB.

I was informed today by Simond of International Red Cross that he had received a cable from a representative of his organization in Bucharest that 48,000 Jewish refugees had been transferred to Rumania proper from Transnistria to date. A request to keep me informed of progress of the movement was made of Simond.

STEINHARDT

CORRECTION

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMEMBASSY, ANKARA
TO: Secretary of State, Washington
DATED: March 20, 1944
NUMBER: 499

On page one, line sixteen, of this message delete "be only oc(*)rtion" and insert "only be occasioned by deliberate distortion". The line should then read "could only be occasioned by deliberate distortion. The reply was made by Balbanoff".

COPY

128

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Ankara
TO: Secretary of State, Washington
DATED: March 20, 1944
NUMBER: 499

SECRET

The following is Ankara's No. 3 from Hirschmann for WRB.

Since our direct approach to the Rumanian Minister in Ankara (see our telegrams of March 13 and March 16 Nos. 440 and 474) produced satisfactory results, it was decided by the Ambassador and me that equally satisfactory results might be produced by a similar direct approach to the Bulgarian Minister here. Therefore, acting under authority which the Secretary of the Treasury vested in me (see the Department's telegram of February 12, 1944 No. 120) Simond was requested to arrange a meeting at Simond's home between Balbanoff, Simond and myself. I made it clear to Balbanoff at the beginning of our conversation that my sole function in Ankara was as WRB representative to deal with refugee problems; that any discussion which we might have would be confined to this subject exclusively; and that any other construction placed on our talk by him or his Government could be only oc(*)rtion. The reply was made by Balbanoff that he understood that it would be limited

to the subject of refugees and that he welcomed a frank.(*)
Balbanoff was informed by me that the reports of the brutal
treatment accorded to the minorities in Bulgaria, especially
the Jews, had outraged the government and the people of the
United States and that Bulgaria would be called upon in the
near future to answer therefor. I then informed him that
our Government was determined to do everything possible to
rescue these people who were in danger of losing their lives
and to find havens of refuge for them and that any continuation
by the Bulgarian Government of the execution of these policies
of the Nazi persecution would be born in mind by our Govern-
ment in the future and that his Government would be well
advised in its own interest to take advantage of such
opportunities to permit refugees to depart across its borders
as might be available to it in the future.

I suggested at the conclusion of my remarks that he
report them to his Government. It was stated by Balabanoff
in reply that the maltreatment of the minorities in Bulgaria
had resulted from the policies of Gabrowski, the former Minis-
ter of Interior, who he asserted had been a tool of the
Germans and was no longer a member of the Government. It
was then stated by him that of late the Jews had been given
much better treatment in Bulgaria and that he had reason to

- 3 -

believe the "pressure" against them would continue to relax. It was suggested by me that Balabanoff dispatch to his Government an urgent message recommending that the same treatment as that received by other Bulgarian citizens be accorded henceforth to the Jews and all other minorities in Bulgaria and the deplorable conditions under which the Jews and other minorities are living in concentrated camps be ameliorated at once and that the Bulgarian Government take immediate steps to authorize the granting of visas and to provide transportation for all refugees who wish to leave for Palestine or Turkey.

I was assured by Balabanoff at the close of our talk that he sympathizes fully with my suggestions, that he would cable his Government urging it to comply with them, and that he would send to Sofia a full report of our talk with further detailed recommendations and as soon as he received a reply he would request Simond for a further meeting with me.

STEINHARDT

(*) Apparent Omission

CABLE TO MINISTER HARRISON, BERNE, SWITZERLAND, FROM WAR REFUGEE BOARD

War Refugee Board informed by representative in Ankara that S.S. Tari 4,000 tons owned by Turkish Government and now at Istanbul is being made available to evacuate Jewish refugees from Constanza to Istanbul. Simond of International Red Cross has telegraphed Geneva for safe conduct all belligerents except Russia. Safe Conduct from latter is being obtained through Russian Ambassador in Ankara. Please communicate with the Swiss Government and ask it to support International Red Cross request for safe conduct in order that the S.S. Tari may be able to sail at earliest possible date.

3/20/44

Mann:db

PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Moscow
TO: Secretary of State, Washington
DATED: March 20, 1944
NUMBER: 935

SECRET

The following is a personal message for the Ambassador.

Last night I spoke to Molotov and left with him a memorandum requesting prompt action on the matter of safe conduct for the Turkish ship TARI as described in your cable of March 16 to evacuate refugees from Constanza. Also I mentioned to him our Government's deep interest in the subject. I was told by him that the matter would be given prompt consideration.

The above message has been sent to Ankara.

HARRIMAN

NOT TO BE RE-TRANSMITTED

COPY NO

11

SECRETOPIL NO. 91

Information received up to 10 A.M. 20th March 1944

1. NAVAL

A United States patrol aircraft sank an E-boat off ANZIO yesterday. One of H.M. Submarines sank a 500-ton schooner in MALACCA Strait 12th.

2. MILITARY.

Italy CASSINO Situation on heights West of town obscure following strong counter attack on two heights previously held by Indian troops. Our troops have been driven from the castle West of the town but are retaining their hold further South short of monastery in spite of difficulties. New Zealand troops are mopping up in the town but severe fighting continuing and progress slow, some enemy pockets have been reinforced.

Russia Russians have reached DNIESTER on 60 mile front between MOGILEV-PODOLSK and RABNITSA, have crossed it on 30 mile front and captured SOROKA. South of DUBNO they have taken KREMENETS and have made further progress South West of KIROVOGRAD.

Burma Our troops have cleared the enemy from the TIDDIM Road near TUITUM.

3. AIR OPERATIONS

Western Front 18th/19th. FRANKFURT. 3086 tons dropped in 34 minutes as follows: 1345 tons H.E. 1741 incendiaries and 486 4,000 pound bombs. No cloud but thick haze made visibility difficult. Marker bombs somewhat scattered at first but very well concentrated later. Attack developed quickly and later crews reported many fires, two being impressive. A/A moderate, fighter opposition slight, 1 claimed destroyed. 22 aircraft missing.

19th. Total 308 Allied bombers including 173 Fortresses dropped 659 tons on military constructions Northern France. Fighter bombers attacked an airfield in HOLLAND.

19th/20th. Aircraft despatched - BERLIN, DUSSELDORF and AACHEN 21. Examining 19, Intruders 32, anti-shipping 3, leaflets 12. All returned safely. 50 German aircraft operated over coastal areas of LINCOLNSHIRE and NORFOLK; 8 were destroyed by night fighters of which one is missing. A few H.E. and many incendiaries dropped at scattered points: slight damage, no casualties.

Italy 18th. 1515 offensive sorties flown, 354 United States heavy bombers dropped 423 tons on 5 airfields in UDINE area. In these operations, and fighter sweeps same area, enemy casualties 48:5:12; ours 7 Fortresses, 4 fighters missing. Railways in Central Italy attacked by 92 medium bombers. Over Western Battle areas 7 more enemy aircraft destroyed for loss of one fighter.

4. Home Security

Early this morning shelling caused considerable property damage and two fatal casualties DOVER area.

March 21, 1944
11:30 a.m.

FINANCING

Present: Mr. Bell
Mr. Smith
Mr. Gamble
Mr. Haas
Mr. Lindow
Mr. Tickton
Mr. Likert
Mr. Cartwright

H.M.JR: What I want to say to you gentlemen is this: From the material that I have been getting, interpretations of Doctor Likert's, what these men have said, and everything else, I am terribly disappointed. Now, we are just not getting the money. We are not getting it where it is.

There are some fourteen billion dollars' worth of savings which went, according to the SEC report, into bank balances, cash; and unless we do something different from what we have done in other drives, somebody is going to do it for us, that is all. I won't blame Byrnes or Winson or any of these people if they say, "Morgenthau, you are not doing the job."

Now, I don't know what the answer is, but one of the things I want to get from Doctor Likert--and we can do it on a spot-check--I want to know where the cash is, who owns it. I know all the answers why I can't get it, but somebody owns this money, and we are not getting it. I want to know who owns it.

Now, after all I am told, when you talk to a man about cash, he gets nervous. Let him get nervous. The woman gets nervous. Let her get nervous. But the cash is somewhere. It should be with the Treasury, and it is

- 2 -

with the individual. I have to find out who owns this money. If it is the people in the white collar class, U.S. Government employees, all the other people, the teachers, doctors, and so forth, but it is this new group of people who are working, getting from a hundred to two hundred a week, whom we are evidently not reaching. That is my guess, but I don't want to guess. Gamble has to know where this money is, what they are doing with it, what the reason is they won't give it to me, lend it to me. I have to find out. I want to start completely fresh.

I don't want anybody to tell me that maybe the E bond is no good. Maybe the interest rate is too high or too low, but we have to do something different than we have in the Fourth War Loan. We can't squeeze the damned country so dry that we get no money in March. By manipulation of this thing, we build up this thing from the Army and Navy, pay-roll savings, and all the rest, and we get by. What I am going to say is, after all these other fellows have all seen it, they know it. They have had the same figures that I have had. Instead of my going in and having them pound me and then get a call from the President, "Here you have this big bunch of stuff, you promised me the volunteer plan would do the trick, and it hasn't. You have advised me that you could do the job," and so forth, and so on.

I am just saying that with the combined brains of the Treasury plus what we can get from somebody else we have to do a different kind of a job than we did before, if the volunteer plan is going to exist. The main thing is, I don't want any guess work, see. I don't want some fellow to say--well this, I want to know. I want to know from the people in the field. I would go out again with Doctor Likert and talk to these people. I want to know why they are not buying more, what they are doing with their money, and why they are bringing their bonds in and demanding cash for them. Do you see? It just isn't good enough.

I have patted everybody on the back, which is all fine. The thing is over.

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But looking toward the Fifth with these people, what are we going to do to get the money? I don't know the answer. I know what is wrong after listening to all these people. We are just not doing the job. It is nothing personal. I say I am not doing the job, Mr. Bell, Mr. Gamble, everybody in the room here, except these gentlemen who are our detectives.

But now, Doctor Likert, I want you to go out and get this stuff for me, see. If you don't know what is wrong, these men can tell you. If you don't know what groups--I don't know whether you have seen their stuff or not.

MR. LIKERT: I haven't. I have just been going over it.

H.M.JR: You better go over that stuff. But the bankers know it because you boys spent until midnight with them, didn't you?

MR. HAAS: Just yesterday afternoon. They had read all the reports.

MR. ~~BELL~~: They sat until midnight discussing it last night.

H.M.JR: I am just going to raise hell around this place. I don't want to send anybody to the hospital or anything like that, but I am going to raise hell until I get the answer. I am even going to raise hell with myself. I am on the warpath. I have declared war. I think we have been smart enough now to stay ahead, but all the percentage trends show we are getting less and less of the savings of the country. It is all running against us. That is right, isn't it?

MR. LINDOW: Yes, sir.

H.M.JR: It is constantly getting less.

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MR. GAMBLE: E bonds have remained stationary. We have gotten a share of the available funds.

MR. LINDOW: We have gotten higher gross sales, but redemptions have gone off, so we haven't made any net gain in E bonds.

MR. GAMBLE: We have increased E bond sales, Mr. Secretary, in accordance with the increased available funds. We have stepped up E bonds.

H.M.JR: You don't mind if I check you, do you?

MR. LINDOW: E bond sales, Mr. Secretary, after redemptions, have been taking thirty-nine percent of the savings available all the way through over the last fourteen months. Each of the three financing periods we have had since January 1943 have run to thirty-nine percent. Other securities than E bonds amounted to twenty-six percent in January-April last year, twenty-one percent in May-October, and eleven percent in October-February.

H.M.JR: I can go back to the speech which I made then everybody got upset about it. We were going to get seventy percent of the savings, as I remember.

MR. LINDOW: Yes, sir. We had a step-up system, but instead of stepping up, we have been stepping down.

H.M.JR: That is the point. I realize everybody has been perfectly grand. They have been doing as well as they could, but they have to be better.

MR. GAMBLE: I agree with that, but I don't think it is blanket bad, Mr. Secretary.

H.M.JR: Frankly, I have been very depressed the last couple of days since I have sat with these people.

MR. GAMBLE: Well, in these four drives, we had twelve percent of the first drive, individual sales, seventeen percent of the second, twenty-eight percent of the third, and thirty-one and a half percent in the

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fourth, as represented by individual sales.

H.M.JR: Well, you see, that looks very good, but you get a report like the SEC, showing thirty-four, or whatever it is, million dollars in increased sales. You have to take the whole picture, what the savings of the country are, and what percentage of those savings are being invested in U. S. Treasury securities. And the percentage each time is less.

The figures you have given me are misleading to me, and it doesn't satisfy a man.

MR. GAMBLE: I don't think it is a perfect job, Mr. Secretary, but we have sold in the last eight months fifty percent more E bonds than we sold the first twenty-six months of this program.

H.M.JR: But, Ted, you have to get off that, and you have to look at it--here is a pie, something like seventy-five billion dollars' worth of savings?

MR. LINDOW: Over the last few years, yes, sir.

H.M.JR: Something like that, seventy-five billion dollars in checking accounts.

MR. LINDOW: Here are the latest figures, eighty-one billion from January 1940 through February 29.

H.M.JR: Which we haven't gotten?

MR. LINDOW: No, sir, that is the total. We got thirty-two, and thirty-one went into currency and checking accounts. It is fifty-fifty on that.

H.M.JR: And you can't say, from my standpoint, the way I want to approach the thing--the fact that you have made a swell showing in E bonds is no answer to the people who say that the volunteer plan will absorb enough of the savings out of the inflation picture. And if you said that, what you have said to me, you see, to the people of

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the school of compulsory savings, they would laugh at you. It is too late to go to Congress for compulsory savings now, so we have to just make good, not on the E bond, but on the total percentages of savings which will be invested in Government securities.

MR. GAMBLE: Well, I think all these reports are fine, Mr. Secretary. I have studied them, and I don't disagree with anything said. I think the unfortunate thing is that you can maybe, because you lose sight of the progress that has been made--nobody ever pretended that this job could be done overnight. I think all of our people are well aware that the Fifth War Loan is going to be by all odds their toughest job for many reasons. I think the heights that they have already reached will force them on to--

H.M.JR: But, Ted, the thing I am saying is, just those figures there which you have--we have to do something different than we have done in any of the others, to get a higher percentage of the total savings.

MR. GAMBLE: Well, I think we have to do something different. Before we say that, we want to see the progress we made with what we did, and see if the intensification of that is the best way to get it.

H.M.JR: Different than in what we have done or something new?

MR. GAMBLE: Yes. I think we should add to what we have already done, Mr. Secretary.

H.M.JR: Don't let's--I will go back. The bull's-eye as far as War Finance is concerned--out of these conferences between now and Friday week, this week and next week, I want to get recommendations from inside the Treasury and outside which will convince me that we can begin to stop this downward trend in the percentage of total savings we are getting invested in Government securities and turn the tide so it will go up.

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MR. BELL: What is that total savings figure in percentage?

MR. LINDOW: Total savings for when?

MR. BELL: Eleven percent outside of E bonds and thirty-nine percent for E bonds?

MR. LINDOW: Well, the figure varies from period to period.

MR. BELL: What did you get in the Fourth War Loan in total savings?

MR. LINDOW: In this last period, October 17 through February, we had total savings available as we call it of almost eleven billions.

MR. TICKTON: Individuals.

MR. LINDOW: And of that, five and a half went into currency and about five and a half went into Government securities.

MR. BELL: Now, we have about fifty percent of them?

MR. LINDOW: That is right.

MR. BELL: Now, what was it in the Third?

MR. LINDOW: In the Third there was a little over eleven billions available. Four and a half went into currency and checking accounts, and six point eight went into Government securities.

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MR. BELL: So we lose ground.

MR. LINDOW: That was the sixty percent take, there, and in the January-April period last year a total of eight point seven available and thirty-five percent, only three billion, went into currency and checking accounts, and five point five billion went into Government securities. That was sixty-five percent. That is why we are talking about trying to raise it to seventy and have a step-up system.

MR. BELL: The people who are buying the marketable securities are going down, and the people who are buying E Bonds are just staying steady.

MR. LINDOW: Buying more but redeeming more.

MR. BELL: And your savings are larger, too, aren't they?

MR. GAMBLE: They are buying the same percentage of the increased savings. We have kept pace in E Bonds.

MR. BELL: Kept pace with the increase in savings.

MR. LINDOW: Of course, when we talked about seventy percent we were talking about a higher figure for E Bonds than three billion in the drive. We were talking about a four billion two figure for A Bonds in the drive, and of course, we hope that by this time we have an even higher figure. But we used three billion in two successive drives, and in the Third Drive we didn't make it. We made two and a half. This drive we just went over.

MR. BELL: This savings is just being spread thinner throughout the population, and the fellows at the lower end of the ladder are getting the savings and they are not investing it as much as the fellow at the top of the ladder who gets more in savings and in marketable securities. Isn't that true?

H.M.JR: May I say that all the reports I have seen

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are that the people lower down the line in income, put the higher percentage of their purchase in War Bonds.

MR. BELL: In relation to their salary.

H.M.JR: In relation to their income.

MR. LINDOW: We had figures out at Bell Aircraft.

MR. LIKENT: It is the other way around.

MR. CARTWRIGHT: A fairly constant percentage of income, as a matter of fact. The bond-ownership figures we got the other day show that at each income level a fairly constant proportion of income.

H.M.JR: I was under the impression it was a lower income and higher percentage.

MR. CARTWRIGHT: Not any more. That has changed.

H.M.JR: have you been on this steadily?

~~MR. CARTWRIGHT:~~ CARTWRIGHT: Yes, sir.

H.M.JR: I don't think we have met before.

MR. CARTWRIGHT: Just once.

MR. LINDOW: I think that must vary, Mr. Secretary, because we have figures at Bell Aircraft of last September and they showed an absolutely inverse relationship between salaries and the amount going into bonds, percentagewise.

H.M.JR: The lower the salary the higher the amount going into bonds.

MR. CARTWRIGHT: There is considerable variation from place to place.

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H.M.JR: You see, what I am talking about is this, in this thing. I want at least to know as much, and be as critical of my own organization, as any outsiders we would bring in for consultation. I don't want them to jump on us and not be ready. We may have to change the kind of security - I don't know. But I don't think that we can just put on another Fifth War Loan and simply say we are going to work harder in the Fifth than we did in the Fourth and get the results.

MR. GAMBLE: I don't think we did that in the Fourth against the Third, nor in the Fifth against the Fourth, but you have been through a week, Mr. Secretary, at listening to an analysis of this without having any conversations or reactions from the people who have been out in the field doing the job. I think that you can do almost anything you want to with figures. You can do what I just did with the thirty-one percent, and you can reverse it and do it another way.

Now you have had one side of the story. I don't think it is as bad as that. Don't misunderstand me. I believe everything in these memoranda, and I agree with everything you have said. But I don't agree with one thing you said - everything but the statement that we just haven't done a job. I think that a great job has been done. I think if we fail to recognize it, then we are failing, possibly, to move ahead in a way we ought to move ahead to get the job done.

H.M.JR: Well, looking at the picture as a whole, and looking over the trend of the year, I feel that I am subject to real criticism and I don't know how to answer. I have been getting less and less than the total percentage of the savings of the country. I don't know how to answer. Nobody has asked me yet, but I want to be ready. I am going to be ready before somebody asks me. But if a man like Mr. Byrnes studied this thing, and some of these people over there in his shop, and put me on the spot, I don't know how the hell I would answer it.

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MR. GAMBLE: Well, I think here is one answer, and I come back to it. I think it is as good a story in one direction as this other story in the other direction. I think you have stepped, in these four war loan drives, to where you were going - twelve percent of your total money from individuals to thirty-one and a half percent of it is something you can be proud of. I think it shows there are techniques that have been used that you don't want to throw aside and say, "These aren't any good."

H.S.JR: I am not throwing anything aside, and I am not saying that isn't good. I know I am repeating myself. On that front, fine. But there is a whole lot of other money which is escaping us. Our bank balances and our currency are steadily increasing, and I say, now the hell are we going to get some more of that money? It is there. We are not arguing that the bank balances are incorrect or the amount of currency outstanding isn't there. It exists and we are not getting it. Now we have to do something.

MR. GAMBLE: I think the first thing is to find out where it is.

H.S.JR: We can't take too long about it, but we have to find out. And I come back again, I think that on top of everything we are doing now, we may have to do something else.

MR. CARTWRIGHT: I was wondering - in analyzing our material and talking to people, I have the impression that very few of them have realized that you are trying to get money out of the banks; that they somehow think that - well, you just buy the bonds with whatever you can get during the period of the drive, whatever you have left over out of your income.

I should think that if the Treasury were prepared to make a very vigorous drive to, say, get it out of the banks, that you can get it out of the banks.

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H.M.JR: You put your finger on one of the things. I understand they had it hot and heavy with the bankers yesterday on that very front. We are going to get rough with them.

MR. CARTWRIGHT: That is very important.

H.M.JR: We are going to get rough with them and we don't need a questionnaire on that. We can go to the bank president and say, "Now, look, we want you to really help us get that." I think I am right. We don't need any questionnaire.

MR. BELL: No, that is a question of relationship in the bank.

H.M.JR: The boys last night had a good free-for-all on that front. It really gets down to the cash. Everybody here is very timid. They don't want me to ask you to do that, you see. It will start rumors, and all. I said, "O.K. let's start a few."

I would rather have that kind of a rumor than have some fellow say, "Now, look, it will be Morgenthau" -- how much outstanding currency?

MR. LINDOW: Twenty-one billion currency. It was down around seven.

MR. HAAS: Five hundred million a month.

H.M.JR: Now, what are you doing about it? It really gets down to that.

I have to stop now. I want to get this off. I am going to be on the rampage. I'm going to raise hell and I will end up, most likely, in bed myself. I will try not to put everybody else in bed.

Remember, you (Gamble) are going away on the 2nd, isn't it?

MR. GAMBLE: That is about right.

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MR. BELL: When is he going away?

H.M.JR: The 2nd of April for two weeks.

MR. GAMBLE: I am going just for a week.

H.M.JR: No, you are going for two weeks. I am going to talk to his wife and get his checkbook and his railroad tickets, and I will give him some pocket money for some fun, but he can't come back for two weeks.

MR. BELL: Unless he spends it?

H.M.JR: We will fix him. But, anyway, we are all trying to do the same thing. I don't belittle anything that anybody has done. I think it has been wonderful, but we have got to get "gooder" than we were, that is all. Nothing personal. And I just want these fellows - and please get into accounts, will you? Don't be too afraid that the thing may not be highly professional.

MR. GAMBLE: You can use our funds for it if you move faster. (Laughter)

H.M.JR: I have done something!

After all, if it is eighty percent right, don't worry about it. In other words, something like you did up in Delaware - something fast.

MR. LICKERT: We are starting on the redemption right away. That is in the field this afternoon, I guess.

MR. CARTWRIGHT: That is right.

MR. GAMBLE: Can you switch that crew?

MR. LICKERT: Yes, if you want this ahead of it.

MR. GAMBLE: I would do that - switch that crew.

H.M.JR: Find out what the cash is. I think so.

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MR. GAMBLE: Because we have some knowledge of the redemption thing. We don't have any of the other.

H.M.JR: I think so, inasmuch as it is Mr. Gamble's money.

MR. BELL: As a matter of fact, you have a pretty good survey on redemptions.

MR. GAMBLE: This was just to bring it up to date.

MR. BELL: Would it help you any if you eliminated the twenty-five dollar bond?

MR. GAMBLE: No, sir.

H.M.JR: If you people want to continue - I have to stop now, but I am seeing you all at one o'clock. Can you unlimber?

MR. LICKERT: We will go right ahead.

H.M.JR: You have the money, you have the crew. Switch from redemptions to cash.

MR. LICKERT: That is right. We will do that.

H.M.JR: One of the things Mr. Bell doesn't want - the question has been raised about stopping the issuing of all bills above twenty dollar denomination, or something like that. All these really radical things--

MR. BELL: That came out of the front office!

March 21, 1944
3:10 p.m.

FINANCING - ABA

Present: Mr. Bell
Mr. Gamble
Mr. Haas
Mr. Drew
Mr. Newell
Mr. Strickland
Mr. Stonier
Mr. Burgess
Mr. Wiggins
Mr. Smith
Mr. Brown
Mr. Edwards
Mr. Fleming

H.M.Jh: I am glad to hear from the President of the ABA. Is that right?

MR. BELL: That is what he is.

MR. WIGGINS: Mr. Secretary, we had hoped to have at this time a manuscript, but I am sure you appreciate the difficulty of dealing with this subject in the time we have had. It will be handed to you in final form tomorrow by Mr. Burgess, who is going to stay over and write out a memorandum covering the points.

I think all of us are impressed with the size of this job in the next drive, and the difficulties involved, but the quota is a matter of how much money the Treasury needs. If that is what it needs, that is what we will have to raise - a fourteen billion quota.

We have discussed the dates of the drive, and after a number of changes we suggest that the period of June 7 to July 5 seems to be the best timing and about the right period; with the cut-off on E Bonds and F and G's at

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the end of the month, the 31st of July, including all sales of those bonds during June and July.

H.A.JR: When do you want to start it?

MR. BROWN: On the 7th of June, which would be on Wednesday. We think it would be better to start it in the middle of the week than on Monday.

H.A.JR: Did you consider starting it on Decoration Day?

MR. WIGGINS: I don't think so. I think we were figuring when it should end, and thought it should run into July on account of income that is received by many people the first of July from dividends, and more or less work backward from the few days in July until the date in June.

H.A.JR: I am listening now.

MR. WIGGINS: We also suggest that we not split the campaign this time as we did in the Fourth. In the Fourth we sold individuals first for a period, and then to others, and the general opinion of the group is that it should be combined and start right off with full steam on the whole drive.

MR. BELL: Is that the Burgess influence?

MR. BURGESS: No, I never said a word.

MR. WIGGINS: He had something to say on the subject.

As to securities, after a great deal of discussion we think that the seven-eighths certificates, E, F, and G bonds, tax notes, two and a half long-term should be offered; and the other bonds, either two and a quarter or two and a half, provoked a good deal of discussion. The two's or two's and a quarter, I mean.

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The general opinion is that the two's will find a much more ready market, that more people will be interested in buying them. There is, however, the consideration that some of those bonds, after the drive, may find their way into the banks, and that is a matter that we hesitate so much to suggest, a security that will find its way into the banks. And yet, the fact of the marketability of those bonds may increase the salability to individuals, to corporations. That is a fair statement.

Mr. BURGESS: I think so.

Mr. WIGGINS: The suggestion was made that some plan might be worked out for the sale of bonds on partial payments by the banks. We think that partial payment plans through the banks would be undesirable and as long as small issues are being sold, that it would not add very much, but would require the setting up of some machinery within the banks.

We think, however, that the partial payment through pay roll allotment, that type of partial payment that is already in effect, plus a planned allotment plan as used in New York during the past drive, should be emphasized more.

On the deferred payments by insurance companies, principally, and to some extent by savings banks and other similar institutions, we think that some provision should be made with some limitations, possibly as to size, for the purchase of securities by that type of institution on a deferment plan, running over a period of three months.

Mr. BELL: What do you mean by limitation?

Mr. WIGGINS: You might want to open that wide open to a thousand dollar subscription, for instance, or you might want to limit it as to amount, or as to the type of institution you would be willing to accept such subscriptions from.

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MR. BELL: That would pretty well limit the amount, wouldn't it?

MR. WIGGINS: Savings and Loan Associations - some of them might want to subscribe five or ten thousand dollars a month to take care of monthly collections. They would probably be the smallest.

On the investment of savings funds in commercial banks, we recommend that that be opened up again and that savings departments of banks be permitted again to subscribe up to ten percent of their savings accounts, not to exceed five hundred thousand dollars. It was two hundred thousand dollars in the last drive. And we recommend that the regulations covering that should be enlarged and amplified somewhat so that in the definition of time deposits there be included the time certificates which are used in some States in place of pass-book savings accounts. A few Western States, principally, do that.

MR. BELL: We only applied it to the savings accounts, strictly, the other time.

MR. WIGGINS: A suggestion in one of the memoranda was that in the issue of certificates, at the maturity of the issue of certificates May first, that the banks might be called upon to take an additional one billion or two billion, or thereabouts.

Our feeling is that if that could be postponed, if the Treasury didn't need the money at that time, that it might be desirable to postpone that call until after the drive; that it might dull the edge of some corporations or others if this issue were put out the first of May and then the drive started June 7.

It is largely a matter of whether the Treasury will need that money at that time or not, but we think it will be better, if the money were not needed, to postpone it until after the drive - until the need is more urgent.

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That is related a little bit to the bill program. We think the plan outlined in the Treasury memorandum for continuing the bills on a ninety-day basis and with a gradual increase of one hundred million a week, I believe, in April, and two hundred in June, is desirable. We recommend that.

We have two other suggestions that are not in the memorandum submitted to us; one was that consideration again might be given to the desirability of issuing this two percent bond, a market bond, in one hundred dollar denomination. There are some people who prefer, in small investments, not to buy the registered savings bond, that might be interested in buying a small market bond.

We also suggest that further study be made of the possibility of reducing the rate of interest paid by the Postal Savings System. It is now pretty generally two percent. The rates are controlled largely by the rate paid by savings banks or by banks on savings accounts. We think that rate is too high. It is the old rate that never has been used.

MR. BELL: It is the statute as far as the two percent is concerned, but it is also governed by the rate fixed by the Federal Reserve Board. That rate now is fixed at not more than two and a half percent on savings accounts. If the Board should reduce the rate, why then it would also reduce the amount paid on Postal Savings. It is also governed by the rate fixed by State Banking Commissions. In New Jersey they have fixed the rate at one percent. Postal Savings can only have one percent in the State of New Jersey.

But to change the rate without changing the overall rate by the Board would require legislation.

MR. WIGGINS: The only other item I have is that we are naturally concerned over the declining proportion of income both from individuals and corporations that

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has been invested in bonds. In many communities the banks have been vigorous in urging their depositors to invest their deposits in bonds. We think that might be further intensified and further efforts made. But the big job seems to be to get the money from the sources of increased income which is largely in the lower income group. That is really the important place, and the tough place in the next drive, to get more of the money from the income up to five or six thousand dollars.

We have no recommendation as to machinery to accomplish that objective. I merely state that as being the place where the money is, and we should make unusual effort to get it.

Have I omitted anything, gentlemen?

MR. BROWN: The fact that a lot of those people do not have bank accounts--

MR. WIGGINS: Yes, we find that many of them have no bank account; I think that accounts for a little bit of the increase in circulation - carried on the hip.

R.M.J.: May I say thank you?

Now, may I give you a little bit from my side?

I haven't much about what you have said, but I think that what we have done - everybody has done - in the First, Second, Third and Fourth War Loan is a successively better job, but it isn't good enough.

We have a little over fifty-six billion dollars deficit for this calendar year. Nobody is arguing about whether we will or won't raise the money, but it is how we raise the money. And I think most of you in this room have been committed to a volunteer plan of getting it. It is too late to turn back now. We are on the track and we just have to do it.

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Now, I am bothered by the constant increase in the bank deposits and the cash in circulation, and I have thanked and praised the American banks as I think they deserve for the job they have done, which I think has been perfectly grand.

I do think, as long as we are here to help each other, that the bankers can do more. There are some banks which have been perfectly swell about letting us have access to their depositors. To be personal, I happen to be a little bit more familiar with the National City Bank, which has set an example on this thing. They hesitated at first, but when they decided they would do it, they did it a hundred percent.

If anybody had told me four or five years ago that any bank would give a bunch of salesmen their deposits I would have said they were crazy. That doesn't mean I don't know what other banks have done, but maybe at the moment Mr. Burgess sells me a little harder.

MR. BURGESS: We don't give them to outside salesmen, but to our own people.

MR. JR: Yes, but frankly, gentlemen, it would come with much better grace from the bankers themselves, an organization like yours, than it would from us. I would be very loath to do it - but you know much better than I do which don't do it and which are holding out. A lot are not doing it.

I think, from our standpoint, from the standpoint of what an organization like the ABA can do, I think your men ought to go all-out to make those people do a job themselves, or make it possible for citizens in the community to do a job on people who have excessive cash deposits over and above their actual personal business needs. And I think in the Fifth War Loan we just have to have that kind of cooperation. We are not doing the kind of job I would like to see on getting the savings of the country. We are just not getting them.

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Now there are just two places; in the glass jar - or on the hip, as you say - or in the bank. Now, I can't think that you can help us very much to get the cash, but we can help them open bank accounts. If you have any suggestions as to that, I would be very glad to receive suggestions as to how to get the cash into the banks.

But I do think that you gentlemen ought to help us work on your members much more aggressively than you have, to get this money in the banks. And that is why I would very much like to have you meet and consider and give us some suggestions. The other things are easy - I mean what kind of a bond, and the interest rate, and the rest.

I am worried, I don't make any bones about it. I am not frightened, but I am worried about what we are going to do as this war keeps on - how we are going to get this money.

Now, that is my little say, and I would like to know what I can expect from the ABA in the way of assistance.

MR. WIGGINS: We feel that - I wouldn't want to say most of the banks, but my own judgment - my own opinion is that most of the banks have been doing that very thing. Now there may be, and are, many exceptions. I know in our part of the country that is the way we make up our lists. We figure out how much money various individuals have and how much we think ought to be put in bonds, and we go tell them so.

H.M.Jh: I haven't rehearsed this with Gamble. Ted, are you up on this subject?

MR. GAMBIE: Yes, I am up enough to know what you have said, Mr. Secretary, would go a long ways toward getting this job done. It is not universal. It has been spotty. Some of the banks have done a magnificent job. National City bank - the First National bank of

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Chicago has one of the best records of any bank in the country of doing a real job on their deposits. It is not universal. We have never pushed it - never felt it was our right to push it.

As the Secretary has pointed out, it would come with much better grace if it were suggested inside the banking fraternity - that the banks commit themselves to aggressive leadership in that field in the Fifth War Loan Drive.

Any number of big banks throughout the country with seventy-five to one hundred and fifty million dollars in deposits have lent their help. They have done a fine job. They have helped serve, but they have not done a job of canvassing their own depositors.

MR. NEWELL: Do you mean you want the banks themselves to do the canvassing?

MR. GAMBLE: What the Secretary said was that the banks might be reluctant to give us a list of their depositors.

H.M.Jr: Some of you men have to help me out. I know the net result, but I don't know, for instance, in Chicago, whether it is common practice for the banks to work on their own depositors or give a list to bond salesmen.

MR. BROWN: No bank would give a list of their depositors to any general group of bond salesmen. The banks or organization group - in our case several hundred people - will call up all depositors over a certain amount and try to get them to buy bonds. Some other banks have done it as hard as we have - others haven't.

H.M.Jr: There are banks you know of who have not done it.

MR. NEWELL: They have all done it to some extent.

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H.M.JR: But not all-out.

MR. NEWELL: I haven't pushed it. It is a little bit delicate to tell one of your rivals that he is not doing a sufficiently good job.

H.M.JR: But don't your bank teams- what did your bank teams in New York do?

MR. BURGESS: I think they have done an increasingly good job. One way we have stimulated that is to send around a score. We send around after the campaign and in the course of it, the number of sales made by each bank team, the number of canvassers they had on the job, the number of interviews they made, the number of sales they made and the dollar value of the sales they made, so that each bank compares its results with another.

I happen to know that one of the big banks looked at that and said, "My golly, we have made half as many sales as somebody else," and they are already organizing to do a better job next time.

H.M.JR: Don't some of the banks give a list of their depositors?

MR. BURGESS: They started to do it. That was a mess.

MR. FLEMING: We did it originally. We decided it was best.

MR. BURGESS: They tried it. All did not do it.

H.M.JR: But the Victory Fund Committee?

MR. BURGESS: They started but it never worked.

MR. STRICKLAND: No indication of purchasing power as related to balances. We turned over a list of depositors and those names were distributed to the salesmen.

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I don't believe there is any indication of the relative purchasing power of those groups in any form.

The system that has worked in Atlanta best has been for the banks and brokers group working together, for us to work our own group of depositors. And I believe that can be intensified, although I think it had been relatively well done by the banks that were alive to the situation.

MR. GAMBLE: Let me contrast San Francisco with Chicago. Take the First National Bank of Chicago; if every bank in San Francisco had done the job that the First National Bank of Chicago had done, we wouldn't have had the difficulty we had in the last two War Loan Drives making our goal. They just haven't done ten percent of the job that was done.

If every important bank was doing the kind of job they are doing out there--

MR. JR: You could very easily give the ABA the towns and banks by name who haven't gone all-out, couldn't you?

MR. NEWELL: What have they done in St. Louis?

MR. GAMBLE: Medium.

MR. SMITH: They did this there, Mr. Secretary. In the beginning the organization took the list and we checked them to make sure that the names were complete and solicited the names that they didn't have. And since that time the organization has been practically an organization of bankers; the banks have done whatever they wanted them to do. That is the policy. And it seems to me that what this report will say is that the banks realize - this Committee realized this condition, that more must come from the savings of the country and urge the bankers of the United States - and the Association will undoubtedly do that - to lend every

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possible effort to bring these savings out. Now then, by cooperating with the War Loan organizations in the various communities, they can bring to the attention of the community or the citizens who lead, the fact that the banks are cooperating, and get cooperation.

MR. GAMBLE: Would it be a practical thing for this Committee - I am asking this as a question - I don't know - to make a specific recommendation to every bank in the country in writing?

MR. NEWELL: Have you got that section written?

MR. WIGGINS: I don't think that section is--

MR. BURGESS: You have a draft of it.

MR. BELL: You did that once earlier in the game, that it was up to every banker to see his depositors were solicited. You undertook, in your Economic Policy report, to show that the deposit would come right back to the bank. But that hasn't been followed up since then.

MR. STRICKLAND: I think it goes beyond the ~~solicitation~~ solicitation. Too many people feel, with a twenty-five dollar bond, "I have bought a bond." You have to follow up beyond there.

H.S.JR: I don't know whether I make it sound serious enough, but you men know how your deposits are going up. You know how the cash in circulation is going up.

Somebody has just got to get tough and rough.

MR. STRICKLAND: I think, Mr. Secretary, the problem is certainly not with your group of more wealthy depositors; your problem is in that intermediate class below.

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Mr. Jk: Granted, but we can't overlook anybody.

I mean, we are getting to a point - and I have had this discussion with you and other people before, and I can understand that I don't know what the answer is - that you as President of a bank, can you get rough and tough with a man who has got fifty of a hundred thousand dollars lying there, and it has been there two or three years, and he won't put his money in a bond?

Do you want to be put in that kind of a position?

Heretofore you people have said you didn't. I can understand that.

If you are not going to just drive this fellow out and tell him, "Look here, who owns this money?" - particularly if he can go across the street to a place where he will not be treated rough and tough--

Mr. BROWN: where he can rent a safety deposit box where he can put the currency away. The smaller ones will do exactly that if you get too rough with them.

Mr. Jk: The other thing I have talked, and I haven't made any impression on my people, is this idea that we stop issuing any currency above twenty dollars, so if they are going to shove it into a box, they can't get a box big enough.

I can't get much sympathy.

Gentlemen, I just don't feel that we can simply go ahead with the Fifth war Loan and say everything is going to be the same except we will work a little harder.

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MR. FLEMING: Mr. Secretary, I think there is another angle to that. I agree with you wholly it is a matter of close cooperation between the banks and the Treasury to bring this result. It seems to me that we must start soon in each group to draw the economic background much more sharply behind this whole story, rather than to depend on the dramatic aspect of the war. That is going to be dramatic enough, probably, when June comes, but we have to tell people that the safety of the country depends upon the investment of their money, inflationwise, and to stress the soundness of the investment, rather than to simply excite pity or sympathy for the soldiers and say, "Buy a twenty-five dollar bond and help out the bad things that go on in the world."

We have let them know it is a matter of life and death as far as the matter of economy in this country is concerned. I believe that motive can come into the scheme now from both the Treasury and the banks.

MR. STONIER: We have done that around here, but I am not sure we have done it to the right groups. We call the three or four hundred most prominent people. I have made that same plea. Whether they have absorbed enough of it to trickle down into the people below where the mass mind is, I am not sure.

H.M.JR: I don't think it has. I think something along the line of what the insurance companies did--is that what you have in mind?

MR. STRICKLAND: Exactly, both from the Treasury and the banks. And I don't think it ought to wait until June. It could start sooner.

MR. NEWELL: Mr. Secretary, I didn't expect to speak, but it occurred to me it might be helpful the way we tried to do it. Maybe it was a selfish point of view, but we tried to make everybody in the bank where I worked a salesman, and said we believed that would increase enthusiasm in bond sales by their being a part of it. The result is that we have processed pretty nearly a quarter of an entire State. The deposits ran off, but they came back.

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MR. BELL: Mr. Brown said in Chicago your savings deposits went up right along.

MR. BROWN: Yes, during the last drive they went up very little, but then they began going up one hundred and fifty or one hundred and eighty thousand dollars a day. But if you go to those savings depositors and say, "You have five hundred dollars in the bank and we think you ought to buy three hundred dollars' worth of E bonds or G bonds or something else," the only result will be not that you take the money out of your bank and put in another bank, you put it in a safety deposit box or keep it in a jar at home, which from the point of view of the general banking economy, by taking out currency and reducing the required reserves, makes the situation much worse than if you leave it in the bank.

We do have several hundred clerks working through a week's drive where they have above a certain amount. "Here is a fellow who has a sizeable savings balance. Go after him and see if you can't sell him bonds." You won't dare tell the clerk the exact amount of the balance. If you did, most of those savings depositors would simply put their money in currency. A great deal of this is simply the fear that if they leave the money in the bank somebody will find out about it. If it isn't forced savings, then it is pressure savings; and if they keep it in currency, nobody knows how much they have. You have to be awfully careful as to how you go at your depositors.

It is true in Chicago you can take two banks of the same size, and one will make half or a third as many sales as the other bank of the same size. But it is pretty hard for any of the bankers to go to some other prominent bank and rival and say, "You are not doing your duty."

MR. NEWELL: Don't you think we could do something like that? Don't you think if Mr. Gamble could give us the spots where it is the weakest--don't you think we could sift through our clearing house associations and approach it from this economic standpoint for our own sakes and see if we can't improve it. I know

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that in every community there is at least one banker, I am sure, who is more than "head up and tail up" in doing this job.

MR. GAMBLE: This job that Mr. Brown's bank did--there is an interesting story in connection with it. What I started to say, Mr. Secretary, about the savings deposits in Mr. Brown's bank--they had a very rapid increase in deposits as the result of campaigns they had in the Second and Third War Loan Drives. They virtually stopped that increase; they had just a minor increase in those amounts. And if we could multiply that kind of operation, the National City operation, by hundreds of banks in this country, it would make all the difference in the world in our program.

H.M.JR: You heard what they said. As I take it, now they are asking where the bad spots are. Well, let's give them to them.

MR. GAMBLE: Do you think it would be better to approach it positively so that these men are not placed in the position of picking out banks, but blanket the country as though this were a new idea and something we were going to do for the first time?

MR. BURGESS: I don't think you can do that, Ted, because a very large proportion are doing a great deal. You suggest the National City. I don't think there is a bank in New York City that hasn't made a pretty thorough canvass of its depositors.

H.M.JR: I don't think it is negative to say to American bankers, "Here are spots that aren't doing well." Talking about advertising, most of the banks are fairly affluent now. I wondered if they might not do a little advertising, institutional advertising, if not collectively, as individuals.

MR. FLEMING: Don't they do it, Henry, pretty well?

MR. STRICKLAND: This economic theme has been taken up very well.

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H.M.JR: They are not much on advertising.

MR. SMITH: We had this happen in St. Louis.

MR. BURGESS: The New York banks' advertising committee is pretty well organized. I think every bank has advertised.

H.M.JR: My impression is they have done less rather than more.

MR. SMITH: In St. Louis they won't take our ads.

MR. BURGESS: Because of the paper shortage, they won't take more than so many ads.

MR. SMITH: We sent out certain ads, and they wouldn't take them.

H.M.JR: I would love to get an example, see, when they want to take a department store ad advertising fur coats, and they won't take a bank ad that tells a fellow--

MR. SMITH: They declined them in the last campaign.

H.M.JR: I would like to take it up with the American publishers. I'll bet you we could get somewhere. You pick up a Sunday paper; they have page after page of merchandise to sell. If we fellows want to come along with a half-page ad and tell people what their economic future is, I would like to see a newspaper turn it down. I would like to have a concrete example. These newspapers hollering around--take any Sunday newspaper.

MR. WIGGINS: That is quite true.

MR. SMITH: But that is what they did. I think if anybody--I can only do so much, and I don't want to do too much shouting outside, because I don't want to frighten people. I think that under the volunteer plan we have to be much more aggressive and bring people's attention to it, educating them, telling them why, and then making it easy for them to invest in their own Government securities.

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MR. STRICKLAND: It is for their own sakes.

H.M.JR: Of course, it is. I know a lot of you are leaving town, but I wish some of you would stay behind if you agree to put out a good stiff resolution on this thing.

MR. WIGGINS: We are having a meeting of our Council in Chicago next month at which there will be about five hundred bankers from all over the United States. I think that is the key spot to implement this idea and to get it to the right people all over the country.

H.M.JR: As I say, nobody in the room disagrees, I think, with what I am saying as to the situation. Now, I am asking you people whose business it is how best to carry it out in your own field.

MR. STRICKLAND: I agree with President Wiggins and Tom, in view of the fact that in less than thirty days we are going to have a meeting, that that would be the time for us to hit it hard. Let them carry the message back.

MR. WIGGINS: And a resolution there by that group will carry much more weight than one ~~by~~ this group here, because that is the official group of the American Bankers Association.

MR. FLEMING: This is a committee of the Association. We could recommend to that body that they do this. That is the thing to do.

MR. WIGGINS: It would be for this committee to recommend to the Executive Council that program.

MR. GAMBLE: I would like to make one further suggestion following that so that we can probably take advantage of this spade work you do, and that is, that this group appoint a smaller committee of two or three people that will work right through the Fifth War Loan so we could fully develop that.

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H.M.JR: I think it would be good. How about that?

MR. WIGGINS: Fine. Any way we can help, it would be helpful.

H.M.JR: I think that would be good.

MR. BELL: Could the banks be circularized after your meeting in Chicago?

MR. WIGGINS: We circularize them before every drive and try to give them the tempo and the theme.

MR. FLEMING: The question is, could you have this resolution distributed?

H.M.JR: I think face-to-face stuff is better. To go back to my experience in Manhattan, Kansas, the fellow showed me how many circulars he gets. He said, "Here is my trash basket. There is where they go." He doesn't read them.

MR. FLEMING: That is true of a good many very small banks.

H.M.JR: He says, "I just don't read them." He brought me in a bunch of them and showed me.

MR. GAMBLE: With this committee, Mr. Secretary, we could reach down into every community in America, contact people, develop a sales program to carry forward from the day the committee is set up. We can help supply the tools with which to work.

H.M.JR: Well, I would like to see you people a little more excited than you seem to be.

MR. BURGESS: Henry, the one question I have is, you are not sure--I am not sure you know how much the bankers have done; in New York State my district chairmen, who are bankers, have been on the ball steadily. They have put their staff on the ball and turned themselves inside out

- 20 -

every war loan drive. If we go at them with something new, they will say, "Hell, you fellows don't know what we have been doing."

H.M.JR: I didn't suggest that, and I am not belittling, but you know just as well as I do what is happening to the bank deposits in the country. I am simply saying; I am not belittling you people one iota. I said that from the beginning.

The way I feel is that you might tackle this Fifth War Loan and say, "We are just going to do the same thing," and to just work a little harder isn't enough.

MR. BURGESS: Of course, on the statistics--I have followed them very carefully--they show an increase in the available funds, but they don't show whether that money is available. The mere fact that it is on deposit in the bank is not an indication that it is available to buy Government bonds. Some of that is reserved against taxes; some of that is locked up against contracts of one sort or another; so these figures that show the proportion of new funds that go into bonds with the suggestion that the rest is available and should go, I don't think, mean what they look like.

H.M.JR: Well, on the over-all picture, I think it does. I think there are always exceptions, but again it is a question of not you and I saying what we think, but trying to find out. I want to repeat again what I said at the beginning. I have said that at the meeting I was invited to at Chicago three years ago, I think.

MR. STRICKLAND: Two years ago.

H.M.JR: I said it then, and I have said it again and again, and I haven't changed. I think the banks did perfectly fine. I will say it as often as is necessary. The country is convinced of it, not because I have said it, but because of the way banks have conducted themselves.

But I see that the savings of the country are running ahead faster than we are getting the money. I am not saying

- 21 -

this is the only way, but here we are meeting together as a cooperative group, and I think--nobody has disagreed with me here that we could in some instances go after them harder than we have before.

MR. BURGESS: That is right, and we should go ahead.

MR. GAMBLE: Looking at the country as a whole in more than some instances, Randy, and I would like also to say--and I have made the statement to the Secretary and made it publicly--we couldn't have done this job without the help we have had from the bankers. They have been perfectly magnificent with their support. In my own town, in Portland, Oregon, a banker was the chairman, the vice president of the First National Bank. There were forty-seven banks in Oregon. The banks spent thousands of dollars and devoted many of their employees to the drive. Yet, they did not list their depositors, and that was probably the greatest contribution they could have made from the practical point of view.

H.M.JR: Everybody in this room knows a thousand percent better than I do who is and who isn't doing it. You people all know. We don't have to tell you.

MR. STRICKLAND: We do in our own communities, but not generally.

H.M.JR: I mean, in your own community you know who is and who isn't.

MR. STRICKLAND: Absolutely. I think they are all doing it, but it is a question of degree.

MR. GAMBLE: I think most of you men, because of your association with the Treasury, have helped encourage good programs in your own community. I think you may have a better picture than exists throughout the country as a whole.

H.M.JR: Gentlemen, I have had my little say. I will look forward to what you can do. I will look forward to your forwarding a copy of the memorandum. I understand

- 22 -

you are leaving your First Vice President behind, also the State Chairman of the something Committee of the State of New York.

MR. BURGESS: Executive.

MR. WIGGINS: Only one other subject, Mr. Secretary, came up, and that was the increased redemptions of bonds. We wondered if there was anything that we could do or that could be done to discourage that somewhat. The only suggestion that was made, that I recall, was that possibly some letter should be sent accompanying a check for redemptions, expressing some regret that they found it necessary to redeem their bonds.

H.M.JR: We are studying that. I don't know what the answer is.

MR. WIGGINS: It is a difficult subject like this hoarding is.

H.M.JR: I think the hoarding is the most difficult of all.

MR. GAMBLE: We have a whole campaign in the making.

H.M.JR: I think the hoarding is the most difficult.

MR. WIGGINS: We thank you very much. We all agree that we have to get the money in the banks to buy the bonds.

3/21/44

170

AGENDA FOR ABA COMMITTEE MEETINGS

March 20 - 21, 1944

1. Treasury need for funds
2. Memos for study:
 - (a) Money Market Problems
 - (b) Borrowing program
 - (c) Sources of funds
 - (d) Problem of selling securities to non-bank investors
3. Problems of the Fifth War Loan
 - (a) Date
 - (b) Basket of securities
 - (c) Partial payment schemes
 - (d) Deferred payment for Insurance Companies and Savings Banks
 - (e) Purchases by banks for savings accounts
 - (f) Withdrawal of deposits to purchase Government securities
4. Treasury bill program

BANKERS COMMITTEE LUNCHEONTuesday, March 21, 1944

Mr. Wiggins, Chairman

Mr. Smith

Mr. Brown

Mr. Burgess

Mr. Fleming

Mr. Edwards

Mr. Strickland

Mr. Newell

Mr. Drew

Mr. Stonier

Secretary Morgenthau

Mr. D. W. Bell

Mr. George Haas

Mr. Ted Gamble

Eccles

15

March 21, 1944
4:01 p.m.

Wright
Patman: Hello.

HMJr: Hello.

P: This is Patman.

HMJr: How are you?

P: Fine. I hope you're all right.

HMJr: Never better.

P: The Speaker told me to call you.

HMJr: That's right.

P: Do you have some stuff?

HMJr: Yeah.

P: Well, why don't you send it up?

HMJr: Well, where will you be?

P: I'll be in my office. It happens that I have thirty minutes to talk just after that fellow tomorrow.

HMJr: Wonderful.

P: And I intended to use it on the O.P.A., but I can do that the next day because I have time the next day.

HMJr: Well, that will be wonderful. You know this fellow.

P: Oh, sure I do. He's on the same committee with me.

HMJr: He's sort of a crack-pot.

P: Yeah. That's....

HMJr: That's the nicest thing I can say about him.

P: Yeah. That's putting it mildly.

- 2 -

HMJr: Well, I'll have Joe O'Connell and one or two others come up to see you. They'll be there not later than four-thirty.

P: Well, okay. I'll be in my office at 1035.

HMJr: No, wait a minute -- tonight -- I mean this evening at four-thirty.

P: That's right.

HMJr: And your office is....

P: 1035 -- it's on the West side of the new building.

HMJr: Well, I -- the Speaker couldn't have given me a better man.

P: Well, thank you, sir. I'll be very glad to try.

HMJr: Thank you.

P: All right.

HMJr: Bye.

P: Bye.

POSSIBLE ALCOHOL PROJECTS

	Annual capacity gallons of alcohol or equivalent	Total cost estimated by proposer	Time of completion after issued	MANPOWER		
				Construction (man days)	Operating (men)	Critical material cost
<u>SULFITE LIQUOR</u>						
1) Rayonier-Vulcan Fernandina, Fla.	3,000,000	\$1,000,000	one year	50,000	60	\$ 500,000
* 2) Puget Sound Pulp & Timber Bellingham, Washington	2,000,000	\$ 900,000	thirteen mo.	45,000	8	\$ 450,000
<u>GRAIN</u>						
1) Location at Duluth using Canadian wheat (uses 6,250,000 bu. wheat or 175,000 tons, and recovers 51,500 tons of high protein feed containing almost all the original protein of the wheat.)	15,000,000	\$4,500,000	one year	225,000	160	\$2,250,000
<u>PETROLEUM</u>						
1) Petroleum Chemicals Inc. Lake Charles, La.	24,000,000	\$9,200,000	fourteen mo.	460,000	134	\$4,600,000
2) Standard Oil Development Baton Rouge, La.	8,400,000	\$2,000,000	twelve mo.	100,000	50	\$1,000,000
3) Standard Oil Development, Baton Rouge, La.	10,000,000	\$3,500,000	one year	175,000	50	\$1,750,000
4) Standard Oil Development, Ingleside, Tex.	15,000,000	\$4,500,000	one year	225,000	75	\$2,250,000
5) Carbide & Carbon Chemical Texas City, Tex.	5,000,000	\$ 500,000	six months	25,000	10	\$ 250,000
<u>OTHER MATERIALS</u>						
1) Rubber Reserve-Institute, Kobuta, Louisville.	16,000,000	?	ten months	(Details not worked out)		
2) Military Chemicals Co. Pittsburgh, Kan.	8,000,000	\$ 333,000	four months	16,500	8	\$ 167,000
*3) Rubber Reserve-Institute, Kobuta	12,000,000	\$1,900,000	nine months	95,000		\$ 950,000
<u>WOOD SUGAR</u>						
*1) Willamette Valley Wood Chem. Springfield, Oregon	4,100,000	\$2,227,000	fifteen mo.	111,350	60	\$1,113,500
<u>SWEET POTATOES</u>						
* U. S. Sugar Co. Clewiston, Fla.	7,000,000	\$2,056,000	thirteen mo.	102,800	60	\$1,028,000

* Part of Chemicals Bureau recommendation of January 31 for 30 million gallons non-critical food alcohol.

SUPPLY, REQUIREMENTS & STOCKS

3/20/44

	1944					1945				
	1st. Quarter	2nd. Quarter	3rd. Quarter	4th. Quarter	Total 1944	1st. Quarter	2nd. Quarter	3rd. Quarter	4th. Quarter	Total 1945
SUPPLY:										
Synthetic ^{1/}	14.9	15.0	15.0	15.0	59.9	16.3	16.2	16.3	16.2	65.0
Gulf	13.4	15.0	16.2	16.2	60.8	16.0	16.0	16.0	16.0	64.0
West Coast	4.4	3.8	2.0	1.8	12.0	1.8	1.8	1.8	1.8	7.2
East Coast	37.0	37.5	37.5	37.5	149.5	37.5	37.5	37.5	37.5	150.0
Other Areas	3.3	3.3	3.3	3.3	13.2	3.3	3.3	3.3	3.3	13.2
New Grain	7.9	15.0	17.5	20.1	60.5	20.1	18.4	16.7	20.1	75.3
New non-food ^{1/}	-	-	-	-	-	3.0	4.6	6.0	6.3	19.9
Beverage	60.0	58.0	52.0	58.0	228.0	60.0	58.0	52.0	58.0	228.0
Imports	3.5	7.2	7.2	7.2	25.1	6.3	6.3	6.3	6.1	25.0
Totals	<u>144.4</u>	<u>154.8</u>	<u>150.7</u>	<u>159.1</u>	<u>609.0</u>	<u>164.3</u>	<u>162.1</u>	<u>155.9</u>	<u>165.3</u>	<u>647.6</u>
Additional 30 M.M. Gal. ^{2/}	-	-	-	-	-	-	5.0	7.5	7.5	20.0
TOTAL	<u>144.4</u>	<u>154.8</u>	<u>150.7</u>	<u>159.1</u>	<u>609.0</u>	<u>164.3</u>	<u>167.1</u>	<u>163.4</u>	<u>172.8</u>	<u>667.6</u>
REQUIREMENTS:										
Direct Military	9.3	9.6	9.6	9.6	38.1	9.6	9.6	9.6	9.6	38.4
Lend Lease	14.3	9.6	16.0	16.0	55.9	12.5	12.5	12.5	12.5	50.0
Synthetic Rubber	85.0	85.6	87.9	88.5	347.0	91.2	91.3	91.2	91.3	365.0
Indirect Military & Civilian	41.3	41.2	41.3	41.2	165.0	41.3	41.2	41.3	41.2	165.0
Anti-Freeze	3.0	8.0	14.0	7.0	32.0	3.0	8.0	14.0	7.0	32.0
Total	<u>152.9</u>	<u>154.0</u>	<u>168.8</u>	<u>162.3</u>	<u>638.0</u>	<u>157.6</u>	<u>162.6</u>	<u>168.6</u>	<u>161.6</u>	<u>650.4</u>
Beverage Holiday ^{3/}	-	10.0	-	10.0	20.0	-	10.0	-	10.0	20.0
TOTAL	<u>152.9</u>	<u>164.0</u>	<u>168.8</u>	<u>172.3</u>	<u>658.0</u>	<u>157.6</u>	<u>172.6</u>	<u>168.6</u>	<u>171.6</u>	<u>670.4</u>
GOVERNMENT STOCKS END OF PERIOD:										
Under Present Program	78.0	78.8	60.7	57.5		64.2	63.7	51.0	54.7	
With Indicated Holidays	78.0	68.8	50.7	37.5		44.2	38.7	33.5	34.7	

- ^{1/} Includes 5.0 Synthetic and 19.9 new Non-Food in 1945 Supply For C.B.R.C. 30 M.M. Gal. Recommendation
^{2/} Assumes additional new 30 M.M. Gal. plant could be in full operation within thirteen months
^{3/} Each holiday shown equivalent to approximately two weeks production by Beverage Producers

RAW MATERIALS FOR ALCOHOL PRODUCTION

	<u>Raw Materials Used</u>		<u>Alcohol Produced (millions of gals.)</u>		
	<u>1944</u>	<u>1945</u>	1944	1945	1945(with additional plant)
SYNTHETIC					
OTHER NON-FOOD					
MOLASSES (millions B.S.gals.)					
Hawaiian	30.0	18.0	12.0	7.2	7.2
Caribbean	410.0 1/	375.0 2/	165.0	150.0	150.0
GRAIN (millions of Bu.)	145.0 1/	158.0 2/	347.0	380.5	380.5
IMPORTS			<u>25.1</u>	<u>25.0</u>	<u>25.0</u>
			609.0	647.6	667.6

- 1/ Assumes 800,000 tons sugar inverted, and 200,000 tons raw sugar used.
- 2/ Assumes 1,000,000 tons of sugar from 1945 crop inverted.
- 3/ In 1945, 39.9 m. m. gals. would be produced from new non-food or non-critical food sources, and 5.0 m. m. gals. additional from synthetic petroleum plants, giving a total of 44.9 m. m. gals. from this production, whereas the total beverage consumption involved in the four 10,000,000 gal. holidays, two each year, would aggregate 40,000,000 gals. for 1944 and 1945 combined.

FOREIGN ECONOMIC ADMINISTRATION
WASHINGTON 25, D. C.

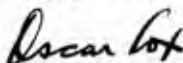
March 21, 1944

Dear Secretary Morgenthau:

I didn't get a chance to see General Arnold yesterday. I talked to General White about the strategic bombing matter that we discussed Sunday. However, I think we can get up, within the next few days, the information on the inventories of petroleum products in the U.K. and the amount that is used by our armed forces there. As soon as I get this data, I will send it along to you.

Louise and I enjoyed very much seeing you and your wife, and the dinner, on Sunday night.

Sincerely yours,


Oscar Lot

Hon. Henry Morgenthau, Jr.

Secretary of the Treasury



OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT
PROCUREMENT DIVISION
WASHINGTON 25



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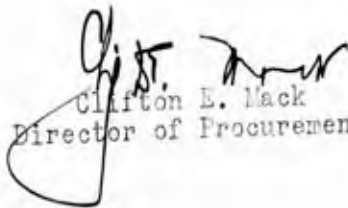
SECRET

March 21, 1944

MEMORANDUM TO THE SECRETARY:

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

During the past week we received a request for 42,029,148 pounds of synthetic rubber for the manufacture of tires, tubes, and essential rubber goods for the United Kingdom.


Clifton E. Mack
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 MARCH 15, 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	\$4696.9 (4693.3)	\$2289.7 (2289.7)	\$1877.3 (1877.3)	\$113.9 (113.9)	\$12.6 (11.0)	\$403.4 (401.4)
Purchase Authoriza- tions (Requisitions)	\$3577.7 (3562.9)	\$1846.6 (1840.8)	\$1421.4 (1416.4)	\$44.7 (44.8)	- -	\$265.0 (260.9)
Requisitions Cleared for Purchase	\$3521.5 (3500.6)	\$1824.5 (1818.3)	\$1399.4 (1387.5)	\$44.5 (44.7)	- -	\$252.7 (250.1)
Obligations (Purchases)	\$3397.4 (3376.0)	\$1796.3 (1786.3)	\$1369.0 (1361.0)	\$44.1 (44.1)	\$10.5 (10.5)	\$177.5 (174.1)
Deliveries to Foreign Governments at U. S. Ports*	\$1764.8 (1745.9)	\$1170.0 (1163.8)	\$540.5 (528.5)	\$21.8 (21.5)	- -	\$32.5 (32.1)

*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 March 8, 1944.

SECRET

EXPLANATION OF DIFFERENCE

The decreases in Requisitions Cleared and Purchase Authorizations for China are a result of adjustments of requisitions to actual contracts.

25

MAR 21 1944

Dear Mr. Crowley:

Reference is made to the letter dated December 23, 1942, from Mr. S. B. Stebbins, Jr., formerly Administrator of the Office of Lend-Lease Administration, relative to the lending of silver to nations requiring it for coinage purposes.

The Department of State has received a letter dated January 8, 1944, addressed to the Secretary of the Treasury from Mr. Tins Deressa, Vice Minister of Finance of Ethiopia, requesting the lending of silver to the Government of Ethiopia. It is the view of this Department that the needs of the Government of Ethiopia for 5,430,000 ounces of silver for coinage purposes should be met from the Treasury stocks of silver. In reaching this conclusion, the Treasury has considered the essentiality of the need and the availability of substitutes for use in coinage.

It is my understanding that a photostatic copy of the letter to the Secretary of the Treasury from Mr. Deressa will be forwarded to you by the Department of State.

Very truly yours,

(Signature) H. Morganthau, Jr.

Secretary of the Treasury.

Mr. Leo Crowley, Administrator,
Foreign Economic Administration,
Washington, D. C.

CDO:tt 3/23/44

25

MAR 21 1944

Dear Mr. Asheson:

This is to acknowledge receipt of your letter of March 3, 1944 (PMA 884.515/41) enclosing a photostatic copy of despatch No. 64, dated January 19, 1944, from the American Minister at Addis Ababa, Ethiopia, together with photostatic copies of documents pertaining to the lend-lease of 5,430,000 ounces of silver for purposes of coinage to the Government of Ethiopia.

It is noted that the Department of State has examined the documents and finds them to be fully binding upon the Government of Ethiopia.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Mr. Dean Asheson,
Assistant Secretary of State,
Washington, D. C.

CGO:ff 3/23/44

TREASURY DEPARTMENT

183

INTER OFFICE COMMUNICATION

DATE Mar. 17, 1944

TO Secretary Morgenthau
FROM Mr. White

Ethiopia has requested the lend-leasing of 5,430,000 ounces of silver for coinage purposes. The lend-leasing of this silver has been recommended by the State Department and approved by the War Production Board. When the Ethiopian vice-minister was here last summer, we went over the need of Ethiopia for establishing a new currency and coinage system. To start their new coinage they will need this amount of silver for their silver coins. The amount requested is reasonable and a new coinage system for Ethiopia is imperative.

The attached documents include a letter addressed to you by the Acting Minister of Finance of Ethiopia requesting the Treasury to recommend the lend-leasing of this silver to Ethiopia. There is also a letter to Mr. Crowley undertaking to return the silver to the Treasury under the lend-lease arrangements.

~~_____~~ If you approve, you will want to send the attached letter to Mr. Crowley. There is also a letter of acknowledgment from you to Mr. Acheson.

DEPARTMENT OF STATE
WASHINGTON



reply refer to
IA 884.515/41

March 3, 1944

My dear Mr. Secretary:

Enclosed is a photostatic copy of despatch no. 64, dated January 19, 1944, from the American Minister at Addis Ababa, Ethiopia, transmitting documents pertaining to the lend-leasing of silver to the Government of Ethiopia. The original despatch and enclosures are being retained in the files of the Department of State.

It was not considered essential that photostats be made of enclosure no. 6, a fourteen-page official publication, the pertinent portions of which have been quoted on page one of the despatch.

The Department has examined all the documents, and considers them to be fully binding upon the Government of Ethiopia.

Sincerely yours,

For the Secretary of State:

Assistant Secretary

Enclosure:

Photostatic copy of
despatch no. 64,
January 19, 1944; from
Addis Ababa, Ethiopia,
with enclosures.

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.



185 FMA
DCM-C
AFA



LEGATION OF THE
UNITED STATES OF AMERICA

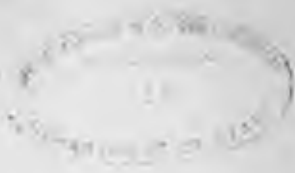
Addis Ababa, Ethiopia,
January 19, 1944.

No. 64.

Subject: Transmitting Documents Pertaining to
Request of Ethiopian Government for Silver to
be Furnished under Lend Lease.

RECEIVED 9 PM 12 49

LEGATION
RECORDS



The Honorable
The Secretary of State,
Washington.

Sir:

524.513/37

Supplementing my telegram No. 11 of January 17, 11 a.m.,
1944, regarding the receipt of certain documents from the
Vice Minister of the Government of Ethiopia relative to the
furnishing of five-million four-hundred and thirty-thousand
ounces of silver to the Ethiopian Government under the
Lend Lease program, I have the honor to transmit herewith
the documents listed below.

515

- 1/ Enclosure No. 1 is a copy of my note to the Vice
Minister of Foreign Affairs of November 30, 1943, which
was referred to in my telegram No. 68 of December 2, 1943.
While, as may be observed in the fourth paragraph of
the copy of the note of January 14, 1944, addressed to the
Legation by the Vice Minister of Foreign Affairs (enclosure
No. 2 hereto), the Emperor preferred not to sign personally
the request for the silver and the undertaking to return
it (enclosures Nos. 3 and 4), he has executed an instrument
of full powers authorizing the Vice Minister of Finance to
sign these documents. A certified translation of this
instrument, of which the original is in Amharic, is among
the enclosures hereto (enclosure No. 5). There is, more-
over, enclosed a copy of the Negarit Gazeta (Official
Gazette) II - 5 of January 29, 1943, in which there was
published Order No. 1 of 1943, which defines the powers and
duties of Ministers of the Ethiopian Government (enclosure
No. 6). Article 20 of this Order states, inter alia, that:

"In any Ministry to which no Minister has been
appointed, the Vice-Minister shall perform
the duties of the Minister."

Article 46 (j) of the same Order provides that the Minister
of Finance shall "arrange for the minting of coins and notes
required by Our Government".

With

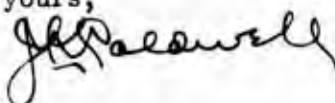
584.515/41

ps/lc

With reference to the request contained in the Department's telegram No. 42 of November 26, 10 p.m., 1943, for advice as to the form of authorization which will best guarantee that the agreement to return the silver will be permanently binding upon the Ethiopian Government and at the same time accord with customary practice on such matters in Ethiopia, it appears that the documents submitted will, in view of the circumstances set forth in the preceding paragraph, constitute a satisfactory undertaking for the return of the silver.

Since time does not permit the preparation of hectograph copies of the enclosures for this transmission, they will be forwarded by the following pouch.

Respectfully yours,



✓ Enclosures:

- 1/, Copy of Note of November 30, 1943 to Ministry of Foreign Affairs.
- 2/, Copy of Note of January 14, 1944 from the Vice Minister of Foreign Affairs.
- 3/, Note addressed to the Secretary of the Treasury by the Vice Minister of Finance of Ethiopia requesting the loan of silver, dated January 8, 1944.
- 4/, Note of Agreement for Return of Silver addressed to Office of Lend Lease Administration, by Vice Minister of Finance on January 8, 1944.
- 5/, Certified translation of instrument executed by the Emperor of Ethiopia authorizing the Vice Minister of Finance to sign certain documents.
- 6/, Copy of Negarit Gazeta II - 5 of January 29, 1943, containing Order defining powers and duties of Ministers of Ethiopia.

51.5

HC:dn

3 Department in original and hectograph.

Hectograph to OCA

Enclosure Number One

Suggested Letter to be sent to the Secretary of the Treasury Indicating Ethiopia's Need for Silver.

My Dear Mr. Secretary:

It is believed that the following information will indicate the present vital need of Ethiopia for the silver which has been requested.

At the time, Ethiopia does not have a national currency system of its own. The money in circulation in Ethiopia consists of East African notes, Maria Theresa dollars, and a small amount of East African and Italian subsidiary coin. This money is inadequate for the needs of Ethiopia. Great inconvenience in exchange results from the use of several kinds of money. Moreover, there is a marked shortage of subsidiary coin.

To correct this situation and to aid the economic development of Ethiopia, the Imperial Government of Ethiopia plans to establish a national currency system and retire the money now in circulation. To insure an adequate supply of subsidiary coin, an essential part of the new currency system, it will be necessary to have five million four hundred thirty thousand ounces of silver for the minting of Ethiopian 50-cent pieces. It has been concluded that the use of any substitute for silver in this coin would not be practical in Ethiopia.

The only silver the Imperial Government of Ethiopia now has on hand consists of some two million Maria Theresa dollars, the silver content of which is approximately one million five hundred thousand ounces and could supply only a fraction of the silver requirement. In view of the urgency of the need, the lack of minting facilities in Ethiopia, the difficulties in providing for coinage in two places and the time which could be lost in the transportation of ores, it would be impractical to attempt to use the Maria Theresa dollars for a part of the silver needed at the present time.

Accordingly the Imperial Government of Ethiopia finds it necessary to fill the present requirement for silver from other countries. Consideration has been given to possible sources of supply, and it has been determined that

the United

Enclosure Number Two
Text of Agreement

Office of Lend Lease Administration, Washington, D. C.

Sirs:

I (title), hereby request the Office of Lend Lease Administration to supply as soon as possible, five million four hundred thirty thousand ounces of silver under the Act of March 11, 1941, from the stocks of the United States Treasury silver. I hereby agree that Ethiopia shall return to the United States Treasury, within five years after the end of the existing national emergency in the United States, as determined by the President of the United States an amount of silver bullion equivalent to the total number of ounces of silver transferred to Ethiopia under the Act of March 11, 1941, from the stocks of the United States Treasury silver, provided, however, that if the conditions of the world supply of silver make it advisable such period may be extended by agreement of both Governments for an additional two years.

Very truly yours,

Title

- 2 -

the United States is the only available source from which silver may be procured.

In view of these facts, the Imperial Government of Ethiopia sincerely hopes that it will be possible to grant the request for the lend leasing of five million four hundred thirty thousand ounces of silver from the stocks of the United States Treasury through the Office of Lend Lease Administration, the silver to be returned to the United States Treasury on an ounce for ounce basis within five years after the end of the existing national emergency in the United States, as determined by the President of the United States, provided however that if the conditions of the world supply of silver make it advisable such period may be extended by agreement of both governments for an additional two years.

Very truly yours,

Name
Title

Enclosure No. / to Despatch No. 64, dated January 19,
1944, from the American Minister, Addis Ababa, Ethiopia,
on the Subject: Transmitting Documents Pertaining to
Request of Ethiopian Government for Silver to be
Furnished under Lend Lease.

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- 2 -

of statement that Ethiopia should furnish indicating the necessity for the Lend Leasing of the silver; and
2/ a copy of a formal contract requiring the Government of Ethiopia to return the silver to the United States Treasury on an ounce for ounce basis within a period of five years after the end of the existing national emergency in the United States, as declared by the President of the United States, provided however, that if conditions of the world supply of silver make it advisable such period may be extended by agreement of both Governments for an additional two years. It is presumed that both of these documents will be signed by His Imperial Majesty.

When the documents mentioned above have been signed this Legation will so inform the Department of State by telegraph, whereupon the minting of the coins will be begun.

Since

- 3 -

Since there is now an Ethiopian Legation in Washington it is suggested that the transfer of the coins take place there and that the Ethiopian Minister be authorized by His Imperial Majesty to sign the necessary receipt, a form of which is enclosed herewith.

It is assumed by the Government of the United States of America that, pursuant to its treaty obligations, the Government of Ethiopia will notify the British Government of its intention to sign the agreement referred to above and enclosed as Enclosure number two.

Accept, Excellency, the assurance of my most distinguished consideration.

Enclosures:

- 1/ Form of note of request for silver.
- 2/ Form of contract for return of silver.
- 3/ Form of receipt for silver.

Enclosure No. 2 to Despatch No. 64, dated January 19,
1944, from the American Minister, Addis Ababa, Ethiopia,
on the Subject: Transmitting Documents Pertaining to
Request of Ethiopian Government for Silver to be
Furnished under Lend Lease.

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10th January 1944.

462/8

Excellency

I have the honour to acknowledge receipt of Your Excellency's Note of the 30th November, 1943, with three enclosures, concerning the furnishing and minting of five million four hundred and thirty thousand ounces of silver under the Lend-Lease Programme and the Act of March 11, 1941, of the Government of the United States of America.

In the penultimate paragraph of the note under acknowledgement, it is stated that the Government of the United States assumes that, pursuant to its treaty obligations, the Imperial Government of Ethiopia would notify the British Government of its intention to sign the agreement contained among the enclosures to the Note. Such has, in fact, been the intent of this Government, and, indeed, directly upon the receipt of Your Excellency's Note, a request was conveyed to His Britannic Majesty's Government in the United Kingdom for its concurrence in the proposal.

The considerable delay in replying to the aforementioned note has, in consequence, been due to the necessity of awaiting a reply from His Britannic Majesty's Government in the United Kingdom. That reply has now been received, and I take pleasure in informing Your Excellency that it contains the unconditional concurrence of that Government to the agreement under consideration.

In regard to the manner in which the proposed agreement should be concluded on behalf of this Government, it is remarked that in the second paragraph of the note under acknowledgement, the statement is made that it is presumed that the proposed note to the Secretary of Treasury of the United States indicating the necessity for the Lend-Leasing of the silver, and the formal undertaking on the part of this Government would be signed by His Imperial Majesty. However, in view of the fact that the undertaking runs to the Office of Lend-Lease Administration and that the proposed note is to be addressed to the Secretary of Treasury of the United States, rather than to the Head of State, it is felt that the corresponding official of this Government would, properly, be the Vice-Minister of Finance of the Imperial Government.

His Excellency
J.K.Caldwell,
American Minister
Addis-Abeba.

In this connection, attention is invited to the fact that by virtue of article 29 of Order No. 1 of 1943 and "an Order to Define the Powers and Duties of Our Ministers," published in the Official register of the Imperial Ethiopian Government (Negarit Gazeta II - 5 of January 29, 1943) and enclosed herewith, "In any Ministry to which no Minister has been appointed, the Vice-Minister shall perform the duties of the Minister." For some time, there has been no full Minister of Finance for the Imperial Government.

Nevertheless, in order to obviate any possible question as to the legal validity of the undertaking signed by the Vice-Minister of Finance on behalf of the Imperial Government of Ethiopia, there is transmitted herewith an instrument of full powers duly signed by His Imperial Majesty, pursuant to which the Vice-Minister of Finance subsequently has subscribed his signature to the two documents under consideration.

It is trusted that the solution which has been adopted by this Government may prove satisfactory and acceptable to Your Excellency and to the Government of the United States.

With the signing of the aforementioned documents, it is the hope of this Government that the minting of the 50-cent pieces may be undertaken without delay. The instrument of receipt for the coins is being forwarded to His Imperial Majesty's representative in Washington for signature upon delivery of the coins to the Ethiopian Legation in Washington.

It is, perhaps, unnecessary to add at this juncture the expression of sincere appreciation on the part of His Imperial Majesty and of the Imperial Ethiopian Government for the mark of confidence which the Government of the United States of America has made in behalf of Ethiopia and of its future, at a time when, notwithstanding heavy obligations resulting from a conflict without precedent, it has seen fit to assist this nation in its arduous task of reconstruction. Permitted it to remark that this act of friendship and assistance will long be remembered in Ethiopia and has already served to inspire us with confidence in the task which lies ahead.

I avail myself of this opportunity to renew to Your Excellency the assurance of my high consideration.

(Signed) AKLILOU ABTE-WOLD
VICE-MINISTER.

-3-

Enclosures:

1. Full Powers signed by His Imperial Majesty
2. Note of request for silver
3. Contract for return of silver.

Enclosure No. 3 to Despatch No. 64, dated January 19,
1944, from the American Minister, Addis Ababa, Ethiopia,
on the Subject: Transmitting Documents Pertaining to
Request of Ethiopian Government for Silver to be
Furnished under Lend Lease.

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N^o. 72/44.

ETHIOPIAN GOVERNMENT
MINISTRY OF FINANCE

ADDIS ABABA, 8th January, 1944.

My dear Mr Secretary,

It is believed that the following information will indicate the present vital need of Ethiopia for the silver which has been requested.

At the time, Ethiopia does not have a national currency system of its own. The money in circulation in Ethiopia consists of East African notes, Maria Theresa dollars, and a small amount of East African and Italian subsidiary coin. This money is inadequate for the needs of Ethiopia. Great inconvenience in exchange results from the use of several kinds of money. Moreover, there is a marked shortage of subsidiary coin.

To correct this situation and to aid the economic development of Ethiopia, the Imperial Government of Ethiopia plans to establish a national currency system and retire the money now in circulation. To insure an adequate supply of subsidiary coin, an essential part of the new currency system, it will be necessary to have five million four hundred thirty thousand ounces of silver for the minting of Ethiopian 50-cent pieces. It has been concluded that the use of any substitute for silver in this coin would not be practical in Ethiopia.

The only silver the Imperial Government of Ethiopia now has on hand consists of some two million Maria Theresa dollars, the silver content of which is approximately one million five hundred thousand ounces and could supply only a fraction of the silver requirement. In view of the urgency of the need, the lack of minting facilities in Ethiopia, the difficulties in providing for coinage in two places and the time which would be lost in the transportation of dies, it would be impractical to attempt to use the Maria Theresa dollars for a part of the silver needed at the present time.

Accordingly the Imperial Government of Ethiopia finds it necessary to fill the present requirement for silver from other countries. Consideration has been given to possible sources of supply, and it has been determined that the United States is the only available source from which silver may be procured.

/ In



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ETHIOPIAN GOVERNMENT
MINISTRY OF FINANCE

- 2 -

In view of these facts, the Imperial Government of Ethiopia sincerely hopes that it will be possible to grant the request for the lend leasing of five million four hundred thirty thousand ounces of silver from the stocks of the United States Treasury through the Office of Lend Lease Administration, the silver to be returned to the United States Treasury on an ounce for ounce basis within five years after the end of the existing national emergency in the United States, as determined by the President of the United States, provided however, that if the conditions of the world supply of silver make it advisable such period may be extended by agreement of both Governments for an additional two years.

Accept, Sir, the renewed expression of my high consideration.



Yberessa
VICE-MINISTER.

The Honorable

The Secretary of Treasury of
the United States of America

Washington, D.C.

Enclosure No. 4 to Despatch No. 64, dated January 19, 1944, from the American Minister, Addis Ababa, Ethiopia, on the Subject: Transmitting Documents Pertaining to Request of Ethiopian Government for Silver to be Furnished under Lend Lease.



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ETHIOPIAN GOVERNMENT
MINISTRY OF FINANCE

ADDIS ABABA, 8th January, 1944.

Office of Lend Lease Administration,
WASHINGTON, D. C.

Sirs,

I, the Vice-Minister of Finance of the Imperial Government of Ethiopia, hereby request the Office of Lend Lease Administration to supply as soon as possible, five million four hundred thirty thousand ounces of silver under the Act of March 11, 1941, from the stocks of the United States Treasury silver. I hereby agree that Ethiopia shall return to the United States Treasury, within five years after the end of the existing national emergency in the United States, as determined by the President of the United States, an amount of silver bullion equivalent to the total number of ounces of silver transferred to Ethiopia under the Act of March 11, 1941, from the stocks of the United States Treasury silver, provided, however, that if the conditions of the world supply of silver make it advisable such period may be extended by agreement of both Governments for an additional two years.

Very truly yours,

Yberessa

VICE-MINISTER.



Enclosure No. 5 to Despatch No. 64, dated January 19, 1944, from the American Minister, Addis Ababa, Ethiopia, on the Subject: Transmitting Documents Pertaining to Request of Ethiopian Government for Silver to be Furnished under Lend Lease.

To the United States of America.

Receipt and acceptance is herewith acknowledged of the articles described below procured by Procurement Division of the United States Treasury Department and delivered pursuant to the Act of March 11, 1941 to (name) a duly authorized representative of the Imperial Government of Ethiopia at (place) on (date).

Number of coins type of coin denomination total silver consumed in minting (Troy weight).

(Name)

(Title)

(Statement to be executed by a representative of the State Department).

I hereby certify that I have identified the individual who executed the foregoing receipt as the representative of the Imperial Government of Ethiopia duly authorized to receipt for and accept the articles listed in such receipt.

(Name)

(Title)

Conquering Lion of the Tribe of Judah
Haile Selassie I
Elect of God, Emperor of Ethiopia.

To all those to whom these presents shall come, GREETINGS:

WE, having seen, examined and approved in all its provisions and language the proposed attached letter to be sent to the Secretary of the Treasury of the United States of America by the Vice-Minister of Finance of the Empire of Ethiopia indicating Ethiopia's need for silver for coinage purpose, to be furnished through the Office of the Lend-Lease Administration of the United States of America; and

WE, having also seen, examined and approved in all its provisions and language the proposed attached document of request for five million four hundred and thirty thousand ounces of silver under the Act of March 11, 1941, of the Government of the United States of America, from the stocks of the United States Treasury silver, and of the undertaking on Our part to return to the United States Treasury an equivalent amount of silver bullion at such time and subject to such conditions as are set forth in said document;

THEREFORE, WE, HAILE SELASSIE I, Elect of God, Emperor of Ethiopia, do by these presents, accept and confirm the two aforementioned documents and do by these presents hereby and herewith authorize and give full powers to Ato Ylma Deressa, Vice-Minister of Finance of the Empire of Ethiopia, having all powers of Minister of Finance, to sign in Our behalf and to contract and accept in Our name the obligations and undertakings set forth in the aforementioned documents and do by these presents hereby and herewith ratify the signature of said Ato Ylma Deressa, Vice-Minister of Finance of the Empire of Ethiopia to each and both of the said two documents.

Given at Our Court at Addis-Abeba, on the Eighth of January in the Year of Our Lord One Thousand Nine Hundred and Forty-Four (Tahsas 29th, 1936) and in the Fourteenth year of Our Reign, in witness whereof We have hereunto set Our hand and affixed Our Seal.

(Sgd) HAILE SELASSIE I
Emperor

Certified True & Exact Translation

Vice-Minister for Foreign Affairs.

MAR 21 1944

My dear Mr. Stettinius:

This is to acknowledge your letter received on February 24, 1944, regarding certain financial questions involved in our relations with the French Committee of National Liberation.

I note that it is the feeling of your Department that the French Committee of National Liberation should, to the extent that other means are lacking, use the dollar and gold assets under its jurisdiction to make payment for civilian supplies which may be purchased in this country for European France, when liberated, and for French North and West Africa under the Modus Vivendi. The Treasury trusts that the French will be informed of this decision and that steps will be taken in the very near future to implement it.

I am troubled, however, by the statements contained in the third paragraph of your letter with regard to Metropolitan French funds deposited in the United States. It is not clear from your letter that your Department intends to pass these views on to the French representatives here. However, I desire to confirm, as was clearly indicated by representatives of this Department in conference with representatives of the State Department and of FEA, the strong feeling of the Treasury Department that no commitment or indication should be made or given at this time which might prejudice the future disposition of these or any other frozen funds located in the United States. The Treasury Department has not hesitated to sanction the use of frozen funds for specially approved purposes affirmatively supporting the common war effort. This Department subscribes to the same policy with respect to Metropolitan French funds in the United States. It seems apparent that if the French Committee agrees to the use of gold or dollar assets physically under its control, there will be no necessity to raise for discussion the present or future disposition of Metropolitan French funds in the United States. To do so would not only be unnecessary, but might raise an issue which could be used by the French to justify non-use of Metropolitan French assets located elsewhere. If, however, the French should raise the question themselves, this Department feels that they should be told promptly that there will be no objection to the use for the purposes indicated of Metropolitan French funds located in the United States.

Your letter contained the statement that Metropolitan French funds were deposited in this country at the urgent request of the Government of the United States, which at that time offered protection and asylum

- 2 -

for these funds." This Department can not agree that there has been any undertaking by the United States Government with respect to the further disposition of these funds. It is to be noted that neither the files of this Department nor, as we understand, the files of the State Department indicate that any express or implied commitment was made to the French authorities as to the future disposition of assets brought to the United States around the time of the collapse of France. In view of this fact, it seems all the more clear that nothing should appear in the record at this time or be communicated to the French which would prejudice what this Government might wish to do tomorrow or a year from tomorrow with the French assets in the United States.

I appreciate your willingness to discuss these matters further at a meeting with Mr. Crowley and myself, but I feel that a meeting at this time, as requested in the letter from Mr. Crowley and myself on February 2, 1944, is not necessary unless you are in disagreement with the views expressed in the preceding paragraphs.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Hon. E. R. Stettinius, Jr.,
Acting Secretary of State,
Washington, D. C.

LCA:men
3/15/44

*photostated to Mr. White
2/24/44*

DEPARTMENT OF STATE
WASHINGTON



In reply refer to
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My dear Mr. Secretary:

This will acknowledge your letter of February 2, 1944, addressed to the Secretary and signed by you and Mr. Crowley, in which you jointly present for consideration certain financial questions currently involved in our relations with the French Committee of National Liberation.

These problems relate to the ability of the French Committee of National Liberation to make payment for civilian supplies which may be purchased in this country for European France, when liberated, and for French North and West Africa under the Modus Vivendi. The Department believes that in both instances such payment could be made, to the extent that other means are lacking, by the French Committee of National Liberation from dollar and gold assets in African territories under its jurisdiction, and I see no reason why this Government should not discuss the implementation of that suggestion with the appropriate French authorities.

With respect to the possible use for the foregoing purposes of Metropolitan French funds deposited in the United States, you will recall that these funds were
deposited

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.



deposited in this country at the urgent request of the Government of the United States, which at that time offered protection and asylum for these funds. These assets are now blocked and up to the present time, we have only authorized their use in a limited number of special cases of a non-controversial character such as the payment for purchases for French prisoners of war. It is my feeling that in the light of the circumstances under which these Metropolitan French funds were placed in the United States, we should make every effort to return them to the French people substantially intact, and hence that they should not be considered available at this time for the purposes under discussion.

You will recall that on January 7, 1944, Mr. Monnet presented to the Department a memorandum requesting, in effect, credit lend-lease for civilian supplies procured in this country under agreed programs for French North and French West Africa. The Department's reply, the text of which was agreed to by the Treasury Department and the Foreign Economic Administration, has now been made to Mr. Monnet stating this Government's intention to explore with French authorities the various possible means by which the required dollar exchange might be obtained. In the course of these discussions, it would seem appropriate to state this Government's decision that the French Committee of National Liberation should continue to pay for civilian supplies purchased by it for any part of the French Empire, including European France, and to recommend that gold or dollar assets physically under the control of the French Committee of National Liberation in Africa be mobilized to the extent necessary for this purpose. The Department has already sent for your comments clearance drafts of a proposed Mutual Aid Agreement, and an accompanying Aide Memoire of Explanation, designed to conclude this phase of our lend-lease discussions with the French authorities.

It appears from the conferences held between officers of the Department and officials of the Treasury and the Foreign Economic Administration that there is no disagreement among them on these questions. If, in the light of this situation, you and Mr. Crowley still feel that a meeting between us is desirable at

this

At this time to discuss these questions further, especially as they relate to our present and projected lend-lease relations with the French Committee of National Liberation, I shall, of course, be delighted to participate. I am sending an identical letter to Mr. Crowley.

Sincerely yours,



E. A. Tamm
Acting Secretary

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March 31, 1944

Dear Mr. Batt:

For the Secretary, I am acknowledging your letter of March 30, transmitting 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.

Thank you for bringing this report to Mr. Morgenthau's attention.

Sincerely,

(Signed) H. S. Klotz**H. S. Klotz,
Private Secretary.**

Mr. W. L. Batt
War Production Board
Washington, D. C.

GEF:nwd



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WAR PRODUCTION BOARD

WASHINGTON, D. C.

March 20, 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,

A handwritten signature in dark ink, appearing to read "W. L. Batt". The signature is written in a cursive, slightly slanted style.

W. L. Batt

Attachment



WAR PRODUCTION BOARD

WASHINGTON, D. C.

March 17, 1944

IN REPLY REFER TO:

SECRET

My dear Mr. President:

Attached hereto is a tabulation showing progress made during February, and during the eight months ending February 29, 1944 towards fulfillment of Third Protocol materials and equipment production programs for the Union of Soviet Socialist Republics.

All phases of the program continue to go smoothly. During February, mill deliveries of certain materials, notably copper base alloys, equaled those of any preceding month since inauguration of lend-lease aid to the USSR. With the heavy February shipments of copper base alloys, the large deficit accumulated during the early months of the Third Protocol as a result of the slowing down of production because of concern over stockpiles was more than made up. Thus, total deliveries by the end of February exceeded the amount promised for the first eight months of the Protocol period.

As indicated in the tabulation, shipments of industrial equipment are currently under the average monthly quantities promised. This is due to the fact that, because of lead factors, deliveries against new Third Protocol orders have not begun on a substantial scale, while a large part of old orders carried over into the Third Protocol period have already been completed. Production schedules are such that it can be expected that during the next four months new Third Protocol orders will be completed and deliveries will again rise above the average promised.

In addition to carrying on activities to insure fulfillment of terms of the Third Protocol, the War Production Board, in accordance with your memorandum of February 14, 1944, is currently making preparations for a Fourth Protocol program. As pointed out in my previous report, arrangements are being made by the War Production Board and the Foreign Economic Administration for the immediate placement of advance Fourth Protocol orders for industrial equipment to the extent necessary to insure that there will be no interruption in the flow of such equipment to the USSR. At the same time, plans are being made for the scheduling of steel, certain chemicals, brass mill products, and other important

SECRET

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- 2 -

materials during at least the first six months of the new Protocol period. The Soviet Government has not yet formally submitted its Fourth Protocol requirements so that these plans are necessarily tentative. However, it is felt that through this procedure the way is being prepared for immediate and smooth action when the program is formally presented.

Respectfully yours,

/s/

Donald M. Nelson

The President
The White House
Washington, D. C.

Attachment

SECRET

STATUS OF MATERIALS AND EQUIPMENT PRODUCTION PROGRAMS UNDER THE THIRD RUSSIAN PROTOCOL AS OF MARCH 1, 1944
(PENDING DELIVERY DATA SUBJECT TO REVISION)

SECRET

Pro- tocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Feb. 1, 1944- Feb. 29, 1944	Made Available at Mill in U.S.A. July 1, 1943- Feb. 29, 1944	Percent of 3rd Prot. Program Completed as of Mar. 1, 1944	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched."100)	Balance to be Produced as of Mar. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
NON-FERROUS METALS									
3	Aluminum (Ingot and Fabricated)	S.T.	35,760	6,553	57,994	162	245	(22,204 Excess)	Aluminum shipments to date consist of 5,383 S.T. rod and tubing; 12,148 S.T. sheet; 30,353 S.T. primary ingot; and 10,060 S.T. secondary ingot.
4	Nickel								
A	Pig Nickel	S.T.	3,600	400	3,600	100	152	0	Includes shipment on U.S. account of 800 S.T. from U.I. stocks.
B	Nickel in Monel Scrap	S.T.	274	204	274	100	152	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	148	1,573	66	100	627	Contained nickel deliveries to date consist of 861 S.T. in steel; 319 S.T. in nichrome wire and strip; 288 S.T. in cupro-nickel strip and 105 S.T. in various other products including pure nickel products.
5	Molybdenum	S.T.	3,000	295	3,447	86	130	553	
6	Copper, Electrolytic	S.T.	(121,400)	(15,505)	(74,645)	(61)	(92)	(46,755)	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 53,566 S.T. contained in copper base alloys; 8,750 S.T. contained in copper goods and tubes; 398 S.T. contained in bismetal; and 11,925 S.T. contained in wire mill products. In addition to the copper program shown, the W.P.R. has made arrangements for the supply of 16,800 S.T. of copper wire bars during the remainder of the Third Protocol period. To date, however, this additional material has not been placed under requisition.
7	Copper Base Alloys	S.T.	107,520	12,676	78,253	67	101	35,267	

SECRET

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Regraded Unclassified

Production Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Feb. 1, 1944 - Feb. 29, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Feb. 29, 1944	Percent of 3rd Prot. Program Completed as of Mar. 1, 1944	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of Mar. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
NON-FERROUS METALS (Continued)									
8	Magnesium	S.T.	4,032	336	2,688	67	101	1,344	
9	Zinc	S.T.	13,440	1,120	8,960	67	101	4,480	
11	Copper Goods and Tubes	S.T.	15,000	1,462	8,750	58	88	6,250	
29	Special Non-Ferrous Alloy Wires	S.T.	100	2	77	77	117	23	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; 2.6 S.T. of constantan wire; .3 S.T. of tantalum wire; 29.2 S.T. of aluminum and chromal wire; 15.9 S.T. of monel, everdur and beryllium bronze wire; 5.7 S.T. of annealed manganese wire; 17.8 S.T. of sylvanum wire; and 4.9 S.T. of round manganese wire.
30	Nichrome Wire	S.T.	536	65	399	74	112	139	
93	Cadmium	S.T.	120	0	0	0	0	120	
94	Cobalt	S.T.	80.5	0	80.5	100	100	0	The production program shows is for the first half of the Third Protocol period; the ratio of actual deliveries to the Protocol schedule has, therefore, been adjusted to take this into account. 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.S. 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. Shipments will begin on placement of the necessary requisition.
Total Non-Ferrous Metals (Including Item 6, Copper, Electrolytic)		S.T.	185,894.5	23,281	160,065.5	86	130	26,799	

Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Feb. 1, 1944 - Feb. 29, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Feb. 29, 1944	Percent of 3rd Prot. Program Completed as of Mar. 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of Mar. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
FERRO-ALLOYS									
12	Ferrosilicon	S.T.	-	0	57	-	-	-	Because of the stocks situation, Third Protocol offers to supply up to 75% S.T. of ferrosilicon and 4% S.T. of ferrochromes per month are considered inoperative.
13	Ferrochromes	S.T.	-	0	0	-	-	-	
85A	Ferromolybdenum	S.T.	1,120	0	1,120	100	200	0	
86	Ferrovandium	S.T.	224	0	224	100	200	0	Ferromolybdenum, ferrovandium and ferrotungsten have been scheduled in the quantities shown as substitutes for an equivalent tonnage of ferrosilicon and/or ferrochromes. This scheduling took place in the case of ferromolybdenum and ferrovandium in November, and ferrotungsten in December, and the ratio of actual deliveries to the Protocol schedule has, therefore, been adjusted to take this late scheduling into account.
87	Ferrotungsten	S.T.	640	108	524	62	144	316	
	Total Ferro-Alloys	S.T.	-	108	1,925	-	-	316	
ALLOY STEEL									
16	Polished Drill Rod								
B	High Speed	S.T.	96	11	74	77	117	22	
C	Other Alloy	S.T.	45	5	37	82	124	8	
17	High Speed Tool Steel	S.T.	4,480	61	4,448	99	150	32	
18	Tool Steel								
B	Alloy X12	S.T.	672	71	595	89	135	77	
C	Alloy X12M	S.T.	672	109	547	81	123	125	
D	Other Alloys	S.T.	4,850	385	4,347	90	136	463	
19	Cold Finished Bars	S.T.	11,200	984	8,462	76	115	2,738	
20	H.R. Alloy Bars and Billets	S.T.	67,267	9,096	46,651	69	105	20,616	
23	Stainless Steel								
A-B	Sheets and Strip	S.T.	3,007	386	2,721	90	136	286	
C	Bars	S.T.	756	114	538	71	108	218	
25	Steel Wire								
A	Ball Wire	S.T.	1,344	48	1,135	84	127	209	
B	Alloy 232	S.T.	1,344	16	830	62	94	514	
C	Other Alloy	S.T.	0	0	191	-	-	(191 excess)	

SECRET
Third Protocol Steel Schedule, 1944

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Protocol Item No.	Item	Unit	3rd Protocol Production	Made Available at Mill in U.S.A. Feb. 1, 1944 - Feb. 29, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Feb. 29, 1944	Percent of 3rd Prot. Program Completed as of Mar. 1, 1944	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of Mar. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
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ALLOY STEEL (Continued)

27	Steel Alloy Tubes	S.T.	994	57	1,034	104	158	(40 Excess)	
A	1 1/2 Cr. - 8 1/2 Ni.	S.T.	8,625	974	6,669	77	117	1,956	
B	1/2-5/8 Chrome	S.T.	0	0	9	-	-	(9 Excess)	
C-N	Carbon .5% Moly., Pipe Sizes	S.T.	0	0	9	-	-	(9 Excess)	
F	N.M. Ball Bearing Tubes	S.T.	5,376	1,709	5,298	99	150	78	
28	Stainless Steel Wire	S.T.	1,747	130	1,446	83	126	301	
29	Special Alloy Wire	S.T.	784	106	793	101	153	(9 Excess)	
	Total Alloy Steel	S.T.	113,259	14,262	85,865	76	115	27,394	

CARBON STEEL

101-S	Rails, Accessories and Other Railway Material	S.T.	-	20,290	169,989	-	-	-	
10	Copper Clad Strip (Bimetal)	S.T.	-	1,685	1,685	-	-	-	
16A	Plain Carbon Tool Steel and	S.T.	-	574	5,707	-	-	-	
16A	Drill Rod	S.T.	-	-	-	-	-	-	
19D	Plain Carbon Bullet Core	S.T.	-	21	11,693	-	-	-	
24	Tinplate	S.T.	-	3,596	35,093	-	-	-	
-	Other Carbon Steel	S.T.	-	36,067	66,491	-	-	-	
	Total Carbon Steel	S.T.	345,397	62,253	292,698	85	129	52,739	

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.

CHEMICALS

36	Phenol	S.T.	-	1,048	7,048	-	-	-	
38	Ethylene Glycol	S.T.	-	0	1,000	-	-	-	
45	Methanol	S.T.	-	2,895	3,395	-	-	-	
46	Urotropine	S.T.	-	976	4,750	-	-	-	
61A1	Glycerine	S.T.	6,720	66	7,707	115	174	(987 Excess)	

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GROUP 1
EXCLUDED FROM AUTOMATIC DOWNGRADING AND
DECLASSIFICATION

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Feb. 1, 1944 - Feb. 29, 1944	Made Available at Mill in U.S.A. July 1, 1944 - Feb. 29, 1944	Percent of 3rd Protocol Program Completed as of Mar. 1, 1944	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of Mar. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
CHEMICALS (Continued)									
61A3	Caustic Soda	S.T.	40,320	1,040	24,653	61	92	15,667	
36A	Ethyl Alcohol	S.T.	107,520	9,353	114,278	106	161	(6,758 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	209	2,778	54	82	2,359	
61A	Other Chemicals	S.T.	12,096	1,833	7,099	59	89	4,997	
	Total Chemicals	S.T.	-	17,420	172,708	-	-	-	
MARINE AND SUBMARINE CABLE									
1	Marine Cable	KM.	784	17	191	24	36	593	} Old orders for marine and submarine cable have been largely completed whereas deliveries of new orders have not yet begun because of lead factors.
2	Submarine Cable	KM.	319	0	119	37	56	200	
	Total Marine and Submarine Cable	KM.	1,103	17	310	28	42	793	
POWER AND RELATED CABLE									
74	Insulated Cable and Wire (Copper Content)	S.T.	-	777	10,416	-	+	-	} Old orders for power and related cable have been largely completed whereas deliveries of new orders have not yet begun because of lead factors.
74A	Bare Cable and Wire (Copper Content)	S.T.	-	286	1,429	-	-	-	
	Total Power and Related Cable	S.T.	21,000	1,063	11,845	56	85	9,155	
MISCELLANEOUS MATERIALS ITEMS									
80	Sheet Fiber	S.T.	1,000	0	1,370	137	208	(370 Excess)	
83	Parliament Paper	S.T.	1,680	0	0	0	0	1,680	} To date no requisitions have been submitted by Soviet representatives.

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Pro- tocol Item No.	Mill	3rd Protocol Production Program	Made Available at Mill in U.S.A. Feb. 1, 1944 - Feb. 29, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Feb. 29, 1944	Percent of 3rd Prot. Program Completed as of Mar. 1, 1944	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.\$100)	Balance to be Produced as of Mar. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
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MISCELLANEOUS MATERIALS ITEMS (Continued)

83A1		Lithograph Map Paper	S.T.	-	740	1,677	-	-	-
83A		Condenser Paper	S.T.	73	18	37	51	77	36
83B		Cigarette Paper	S.T.	336	0	0	0	0	336

Because of delays in the submission of requisitions, production of condenser paper was not begun until January.

To date no requisitions have been submitted by Soviet representatives.

INDUSTRIAL AND RELATED EQUIPMENT

15A	\$	Cemented Carbide Tips and Blanks		3,000,000	98,999	1,168,552	39	59	1,831,448
15B	\$	Small Cutting Tools		15,000,000	1,264,791	7,531,939	50	76	7,468,061
19C	\$	Measuring Tools		3,000,000	201,574	868,720	29	44	2,131,280
67B	\$	Abrasive Products		4,000,000	398,810	3,490,972	87	132	509,028
68	\$	Machine Tools		120,000,000	6,195,600	78,408,250	65	98	41,591,750
63	\$	Electric Furnaces		12,000,000	608,602	3,472,539	32	48	8,127,461
64A	\$	Rolling Mills and Equipment		16,000,000	356,908	1,321,265	8	12	14,678,735
64B	\$	Presses, Forges, Hammers and Related Equipment		30,000,000	1,681,300	16,296,950	54	82	13,703,050
64C	\$	Wire Drawing Equipment		2,000,000	1,330	25,087	1	2	1,974,913
65A	\$	Excavators		12,500,000	511,468	2,580,036	21	32	9,919,964
65B	\$	Truck and Tractor Cranes		7,000,000	6,933	158,446	8	12	1,841,554
65C	\$	Other Cranes		20,000,000	593,151	9,230,949	46	70	10,769,051
65D	\$	Compressors, Gas Blowers, Blenders and Fans		9,000,000	175,496	3,690,355	41	62	5,309,645

Except in the case of machine tools, forging presses and hammers, excavators, truck and tractor cranes, mining equipment, a substantial part of Third Protocol orders is taken up with new orders. Because of lead factors, shipments of new orders have not yet begun in volume. Total deliveries in these categories are, therefore, necessarily temporarily behind technical Protocol requirements. It should be noted that in the case of several categories, Third Protocol orders have been modified through substitutions, etc., in order to meet changing needs of the U.S.S.R. (An example of this is the transfer of approximately \$400,000 of credit from the Electric Furnace category to the Welding Equipment category.) Pending the completion of these modifications, no effort is being made to reflect them through changing the Third Protocol production schedule originally set up.

Pro- tocol Item No.	Item	Unit	3rd Protocol Production Program	Made Available at Mill in U.S.A. Feb. 1, 1944 - Feb. 29, 1944	Made Available at Mill in U.S.A. July 1, 1943 - Feb. 29, 1944	Percent of 3rd Prot. Program Completed as of Mar. 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched.=100)	Balance to be Produced as of Mar. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
INDUSTRIAL AND RELATED EQUIPMENT (Continued)									
65B	Pumps	\$	8,000,000	406,551	4,182,659	52	79	3,817,341	} See preceding page for comments.
65F	Mining Equipment, Ore Dressing, Handling and Transporting Equipment	\$	10,000,000	256,719	5,010,874	50	76	4,989,126	
65G	Equipment for Blast, Hearth and Coke Furnaces	\$	10,000,000	180,614	1,059,056	11	17	8,947,944	
65H	Welding Equipment	\$	4,000,000	171,498	2,559,807	64	97	1,440,193	
65I	Valves and Fittings	\$	3,000,000	108,716	2,923,807	97	147	76,193	
65J	Pneumatic Tools	\$	5,000,000	287,018	2,067,834	41	62	2,932,166	
65K	Auxiliary Industrial Equipment	\$	36,500,000	5,846,525	65,853,936	180	273	(29,353,936 Excess)	
66	Control Inst. and Testing Machines	\$	1,700,000	84,131	726,517	43	65	973,483	
69-70	Anti-Friction Bearings	\$	15,000,000	957,656	6,196,591	41	62	8,803,409	
111	Block Signal System	\$	14,591,500	772,476	3,343,241	23	35	11,248,259	
140	Power Equipment	\$	75,000,000	5,470,790	40,862,608	54	82	34,137,392	
	Total Industrial and Related Equipment	\$	431,291,500	26,637,656	263,423,990	61	92	167,867,510	
MISCELLANEOUS EQUIPMENT ITEMS									
67A	Abrasive Grain	S.T.	4,000	21	4,680	122	185	(680 Excess)	
68A	Graphite Electrodes	S.T.	5,757	80	4,225	73	111	1,532	
68B	Other Graphite Goods	S.T.	1,691	3	676	40	61	1,015	

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SECRET
War Production Program

Pro- tocol Item No.	Item	Unit	3rd Protocol Production Program	Yds Available at Mill in U.S.A. Feb. 1, 1944 - Feb. 29, 1944	Yds Available at Mill in U.S.A. July 1, 1943 - Feb. 29, 1944	Percent of 3rd Prot. Program Completed as of Mar. 1, 1944	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of Mar. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
MISCELLANEOUS EQUIPMENT ITEMS (Continued)									
580	Graphite Powder	S.T.	1,120	176	1,535	137	208	(415 Excess)	
75	Tires, Tubes, Other Rubber Products (Rubber Content)	S.T.	40,320	2,148	23,111	57	86	17,209	
52	Metallic Cloth and Screen	\$	1,000,000	122,298	377,168	38	58	622,832	

War Production Board
Foreign Division
Program Review Branch
March 15, 1944

SECRET

Treasury Department
Division of Monetary Research

Date March 22, 1944

To: Miss Chauncey

Discussed orally with the
Secretary today.

H.D.W.

MR. WHITE
Branch 2058 - Room 214½

TREASURY DEPARTMENT

224 ✓

INTER OFFICE COMMUNICATION

DATE March 21, 1944

TO Secretary Morgenthau

FROM Mr. White *JHW*

Subject: Delay in progress on International Monetary Conference

The last week in May or first week in June is the outside limit that it is possible to hold an international monetary conference. The conference would last two, probably three, weeks and the Republican Convention is June 26. To convene the conference for the first week in June, we must obtain agreement with the British for the publication of the joint statement within ten days. (We have calculated very carefully and the steps required between the obtaining of such approval and the convening of the conference cannot be set to less than eight weeks.)

That means that unless we receive approval from the British to have the joint statement published during the next ten days it seems that we have no choice but to drop the negotiations until next year. We presume that it would be wholly unfeasible for a conference to be held any time between the Republican Convention and the election.

We cannot understand further delay on the part of the British if they are desirous of having this thing taken up by this administration, inasmuch as we have made clear to them the urgent time schedule if the matter is to be taken up this year.

Quite apart from the holding of the conference, a report to Congress and to the public would seem imperative. The absence of any information to the public on the negotiations is becoming increasingly embarrassing and gives rise to rumors that everything is being finished in secret; that the negotiations have broken down; that we have made a failure of the attempt.

If the British will not approve of the joint statement within the next ten days, it seems to us that the only course

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left is to inform Congress and the public of the terms we are ready to subscribe and the terms which the technicians of all other countries are prepared to recommend except Great Britain.

A decision as to the next step must be made within the next few days. I should like to discuss this with you at your earliest convenience.

DRAFT

March 21, 1944

EXECUTIVE ORDER

- - -

Establishing the Foreign Economic Policy Committee
and Defining Its Functions and Membership

WHEREAS the problem of post-war foreign economic policy is becoming increasingly important; and

WHEREAS the formulation of a sound post-war foreign economic policy requires a clear recognition of the fundamental interrelationship between our domestic economic policy and our foreign economic policy; and

WHEREAS our post-war foreign economic policy will affect the operations and responsibilities of several of the executive departments and agencies of the Government

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States, it is hereby ordered that:

1. There is hereby established the Foreign Economic Policy Committee (hereinafter referred to as the Committee). The Committee shall be composed of the Secretary of State, who shall be Chairman of the Committee; the Secretary of the Treasury; the Attorney General; the Secretary of Agriculture; the Secretary of Commerce; the Secretary of Labor; the Chairman of the United States Tariff Commission; and the Foreign Economic Administrator. Each member of the Committee shall designate an alternate member authorized to act in his stead on the Committee. The Committee may from time to time invite the heads of other executive departments and agencies to participate in its activities for such periods and purposes as

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to the Committee seem desirable.

2. The Committee shall consider the over-all problems and developments affecting the long range economic policy of the United States, both domestic and foreign, and shall formulate general principles of foreign economic policy subject to the approval of the President.

3. The Committee shall establish sub-committees to examine problems and developments relating to commercial policy, monetary and credits problems, patents and cartels, and other aspects of our foreign economic policy as are necessary or desirable in the opinion of the Committee. The chairman of each sub-committee shall be the head of the executive department or agency which is most directly concerned in the subject assigned to the sub-committee.

Any executive department or agency having a direct interest in the subject assigned to any sub-committee shall be represented on such sub-committee regardless of whether such department or agency is represented on the Committee; and representation on the sub-committee shall be confined to the departments and agencies having a direct interest in the respective subjects.

Each sub-committee shall make such reports to the Committee as the Committee may from time to time require.

4. Each of the sub-committees established pursuant to paragraph 3 above shall be accorded the widest degree of autonomy consistent with the Committee's responsibility for the formulation of over-all foreign economic policy. The Committee also shall recognize that the magnitude and complexity of this government's foreign economic relations requires a large measure of decentralization and a high degree of departmental and agency responsibility.

- 3 -

5. Nothing contained in this Order shall be deemed to remove the responsibility or authority of each executive department or agency for carrying out its own functions and operations but such functions and operations shall be carried out in accordance with the over-all foreign economic policy formulated by the Committee with the approval of the President.

6. The Executive Committee on Commercial Policy established by the letter of November 11, 1933, from the President to the Secretary of State, and continued by Executive Orders No. 6656 of March 27, 1934 and No. 7260 of December 31, 1935, is hereby abolished.

CONFIDENTIALAgenda for the Third Meeting of the War Refugee Board.
March 21, 1944.

- (1) Approval of minutes of second meeting held on February 4, 1944.
- (2) Report of Acting Executive Director on accomplishments and developments since last meeting, including the following:
 - (a) Rescue through Turkey.
 - (b) Rescue through Spain.
 - (c) Psychological warfare program including cooperation of OWI, proposed statement by the President, and the warning to the satellite governments.
 - (d) Cooperation of Russia.
 - (e) Cooperation by the British and relations with the Intergovernmental Committee. Proposed visit of Sir Herbert Emerson.
 - (f) Licensing of remittances of funds to enemy territory to assist in rescue ~~and~~ emergency relief operations.
 - (g) Financing of War Refugee Board's operations.
 - (h) Staff of War Refugee Board.
- (3) Approval of preparation of report to the President.
- (4) Consideration of recommendation by Mr. Fehle that temporary havens of refuge be provided in this country for all oppressed peoples escaping from Hitler -- these people to be placed in camps established in this country and to remain there until the termination of the war at which time they will be returned to their homelands.

March 21, 1944

My dear Mr. President:

I saw Myron Taylor the other day and had a very satisfactory talk with him. I am sure he is going to cooperate with your War Refuge Board.

At my suggestion, he has cabled Sir Herbert Emerson, Secretary of the Intergovernmental Committee in London, and asked him to come to Washington to confer with John Fehle.

I am returning herewith the correspondence that you sent me in regard to this matter and I can assure you that you can dismiss it from your mind.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

The President,

The White House.

held by SS Dept
3/22/44

THE WHITE HOUSE
WASHINGTON

March 8, 1944.

MEMORANDUM FOR

THE SECRETARY OF THE TREASURY:

I am enclosing herewith a memorandum from Mr. Myron Taylor. Will you and Ed Stettinius work it out with him?

F.D.R.

FDR

DEPARTMENT OF STATE
WASHINGTON

March 3, 1944

MEMORANDUM FOR THE PRESIDENT FROM

MYRON TAYLOR

On Thursday I attended a meeting in Mr. Stettinius' office to discuss the relationship between your Advisory Committee on Refugees, the Intergovernmental Committee (thirty-six states are now members), and the newly created War Refugee Board. Those attending were Mr. Stettinius, Mr. Paley and his assistant representing Mr. Morgenthau, Mr. Berle, Mr. Breckinridge Long, Mr. Taft, Mr. George Warren, Robert Pell, my alternate appointed with your approval last autumn.

I explained the scope of the Intergovernmental Committee directive, its office in London, its distinguished membership of nations represented by Ambassadors and Ministers. I outlined the recent expansion of its directive to assume administrative relief functions, the provision of funds for relief, one half by our Government through your generous offices, and one half by the British, arranged by you with the Prime Minister, as well as the agreed arrangement for relief with Mr. Lehman's organization. It was hoped that other nations might also contribute to this fund as they have to the expenses of the London office.

Inasmuch as you founded the Intergovernmental Committee and thirty-six nations are members, it seems desirable for reasons of international good will and particularly as questions have been raised in many quarters, to define the relationship and the future scope of the War Refugee Board and of the Intergovernmental Committee.

I therefore

I therefore made two concrete suggestions:

I. That Mr. Paley and Mr. Pell prepare a brief statement of the scope of the work, having in mind the greatest possibilities of success in relieving the unfortunate victims of Nazi terror, and of the part the Intergovernmental Committee is hereafter to play, if any, therein.

II. That Mr. Paley go to London to clear up the uncertainties with the British Foreign Office and the Intergovernmental Committee.

The British for some time have desired a full plenary session of the Intergovernmental Committee, and an immediate question has been put to Mr. Eden in the House of Commons for an explanation of the purpose of the "American War Refugee Board" and the resulting status of the Intergovernmental Committee. A number of Governments have also sought to retire from the Intergovernmental Committee on the theory that the U.S.A. have taken over the refugee problem.

By following I and II above the situation can in my mind be clarified.

Others present at the meeting raised subsidiary questions which have a bearing upon publicity and foreign relations, but these in my opinion can be solved without difficulty in the regular conduct of inter-Departmental routine.

MCT
Myron C. Taylor

MAR 21 1944

Dear Mr. Taylor:

Thank you for your letter of March 18, transmitting a copy of cable No. 1711 of March 2 from London, concerning the discussion in the House of Commons on the inter-governmental Committee and the War Refugee Board.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

The Honorable
Myron G. Taylor,
Washington, D. C.

JWFehle:lhk 3/20/44

DEPARTMENT OF STATE
WASHINGTON

March 18, 1944

My dear Mr. Secretary:

In addition to the material which I sent you under cover of my letter of March 17 concerning refugees, I would call your attention to the attached telegram of March 2 from London which has recently been received in the Department.

Sincerely yours,

Myron C. Taylor

The Honorable

The Secretary of the Treasury.



Please recheck and for my
M.C.
R.G.

TELEGRAM RECEIVED

FROM: London
DATE: March 2, 1944
NUMBER: 1711

House Commons sitting in committee yesterday debated Intergovernmental Committee on Refugees 2 1/2 hours and voted supplementary sum requested by Government. Attendance was small about 30 members. Critics generally upheld IGC but favored supplementing by a body like War Refugee Board with full time executive director. Richard Law spoke for Government and referring to necessity for international cooperation through IGC continued: There are some matters which can be handled far better by an Inter-Governmental body of this kind than by any particular Government but that does not at all rule out the necessity that as well as international action there has to be national action in these matters. For that reason His Majesty's Government welcomed most heartily the institution of the War Refugee Board in the United States and we shall be willing and indeed anxious to give that War Refugee Board as a part of the United States Administration our very warmest support and sympathy. We are working on all these matters in the closest relations with the United States Administration. I do not know whether it is generally known among honorable members that we have recently sent instructions to every one of our Missions abroad likely to be involved in refugee matters that they should seek out and collaborate with their American opposite numbers on refugee matters to the fullest extent in their power. "I do not think that honorable members who have raised the question of the Refugee Board quite realize the constitutional difference between this country and the United States. Under our system of ministerial responsibility it would in fact be impossible for us to institute an independent body which would control ministers and heads of other departments outside: in fact there is not the same need for such a body in this country. There is already a cabinet committee concerned with these matters and that cabinet committee has at its disposal an administrative staff in the form of the Refugee Department of the Foreign Office. So we really have the substance of what the President of the United States has just instituted in the shape of the War Refugee Board. For constitutional reasons I do not see how we could imitate the structure of that board and for practical reasons I cannot see that we should gain any advantage from imitating it". "I can assure the committee that His Majesty's Government are prepared to do everything they possibly can to find a solution of this problem in cooperation with other nations where that is necessary and individually as a Government where that is possible".

Forwarding airmail report. WINANT

FDR ASSAILED IN CREATING OF REFUGEE BOARD

Charge Made Move Opens Door to Immigrants

Washington —(GNS)— President Roosevelt is circumventing the will of Congress and opening the door to unrestricted immigration through his newly-created war refugee board, Representative Noah M. Mason of Illinois ranking Republican on the House Immigration Committee, charged yesterday.

Congress turned thumbs down on the President's request for authority to suspend immigration laws under the third War Powers Act, but the President took the matter into his own hands and created the new board by executive order, Mason declared.

The Illinoisan raised the question whether the President's action was constitutional, saying decision of Congress was definite and final and that the Constitution vests control of immigration in Congress. The President recognized this Congressional authority when he asked Congress for power to set aside the immigration laws, Mason said. He promised to let the Administration hear more about the constitutional question.

Created in January

The new board, created last January, consists of the Secretary of War, Secretary of State, and Secretary of the Treasury.

Mason called attention to the language of the executive order, which says the board's duties "shall include without limitation the development of plans and programs and the inauguration of effective measures for (A) the rescue, transportation, maintenance, and relief of the victims of enemy oppression, and (B) the establishment of havens of temporary relief for such victims."

"The President counted upon the Allied powers to co-operate with him in this program, but so far no indication has been given that any will co-operate," Mason said.

"One of the most important powers any government can have is to say who may or may not enter the country. All civilized countries recognize this and have made laws to regulate and restrict immigration."

600,000 Refugees

He said 600,000 European refugees, including 6,000 doctors, already have been admitted to this country.

"After the war, who should have first claim upon the jobs available, our returned soldiers or several million refugees?" he asked.

The question of post-war immigration restrictions is being studied by the American Bar Association's immigration committee, headed by F. Regis Noel of Washington, D. C.

FDR's War Refugee Board Seen Immigration Opener

By ROLAND ALSTON

Gannett National Service

Washington—President Roosevelt is circumventing the will of Congress and opening the door to unrestricted immigration through his newly-created War Refugee Board, Rep. Noah M. Mason of Illinois, ranking Republican on the House Immigration Committee, charged today.

Congress turned thumbs down on the President's request for authority to suspend immigration laws under the third War Powers Act, but the President took the matter into his own hands and created the new board by executive order, Mason declared.

The Illinoisan raised the ques-

tion whether the President's action was Constitutional, saying decision of Congress was final and that the Constitution vests control of immigration in Congress.

The new board consists of the Secretary of War, Secretary of State, and Secretary of the Treasury.

Mason called attention to the executive order, which says the board's duties "shall include without limitation the development of plans and programs and the inauguration of effective measures for (A) the rescue, transportation, maintenance, and relief of the victims of enemy oppression, and (B) the establishment of havens of temporary relief for such victims.

ABUSES BY POLES IN IRAN REPORTED

Correspondent Says Refugees
Even Sold Relief Goods
Supplied by Americans

By JAMES ALDRIDGE

North American Newspaper Alliance.

MOSCOW, March 13 (Delayed)

—The Soviet Government slowly is bringing the Polish situation to a head.

The Russians may not add anything new to the facts already known about Poland, but I have a few that I have been trying to tell for a year. Until now no censorship would pass them. They have been known to censors as being correct. In fact, one Allied censor said to me, "I know it's all true, but what can I do? We recognize the Polish Government, you know."

These facts are about the 130,000 Poles who came out of Soviet Russia and are now being dispersed over Africa and the Middle East. At the time of these incidents they were in Teheran, Iran.

Not far from Teheran they had a big camp built for them by the British Army. Here they stopped before moving on to Kenya or the Middle East.

Handling of the Poles in Teheran was done by an elite of Polish officers and wealthy Polish women. They did not live at the camp, however. They lived in the best apartments and hotels in town. Col. Alexander Ross was the British representative assisting the Poles, and A. MacDonald represented the American Red Cross. These two men were the only sincere people I met who had anything to do with the Polish authorities.

Relief Clothing Sold

Here is a simple list of some of the disdemaneurs I know about:

The Polish authorities in Teheran were supplied with many thousands of British battle uniforms for their army and civilians. Large numbers of these were sold on the open market by the Poles. You could buy them from a pile down in the Teheran bazaar. It was the same with blankets. Stores of blankets were sold to the Persians after they had been issued to the Poles for relieving the plight of civilians.

The Polish camp was divided into classes. At the camp conditions got progressively worse as one's station was lower. The Jews were separated into a ghetto. The camp was run on totalitarian lines, and you did what you were told.

A continuous campaign against Russia was conducted by the more reactionary groups. Everyone of them would talk about nothing else except the terrible time they had had in Russia, particularly to Americans and English. A large number of middle-class girls were very good at this. They complained that they had been put into concentration camps in Russia; that they had been sent out in winter to cut wood; that they got only 50 grams of bread a day; that the clothing they had was terrible.

When you questioned them as a rule they admitted that the camps were clean, though said; that the wood was for Usmanovs; that Russian women cut wood; also that their bread ration was the same as the ordinary Russian's, and that their clothes were as good as the average Russian had.

Poles Refuse to Share Bread

On one occasion the Poles took almost their entire elite corps sixty miles in buses to see the opening of a Polish cabaret outside of town. This occurred at a time when Teheran was starving because there was no transport available to bring wheat in from the fields to make bread. Both the British and American representatives protested. They received short answers and an invitation to join the party, which they refused.

During the bread shortage in Teheran last year, when rioters smashed up places and there was no bread for one whole week, Polish authorities would take nothing except white bread. During these riots the American representative tried to persuade the Poles to give up some of their store of white flour to help the Iranians. The Poles refused and put an extra guard around their flour supply.

The Poles had large stocks of goods sent from America. There were such diverse things as tons of powdered milk and 3,000 pairs of rubber gloves. The American representative tried to get some of the milk back from the Poles to help some of the destitute Iranian babies, but his request was rejected. Some of the foodstuffs were sold on the open market.

The Poles also speculated in the Iranian money market. They always had plenty of money—that is, the upper strata did. They spent most of their money buying and selling gold trinkets, and every gewgaw that one famous street in Teheran had to offer. This street is now known as "the Polish Corridor."

When more than 300 Jewish children had been fixed up to go to Palestine the Polish elite, who were very anti-Semitic, put pressure on Iraqi authorities not to allow the Jewish children to pass through Iraq to get to their destination. The Poles were repulsed, but they so delayed the Iraqi decision that the Jewish children had to go by a long, difficult route through Basra to India. At Karachi they had to get a boat to Palestine. The trip took three months that way; through Iraq it would have taken three weeks.

Red Cross Aide Disgusted

Out of a mixture of disgust and pressure from the Poles Mr. MacDonald of the Red Cross resigned his job. He had sincerely tried to help the destitute Poles, but this had antagonized the Polish authorities. His successor, Henry Weems, suffered the same unpleasantness.

The facts I mention here are only a few. Authorities of Allied governments know a lot more than I do. The only protest I remember hearing came from the Soviet Government. I have heard many Americans say they would like to tell the real story about the Poles but that it was useless because the Poles have such a powerful lobbying bloc in Washington, and the story is unpublishable anyway. I don't believe that.

ALLIED FORCE HEADQUARTERS
Civil Affairs Office

March 21, 1944

Dear John:

I have not written you since March 7 since I was awaiting the further development of several matters, and then was unfortunate enough to contract a bad cough accompanied by fever which put me into the hospital for a few days. Since then, however, there have been a number of interesting happenings which I will try to expand upon below.

First, as to Fedhala. Action was delayed on our clearance of the admission of refugees from Spain until the French security representative returned from Spain. He arrived in Algiers on March 13 and a meeting to discuss the admission of the refugee groups was held on March 17. I have already briefly advised you by cable of the results of that meeting. At that time we discussed a group of 484 applicants for admission to the refugee center. Approximately 30 were objected to on security grounds. This was the joint action of both French and AFHQ security officers and, of course, we could and did make no objection thereto. The second question involved 116 refugees who had arrived in Spain prior to 1933. A small portion of this group came from South American countries and had not had much luck in getting their own diplomatic representatives to aid in their repatriation. However, by far the largest portion of this group of 116 were stateless refugees. Most of them were Jews who had been displaced as a result of the population exchange between Turkey and Greece in 1921. As they were of Spain origin (dating back to 1492 when Jews were expelled from Spain) and still spoke an old-fashioned Spanish, they gravitated to Spain where they were apparently well treated first by Alphonso, and later by the Republic. Since Franco's accession to power they have not been too fortunate. In some cases work permits have been refused. In all cases they have been forbidden religious communal activity, and in many cases they have had to be supported by organizations, principally the JDC. We urged at the meeting that this group be admitted upon the ground that they were stateless, and further that their removal from Spain would ease the Spanish refugee problem and thus make Spain more receptive to the admission of more refugee groups. The French representatives promised to take these matters into consideration and advise us of their decision shortly. We have not as yet received their reply. Later, Beckelman, the UNRRA representative who is to be in charge at Fedhala, spoke to Governor Lehman about this pre-1933 group. The Governor expressed some

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doubt as to whether we should urge the admission of this group too strongly since he felt that we might be setting a precedent which later might involve a much larger group of persons. I have not had an opportunity to discuss this further with the Governor since he had an accident and has been in the hospital for several days.

There is another question concerning the Fedhala center which is still unsettled. After Bayonne, the French security representative, left Spain an additional 415 applications were received, the overwhelming part of which came from Sephardic Jews. Only a small percentage of these Sephardic Jews entered Spain prior to 1933. The major portion moved to various other European countries, and then gravitated to Spain after the beginning of the Hitler regime, or stayed in France or Central Europe until Hitler occupied the countries in which they were located. Some of them, even though not born in Spain, had received Spanish passports because of the insistence in the early 20s on the part of the Turkish Government that these people, formerly known as Spanish proteges, either receive Spanish passports or accept Turkish nationality. Many of the present group accepted Spanish passports. The best information that I can obtain about their eventual removal to Spain is that when they were apprehended by the Germans, they exhibited their Spanish passports and that the Germans then made representations to the Spanish and insisted that the Spanish receive them in Spain. The Spanish version of the story is that they initiated the representations and insisted that the Germans release these people from concentration camps and permit their emigration to Spain. Whatever the correct story may be, they are now given few, if any, of the privileges of Spanish citizens, and accordingly, should also probably be classed as stateless. In our discussions with the French, no question has yet been raised as to the admission of these persons and we hope that no objection will be raised. I cannot give you the final answer upon these people since the applications have not as yet arrived from Spain. They should be here within one or two days, and will immediately be submitted to our own security people as well as to the French for screening.

The question which now arises is whether we should bring the refugees from Spain to Africa in one or two groups. At the time of the meeting most of the Allied representatives were of the opinion that it would be more feasible to delay the admission of the cleared group until the second group had been cleared. I was of a different opinion as I felt that the early movement of approximately 350 people from Spain would be of immediate aid to the Spanish situation. After the meeting I discussed the matter with the British who are supplying the ships and learned that it might be possible to get two ships instead of one - at least I have not yet received a definite response in the negative. If two ships can be secured, the cleared group should move from Spain as soon as we get French visas which should not take more than a few days and as soon as the necessary

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arrangements in Spain can be made. If, on the other hand, the British are only able to supply one ship, the first group will have to wait until the second group is cleared, which will delay the whole project until the middle of April.

On Sunday morning, March 19th, I received a call from Robert Murphy's office. When I reached there I found one of Murphy's assistants discussing a cable from the Combined Chiefs of Staff, with an aide from Gen. Caffey's office. Caffey is head of G-3, AFHQ. The cable, which no doubt was inspired by the War Refugee Board, related to the methods of financing movement of refugees from the Island of Rab in Yugoslavia to Italy. I discussed the matter quite fully and urged upon Gen. Caffey's representative that only military exigencies should interfere with the operation of this program. I told him about the underlying reasons for the establishment of the WRB and explained that unless this action were taken, these people might be killed. I also expressed the opinion that difficulties of handling the groups once they arrived in Italy should only be a minor consideration since every effort would be made to ease this problem as quickly as possible. This morning I received a phone call advising that this cable had been referred to the Military Government Section for action. I called Frank Southard but discovered that he was again in the hospital. I spoke to Col. McFadzean, his British opposite number who advised that he would only handle the financial end providing the project were approved in other quarters. I offered my assistance in this connection but have not heard anything of it since.

As I advised you by cable, I believe it is important, if feasible, to have a representative in Italy in order to follow up this program. Up to the present at least the Army's attitude appears to have been one of avoidance due to the difficulty in caring for the refugees already in Southern Italy and that therefore a further influx should be restricted, if possible. An Italian representative might be in a position to keep you advised of the facts in this area, aid in changing the Army's attitude, and assist in making the financial arrangements necessary in order to bring these people into Italy. I also asked that I be given certain directives with respect to Italy so that I can make representations at AFHQ. I believe this to be essential since the Army sometimes looks with disfavor upon a civilian who attempts to step into a field not clearly within his province. I can cite the following example with reference thereto. After the receipt of the cable from Marshall addressed to Eisenhower, Devers, Stillwell and MacArthur, dated March 2, 1944, containing the message sent at the direction of the Secretary of War with reference to the formation of the WRB, I went to see some of the people working on refugee problems in the Military Government Section. I discussed the matter with them fully and received the information on the Yugoslavian situation contained in my letter of March 7th. The officer to whom I talked pointed out that the cable

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appointing me the representative of the Board stated that I was to work in North Africa. Thereafter a cable was sent to various places in Italy in which it was stated that there was no information of the appointment of an attache for Italy but that one had been appointed for North Africa, and that the matter would be discussed further with Malin of the Intergovernmental Committee on his return to Algiers, I had further discussions with the secretary of the Chief of Staff yesterday who also indicated that I would get more cooperation from the Army if my directives specifically referred to Italy. I believe, however, that the best solution would be that a representative be appointed for Italy and that while I should be given certain powers with respect thereto, I should remain in North Africa. It would be very difficult because of questions of transportation and communications for me to handle both places adequately should I be the sole representative.

I have not as yet seen Malin of the Intergovernmental Committee, but expect to have discussions with him when he returns from Cairo on or about March 30th.

I have been making an effort to collect as much information as possible about the movement of refugees from France into Spain. I have approached both G-2 and OSS but have not been too successful in getting a great deal of information. They both state that they have little information on refugees and they both are reluctant to furnish information concerning escape routes since they feel that it may prejudice the movement of their own men across the border and because of their program of using these routes to rescue airmen. I will continue along these lines, however, and get as much information as I can. I am also attempting to interview recently-arrived refugees and enclose a summary of a statement made to me by one of them. As is stated on the bottom thereof, some of the information in this statement may not be too accurate. In any event, it appears that the movement across the Pyrenees is extremely difficult.

The cable about Jim Saxon arrived on Sunday. I have discussed the matter with him and have made available to him all information in my possession. After he has finished reading my files we intend to have further discussions. I also enclose a translation of a speech made by Frenay, French Commissioner for Prisoners, Deportees and Refugees, before the Consultative Assembly on March 6, 1944. I believe you will find this of interest.

I would appreciate any further information that you may be able

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to send me from time to time about the work of the Board. As I stated in an earlier letter, I received a good deal of information in my talks with Harold Glasser and further elucidation from Orvis' letter to Mike. Further information along these lines and your suggestions will be extremely helpful. Will you also let me know whether you wish me to continue to report in detail as I have done in this and previous letters.

Sincerely,

L. E. Ackermann
Special Representative
War Refugee Board

Mr. John Pehle,
Acting Director,
War Refugee Board,
288½ Main Treasury Building,
Washington, D. C.

March 21, 1944

CABLE TO MINISTER JOHNSON, STOCKHOLM, SWEDEN

Please refer to Department's No. 131 of January 25, in regard to the establishment of the War Refugee Board. The Acting Executive Director of the Board, John W. Pehle, has informed the Department that in conformity with the President's order of January 22, the Board proposes to appoint Mr. Iver Olsen, Treasury representative in Stockholm, as the special representative of the Board with the designation by the Department as special attache to the Legation on War Refugee matters. The President's order provides that the State Department shall appoint such special attaches on the recommendation of the Board, that they shall have diplomatic status and that their duties and responsibilities shall be defined by the Board, in consultation with the State Department.

The Treasury has indicated that it has no objection to Mr. Olsen's accepting this appointment, provided that Olsen does not feel that the new work when added to the duties already being performed by Olsen would constitute too great a burden.

If, after discussing the matter with Mr. Olsen, the appointment meets with your approval, you should advise him that he is so designated and that he is to have diplomatic status. It is assumed that there will be no objection on the part of the Swedish Government to this designation, although you may in your discretion approach the Swedish authorities informally if you consider it necessary or advisable to do so. You are requested to confirm by telegram Olsen's designation or to advise us promptly if there is any reason why the designation should not be effective at once.

You should advise Olsen that:

- (a) He is charged with the duty and responsibility of carrying out the Board's policies and programs in Sweden;
- (b) He is responsible to the Minister and should discuss his activities and problems with him regularly and fully;
- (c) The Legation will provide him with the necessary communications facilities in carrying on his official duties;
- (d) He shall extend all possible assistance to the Minister in carrying out the instructions contained in the Department's reference telegram;
- (e) He shall work with and give all assistance to public and private agencies operating in Sweden in this field regardless of whether such organizations are American, foreign or international;
- (f) He shall develop and assist in the development of programs and implementation of measures for the rescue, transportation, maintenance and relief of refugees;

- 2 -

(g) He shall forward to the Board recommendations and frequent reports on progress of work and difficulties encountered:

(h) In so far as the Trading with the enemy Act is concerned, the Secretary of the Treasury has vested in the War Refugee Board and its representatives in the field full authority to communicate with enemy territory to carry out the purposes of the Order. The Secretary of the Treasury has also delegated to the War Refugee Board and its representatives the power to authorize any public or private agencies, who may be subject to the provisions of our Trading with the enemy Act, to communicate with enemy territory for the purpose of carrying out the order. Olsen is authorized to act accordingly.

After receipt of confirmation of Olsen's designation further detailed instructions will follow from time to time.

JBF:bbk - 3/21/44

March 21, 1944

TO JOHNSON

5:30 p.m.

STOCKHOLM

FOR OLSEN FROM SECRETARY MORGENTHAU

Reference is made to State Department cable of today's date which designates you as Special Representative of the War Refugee Board. This designation has my full approval. It is understood that you will continue your duties as Financial Attache in Stockholm concurrently with the exercise of your duties as Representative of the Board. Please advise whether your designation as Representative of the Board imposes too great a burden upon you in view of your other duties.

STETTINIUS

EFRains:ia 3/21/44

CABLE TO STOCKHOLM

From War Refugee Board to Johnson

Please deliver the following message to Elise Ottesen Jensen, 39 Kungsgatan, Stockholm, from International Rescue and Relief Committee:

"We receiving cooperation of War Refugee Board and ask you transmit important messages which may otherwise be delayed via Iver Olsen American Legation Stockholm and addressed to John W. Pehle for International Rescue and Relief Committee Stop Answer immediately received no recent cables from you"

March 21, 1944

4:05 p.m.

It will be appreciated if you will have the attached cable despatched at once to Elise Ottesen Jensen, 39 Kungsgatan, Stockholm, from the International Rescue and Relief Committee, and bill the International Rescue and Relief Committee, 2 West 43rd Street, New York 18, N. Y., for the cost of the message and any answer thereto.

CABLE TO BERN

From War Refugee Board to Harrison

Please deliver the following message to Rene Bertholet, Waserstrasse 14, Zurich, from International Rescue and Relief Committee:

"We receiving helpful cooperation of War Refugee Board and ask you transmit important messages which may otherwise be delayed via American Legation Bern and addressed to John W. Pehle for International Rescue and Relief Committee"

* * * * *

March 21, 1944

4:05 p.m.

It will be appreciated if you will have the attached cable despatched at once to Rene Bertholet, Waserstrasse 14, Zurich, from the International Rescue and Relief Committee, and bill the International Rescue and Relief Committee, 2 West 43rd Street, New York 18, N. Y., for the cost of the message and any answer thereto.

Attachment.

F. Hodel:lab 3/17/44

PARAPHRASE OF TELEGRAM SENT

FROM: SECRETARY OF STATE - WASHINGTON
TO: AMLEGATION - BERN
DATED: MARCH - 21 - 1944
NUMBER: 933

CONFIDENTIAL

With reference to the proposal to return Italians now in German occupied countries to their homes, Bern's telegram of January 20, 1944, no. 444 and Department's telegram of February 23, 1944, no. 619, the Department has received from Admiral Leahy a letter dated March 9 stating that there had been referred to the Joint Chiefs of Staff for consideration the Department's letter of February 23 presenting the matter. The Allied Commander in Chief of the Mediterranean theater has received a cable asking his views on the feasibility of the proposal. The Department will be informed and you will be advised of the decision reached as soon as a reply is received.

HULL

CORRECTIONS

Ankara
Dated March 21, 1944
Rec'd 10:22 p.m.

Secretary of State

Washington.

U. S. URGENT
501, March 21, Midnight (SECTION ONE)
FOR WEB FROM HIRSHMAN
Ny 472 March 16, and 487 March 18.

* * * * *

In the fifth line change "TURKISH" to read "BRITISH".

In twenty-second line place period (.) after word "result".
Begin new sentence and replace "in increasing" with the word "Regarding".

BE-561

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

Ankara

Dated March 21, 1944

Rec'd 10:22 p.m.

Secretary of State
Washington

U. S. URGENT

501, March 21, Midnight (SECTION ONE)

FOR WRB FROM HIRSHMAN

My 472 March 16, and 487 March 18.

I returned today from Istanbul after completing preliminary discussions with Director General of Turk State Steamship Lines regarding charter of SS TARI placed at our disposal by the Turk Government. Naval Attache, Black of WSA Turkish Naval Attache and I are agreed vessel which is in regular passenger service is seaworthy highly desirable for our purpose and to our agreeable surprse already equipped with life saving devices for 1500 people. She will be prepared to sail for Constanza as soon as adequate food, fuel and other supplies have been loaded, charter price agreed upon, safe conduct obtained, insurance for voyage has been placed. The Director General estimates about five days to load necessary supplies. As you have been advised, safe conduct has been requested of belligerents. Insofar as concerns insurance the Director General estimates that if placed with a Turk company for the trip to Constanza to Haifa and return premium will amount to \$80,000 (repeat \$80,000). Board may accordingly wish to consider placing insurance elsewhere notwithstanding delay that may result in increasing charter price which the Director General stated he was not as yet in a position to quote, duration of voyage is estimated at a minimum of 30 and maximum of 36 days unforeseen delays excluded. Having regard to prohibitive prices at present prevailing in Turkey for all commodities particularly charter of vessels it is probable we may be required to pay about \$4000 a day exclusive of insurance. This would include among other things compensation for crew for navigating in war zones, minor alterations to accommodate 1500 people pointing.

WSB

STEINHARDT

HEL-560

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

Ankara

Dated March 21, 1944

Rec'd 10:24 p.m.

Secretary of State,

Washington.

U. S. URGENT

501, March 21, 5 p.m., (SECTION TWO)

and lighting to meet International Red Cross requirements, food for the passengers, etc. Accordingly I request authority to enter into a charter party on behalf of the WRB with the Turkish State Steamship Lines for the charter of the SS TARI for this voyage at a price of not more than \$4000 per day. In this connection I should appreciate confirmation that the guarantee given the Turk Government by our Government of the replacement of the SS VATIN in the event of loss will apply to the SS TARI as her substitute in the event of her loss by any cause on the proposed voyage.

In view of the steadily deteriorating situation in Rumania the Ambassador and I urgently request an immediate reply authorizing me to enter into the Charter Party along the lines outlined above.

(END OF MESSAGE)

STEINHARDT

EDA

PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington
TO: American Embassy, Moscow
DATED: March 21, 1944
NUMBER: 648

CONFIDENTIAL

Following is substance of message from WAR REFUGEE BOARD.

We are informed by International Red Cross that the Bulgarian boats, "Maritza", "Milka", and "Bellacitta", are immediately available to transport Jewish refugees from Mangalia to Istanbul. The Red Cross has requested safe conducts. If possible you should obtain Soviet safe conducts. Advise War Refugee Board, also Ambassador Steinhardt and Red Cross at Geneva.

HULL

NOT TO BE RE-TRANSMITTED

OPTEL 93

Copy No 11TOP SECRET

Information received up to 10 A.M. 21 March 1944.

1. NAVAL

On 18th one of H.M. Cruisers carried out a bombardment in ANZIO Bridgehead area. On 18th/19th U.S. Patrol craft sank a F-lighter off BASTIA. French Destroyers sank three ships and possibly a fourth in convoy off WEST GREECE on 19th. A U-Boat sunk 19th West-South-West CAPE VERDE ISLANDS by a U.S. Escort Carrier and her group. 8 prisoners taken.

2. MILITARY

Italy 20th. CASSINO. Germans still hanging on to scattered strong-points in ruins of town. New Zealand Maoris took 100 prisoners and knocked out 2 tanks. Violent fighting continues. In bridgehead strong British raid 3 miles South West CARROCCETO achieved general success inflicting heavy casualties.

3. AIR OPERATIONS

Western Front 20th. In bad weather escorted Fortresses bombed MUNNHEIM area 175 tons, FRANKFURT area 46 tons, DINGEN 35 tons and other objectives 35 tons. Escorted medium bombers attacked military constructions NORTHERN FRANCE - 233 tons and CREIL Railway Centre - 157 tons. Thunderbolts bombed 3 airfields Northern France. Casualties 20th - enemy fighters 5 destroyed, Ours 6 heavy, 4 medium, 1 light bomber and 8 fighters missing.

20th/21st. Aircraft despatched: 20 Lancasters to explosive works ANGOULEME, all attacked, concentrated bombing caused some large and several small explosions. Total 17 Mosquitoes attacked MUNICH and 4 other towns in GERMANY.

Bulgaria 18th/19th. Wellingtons and Liberators dropped 48 tons at PLOVDIV with unobserved results: 2 Liberators missing.

Austria 19th. Liberators and Fortresses bombed airfield, factory area and railway yards at KLAGENFURT dropping 522 tons. Liberators dropped 163 tons factory area GRAZ. 80 enemy aircraft met. Enemy casualties 30:10:4. Allied - 17 bombers, 1 fighter.

Yugoslavia 19th. Liberators dropped total 122 tons railway yards METKOVIC and KNIN. At latter photographs show all main lines cut.

OPTEL 92 not sent to Washington.