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January 11, 1944  
2:24 p.m.

HMJr: We're planning another "We the People" program for myself.

James L.  
Hough-  
teling:

Yes.

HMJr: And I wondered if there was any town in the whole United States where labor and management really got along and a place where America could say, "Well, we can look forward to that sort of a thing as a future."

H: Yes.

HMJr: "And as a model."

H: Yeah.

HMJr: Something to look forward to and something that we are fighting for. See?

H: Yeah.

HMJr: Would you mind going to work on that and seeing if you could discover such a town?

H: Yes, I'll be very glad to.

HMJr: You see, instead of going -- they wanted me to go to Springfield or Lincoln's Birthplace or to go to Valley Forge -- instead of looking backward, I want to look forward.

H: Look forward, I see.

HMJr: Yeah. And is there any place in the United States where there's a model town, model relationship?

H: Yes.

HMJr: It has to be a war industry.

H: Yeah. War industry.

HMJr: Yeah. Okay?

H: Yeah, I'll do that. I'll let you know right away.

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HMJr: Will you right away?

H: Yeah. You bet.

HMJr: I'm in a hurry.

H: All right, fine.

January 11, 1944  
2:49 p.m.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Senator  
Clark: Hello.

HMJr: Hello, Bennett.

C: Hello, Henry, how are you?

HMJr: Oh, I'm alive.

C: You're lucky to be. I'm damn near dead. I've been in bed for a week.

HMJr: Yeah. I know you've had a terrible time.

C: Say, Henry, what are they fixing to do to your Internal Revenue Department?

HMJr: Well, I'll be very frank with you. The President didn't talk to me so I volunteered my opinion and I told him that from the standpoint of the man and from the standpoint of the Department, I thought it was a mistake. And he kind of just laughed it off.

C: Well, Henry, that's what I think...I mean, from a Party standpoint I think this fellow's the best Chairman that I -- I mean, he has more genius as an organizer in a political way than any fellow I know of in the United States except Jim Farley.

HMJr: Yeah.

C: I mean, I just think he's that.

HMJr: Yeah.

C: But he's a young fellow and from his own standpoint....

HMJr: Yeah.

C: ....that's what I think about it because I'm extremely fond of the fellow. I just think it's a crime to take him out of a job in which he is just starting in to make a great record.



HMJr: That's right.

C: And just pitchfork him into another political job. You know, the only reason he ever wanted to be Collector out there in the first place, Henry....

HMJr: Yeah.

C: ....was, not that he needed the job, or wanted the job, but he -- he'd made up his mind that he had been known as a politician all the time and he's got a big family and just thought he'd like to have his children remember him as being recognized for something else, and I believe if that kid was left alone in this job that he's got....

HMJr: Yeah.

C: ....that he'll really make an outstanding and superb record.

HMJr: Well, I agree with you wholly. I've gotten to be very fond of him.

C: I'll say, very frankly, Henry, from the Party standpoint and my own personal standpoint, politically, of course, I'd rather see him Chairman of the National Committee.

HMJr: Well....

C: I'm very fond of the boy and very fond of his family and I -- I just hate like hell to see a, what is a very constructive career in public service ruined by a damned thing like that.

HMJr: Well, I'm with you 101%. I think if they're going to do it, they couldn't get a better man to be chairman.

C: That's what I think, Henry, and I told Bob when he first talked to me about it. I mean when the thing was first mentioned to him, I said to Bob, "Of course, if your loyalty to the President and if the President asks you to do it,...."

HMJr: Yeah.

C: "...why, there's nothing on Christ's earth for you, to do except to go ahead and do that."

HMJr: Yeah.

C: But, I said that I hoped very much that the President could be induced to see somebody else and, as a matter of fact, Henry, I tell you who I've been boosting around about the thing.

HMJr: Yeah.

C: I don't know whether you approve of that. I'm merely stealing another fellow from you. But it is a fellow that has had more chance to develop himself in the public service than Bob has. I think if they want a new chairman, which I think is perfectly all right....

HMJr: Yeah.

C: ....I think John Sullivan is the best prospect I know of.

HMJr: Well, I hadn't thought of that.

C: You might not -- well, I recommended -- Judge Rosenman was up here at the Senate about two months ago.

HMJr: Yeah.

C: I mean, they had one of those luncheons over there and everybody was sounding off about -- with their complaints and he said, "Well, Frank Walker wants to get out. Who do you fellows suggest?"

HMJr: Yes.

C: Well, nobody had any suggestions to make.

HMJr: Yeah.

C: And I got to rubbing my head and thinking the thing over and in about a week or ten days I called him and said, "Now if you really want suggestions...."

HMJr: Yeah.

C: "....I'll give you one."

HMJr: Yeah.

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C: "I've thought the whole damned thing over and a fellow like John Sullivan...."

HMJr: Yeah.

C: I said, "I haven't talked to John about it. I don't know whether he'd take it, or wants it, or would accept it under any condition, but he's about the kind of fellow that you need."

HMJr: Yeah.

C: And I reviewed John's background, religion and everything else.

HMJr: Yeah.

C: And I don't think it would have the same -- be the same with John Sullivan leaving the public service now as it is Bob. Bob hasn't had a chance to get his....

HMJr: I agree with you.

C: .... feet warm.

HMJr: I agree with you. I agree with you wholly, but as I say, I did speak up. I wasn't asked but I spoke up and said my piece.

C: Well, I'm glad you did, Henry.

HMJr: And, I was quite emphatic and -- but I don't think I got anywhere.

C: Well, I gathered the thing was set, from what Bob told me....

HMJr: Well, I think he's going over there tomorrow.

C: Yeah. He told me he was going over there tomorrow.

HMJr: And -- but it looks as though it was set. I'll say this: whatever they're going to do, they'd better do it damned quick, because I've never seen the party in worse condition.

C: Well, Henry, there's not any question on earth about that.

HMJr: I mean, they should have -- this is something they should have done a year ago.

C: This should have been done a long, long time ago. We've just been drifting for a year and a half.

HMJr: Now, whether anybody, even Hannegan, could pick up the pieces, I don't know.

C: I don't either, Henry. Hannegan is exactly the right sort of fellow to do it. I mean, the fellow who knows politics and is patient and energetic and incidentally, another thing I'm worried about about this boy, Henry....

HMJr: Yes.

C: ....I don't know whether you know it or not, but he has a tendency to work so damned hard that he runs his blood pressure up....

HMJr: I knew he had that.

C: ....to abnormal degrees and the doctors have begged him to ease up on his....

HMJr: Yeah.

C: ....activities and his work and that's one reason I was delighted to see him get this Commissionership because, I thought he wouldn't have to work so hard; although, he's been sky-hooting around all over the country every since he got it.

HMJr: Well, as Chairman he's -- his blood pressure will be certainly at a high tempo right along. He won't be able to save himself.

C: Well, I just -- Bob's the kind I just hate like hell to see him leave that thing and also because of another thing, Henry, and that's one thing I want to come down and talk to you about.

HMJr: Yeah.

C: One of these days I want to come down and talk to you about the liaisonship between the Congress and Treasury.

HMJr: Yeah. Well, I wish you'd come down.

C: I want to come down and just offer you a little unsought advice as your friend.

HMJr: Well, don't wait too long.

C: Well, I'm coming down in the next day or two.

HMJr: Don't wait too long.

C: Because I've had some things -- I mean, just purely mechanical suggestions that....

HMJr: Well, I....

C: ....I think would -- might be very beneficial to all concerned.

HMJr: Well, I'd love to have them.

C: Well, I'll be down there, but part of them revolve around a fellow with a personality like Hannegan.

HMJr: Yeah.

C: Now, Henry, let me ask you this.

HMJr: Anything.

C: If Hannegan is appointed -- is taken out of the Treasury and appointed to this other job, have you got any commitments on his successor?

HMJr: No.

C: Well, I just want to make one suggestion....

HMJr: Yeah.

C: ....just for your consideration.

HMJr: Please.

C: That other collector out there.

HMJr: Yes.

C: Dan Nee is really -- was really for many years at the head of Helvering's list as the Number One Collector in the United States. He thought he was the best man in the United States.

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HMJr: Who's that?

C: Dan Nee. N-e-e, at Kansas City.

HMJr: Oh, yeah. I know him.

C: He's been the head of your Bond Drive.

HMJr: I know him.

C: And he's one of the best figures in the State and one of the best organizers in the State and if Bob is taken away and -- I mean, I thought that Dan was the Number One Collector in the United States until I saw Bob in operation.

HMJr: Yeah.

C: But he has every qualification that Bob has except Bob's tremendous initiative, but as you will remember, he was selected as the first Collector in the United States you'd try out on these Bond Drives.

HMJr: That's right.

C: And he's a very fine upstanding citizen.

HMJr: Well, I'll....

C: I wish you would give consideration to him.

HMJr: I'll look him over.

C: That's -- well, that's all I want you to do.

HMJr: Okay.

C: As far as I'm concerned, Henry, I hope to Christ something will come up....

HMJr: Yeah.

C: ....to keep Bob from taking this job.

HMJr: Well, I'm -- I don't know, but I guess....

C: I mean from....

HMJr: From the lap of the Gods.

C: Well, I mean Bob -- Bob, of course, as I entirely agree with -- Bob feels that if the President asks him to do it in a -- I mean, really, asks him to do it, of course, he has to do it. And I agree with that entirely, irrespective of his own personal fortune.

HMJr: Yeah.

C: But I very much wish that the President could find somebody else and I'm -- unless you object to it, I'm scurrying around this afternoon....

HMJr: Yes.

C: ....calling a few fellows that I think might be -- friends of mine who might be close in, suggesting the name of John Sullivan.

HMJr: It's all right with me.

C: But I didn't want to do it without talking to you.

HMJr: No.

C: But if it is all right with you....

HMJr: It's all right with me.

C: ....I'm going to call Jimmy Byrnes and some damn fellows that I think are mixing in this thing -- and Frank Walker.

HMJr: Yeah.

C: And tell them what I think about it and, as a matter of fact, from every sort of a standpoint, I think John Sullivan will be fully as good as Bob as National Chairman and maybe better.

HMJr: Well, I wouldn't know.

C: Well, I know.

HMJr: Yeah.

C: John Sullivan, you know, was Department Commander of the Legion up there among other things.

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HMJr: That's true. That's true. Well, thank you.  
I hope you drop in soon.

C: Henry, I'm -- I'm going to call you and ask you  
to go to lunch with me some of these days....

HMJr: Fine.

C: ....because I would really like to have a chance  
to sit down and talk over the relationship of the  
Congress and Treasury and make a few very practical  
suggestions just based entirely on experience.

HMJr: Well, anytime you're ready, I am.

C: All right, I'll do that, Henry.

HMJr: Thank you.

C: Thank you, old boy.



January 11, 1944  
3:52 p.m.

HMJr: Hello.

Operator: Colonel O'Donnell.

HMJr: All right.

Operator: Go ahead.

HMJr: Hello.

Col. E.  
O'Donnell: Hello.

HMJr: Morgenthau speaking.

O: Yes, Mr. Morgenthau. This is Colonel O'Donnell.

HMJr: Colonel, I'm sending a letter over to General Arnold that I would like him to get. I don't know whether he is in town or not.

O: No, sir, he's not back yet.

HMJr: Well, maybe you can take care of it. It has to do with a Sergeant Dudley that we borrowed from the Air Corps, who is an expert in writing Radio Shows.

O: Yes, sir.

HMJr: And we're using him on the Fourth War Loan here and we've got him, although possession is nine-tenths of the law, somebody up the line wants him back.

O: I see.

HMJr: And I would appreciate it as a personal favor if General Arnold would issue the order that for the duration of the Loan, which runs to about February 15th, I think....

O: Yes, sir.

HMJr: ....we could have this young man. Now, it isn't as though he was -- he was doing exactly the same thing for the Air Corps, so we're not taking him out of....

O: Well, we can arrange that, sir.

HMJr: I mean, he'll either be writing radio shows for us or you.

O: Yes, sir.

HMJr: So, I'd like for him to do it from now until the middle of February -- to do it for me.

O: Yes, sir. We can arrange that I'm sure.

HMJr: Well, I will send this letter and ask my messenger to ask for you.

O: Yes, sir. That's it; ask him to bring it into my office. I'm right here in General Arnold's office.

HMJr: Colonel?

O: Colonel O'Donnell.

HMJr: Colonel O'Donnell.

O: Yes, sir.

HMJr: And will you leave word that when General Arnold comes back, I'd like to have him for lunch some day?

O: Yes, sir. I will.

HMJr: Will you -- will you call me?

O: Yes, sir. I will.

HMJr: I thank you.

O: All right. Thank you very much. Bye.

Envelope marked 'URGENT

"Attention: Colonel O'Donnell"

Sent over by Secret Service Agent

Delivered to Room 3 - E 1012  
Pentagon Bldg

JAN 11 1944

My dear General Arnold:

My attention was called recently to the outstanding ability of Sergeant Paul Dudley, Serial No. 32987492, stationed at the Second Radio Production Unit, Army Air Forces Training Command, Yale University, in preparing radio script. We were in need of such a man to assist in our radio program for the Fourth War Loan drive, and request was made of the Adjutant General for the assignment of Sergeant Dudley to the Treasury for a period of forty-five days through February 15, 1944. The Adjutant General gave approval to this assignment and Sergeant Dudley reported to the Treasury last week. Notwithstanding the authorization from the Adjutant General for his detail, he has now received orders from his commanding officer to report back to New Haven.

It is extremely important that Sergeant Dudley be available in the forthcoming drive. I definitely need his services and I shall personally appreciate it if you will be good enough to have him reassigned to me as originally authorized by the Adjutant General.

Sincerely,

(Signed) H. Morganthau, Jr.

Secretary of the Treasury.

General Henry H. Arnold,  
Commanding General,  
Army Air Forces,  
War Department,  
Washington, D. C.

WHT:ajs

HOLD FOR RELEASE

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January 11, 1944

CONFIDENTIAL: To be held in STRICT CONFIDENCE and no portion, synopsis or intimation to be given out or published until the READING of the President's Message has begun in either the Senate or House of Representatives. Extreme care must therefore be exercised to avoid premature publication.

STEPHEN EARLY  
Secretary to the President

-----  
TO THE CONGRESS OF THE UNITED STATES:

This Nation in the past two years has become an active partner in the world's greatest war against human slavery.

We have joined with like-minded people in order to defend ourselves in a world that has been gravely threatened with gangster rule.

But I do not think that any of us Americans can be content with mere survival. Sacrifices that we and our Allies are making impose upon us all a sacred obligation to see to it that out of this war we and our children will gain something better than mere survival.

We are united in determination that this war shall not be followed by another interim which leads to new disaster -- that we shall not repeat the tragic errors of ostrich isolationism -- that we shall not repeat the excesses of the wild twenties when this Nation went for a joy-ride on a roller coaster which ended in a tragic crash.

When Mr. Hull went to Moscow in October, and when I went to Cairo and Teheran in November, we knew that we were in agreement with our Allies in our common determination to fight and win this war. But there were many vital questions concerning the future peace, and they were discussed in an atmosphere of complete candor and harmony.

In the last war such discussions, such meetings, did not even begin until the shooting had stopped and the delegates began to assemble at the peace table. There had been no previous opportunities for man-to-man discussions which lead to meetings of minds. The result was a peace which was not a peace.

That was a mistake which we are not repeating in this war.

And right here I want to address a word or two to some suspicious souls who are fearful that Mr. Hull or I have made "commitments" for the future which might pledge this Nation to secret treaties, or to enacting the role of Santa Claus,

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To such suspicious souls -- using a polite terminology -- I wish to say that Mr. Churchill, and Marshal Stalin, and Generalissimo Chiang Kai-shek are all thoroughly conversant with the provisions of our Constitution. And so is Mr. Hull. And so am I.

Of course we made some commitments. We most certainly committed ourselves to very large and very specific military plans which require the use of all allied forces to bring about the defeat of our enemies at the earliest possible time.

But there were no secret treaties or political or financial commitments.

The one supreme objective for the future, which we discussed for each nation individually, and for all the United Nations, can be summed up in one word: Security.

And that means not only physical security which provides safety from attacks by aggressors. It means also economic security, social security, moral security -- in a family of nations.

In the plain down-to-earth talks that I had with the Generalissimo and Marshal Stalin and Prime Minister Churchill, it was abundantly clear that they are all most deeply interested in the resumption of peaceful progress by their own peoples -- progress toward a better life. All our Allies want freedom to develop their lands and resources, to build up industry, to increase education and individual opportunity, and to raise standards of living.

All our Allies have learned by bitter experience that real development will not be possible if they are to be diverted from their purpose by repeated wars -- or even threats of war.

China and Russia are truly united with Britain and America in recognition of this essential fact:

The best interests of each nation, large and small, demand that all freedom-loving nations shall join together in a just and durable system of peace. In the present world situation, evidenced by the actions of Germany, Italy and Japan, unquestioned military control over disturbers of the peace is as necessary among nations as it is among citizens in a community. And an equally basic essential to peace is a decent standard of living for all individual men and women and children in all nations. Freedom from fear is eternally linked with freedom from want.

There are people who burrow through our Nation like unseeing moles, and attempt to spread the suspicion that if other nations are encouraged to raise their standards of living, our own American standard of living must of necessity be depressed.

The fact is the very contrary. It has been shown time and again that if the standard of living of any country goes up, so does its purchasing power -- and that such a rise encourages a better standard of living in neighboring countries with whom it trades. That is just plain common sense -- and it is the kind of plain common sense that provided the basis for our discussions at Moscow, Cairo and Teheran.

Returning from my journeyings, I must confess to a sense of "let-down" when I found many evidences of faulty perspectives here in Washington. The faulty perspective consists in over-emphasizing lesser problems and thereby under-emphasizing the first and greatest problem.

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The overwhelming majority of our people have met the demands of this war with magnificent courage and understanding. They have accepted inconveniences; they have accepted hardships; they have accepted tragic sacrifices. And they are ready and eager to make whatever further contributions are needed to win the war as quickly as possible — if only they are given the chance to know what is required of them.

However, while the majority goes on about its great work without complaint, a noisy minority maintains an uproar of demands for special favors for special groups. There are pests who swarm through the lobbies of the Congress and the cocktail bars of Washington, representing these special groups as opposed to the basic interests of the nation as a whole. They have come to look upon the war primarily as a chance to make profits for themselves at the expense of their neighbors — profits in money or in terms of political or social preferment.

Such selfish agitation can be highly dangerous in wartime. It creates confusion. It damages morale. It hampers our national effort. It muddies the waters and therefore prolongs the war.

If we analyze American history impartially, we cannot escape the fact that in our past we have not always forgotten individual and selfish and partisan interests in time of war — we have not always been united in purpose and direction. We cannot overlook the serious dissensions and the lack of unity in our war of the Revolution, in our War of 1812, or in our War Between the States, when the survival of the Union itself was at stake.

In the first World War we came closer to national unity than in any previous war. But that war lasted only a year and a half, and increasing signs of disunity began to appear during the final months of the conflict.

In this war, we have been compelled to learn how interdependent upon each other are all groups and sections of the population of America.

Increased food costs, for example, will bring new demands for wage increases from all war workers, which will in turn raise all prices of all things including those things which the farmers themselves have to buy. Increased wages or prices will each in turn produce the same results. They all have a particularly disastrous result on all fixed income groups.

And I hope you will remember that all of us in this Government represent the fixed income group just as much as we represent business owners, workers and farmers. This group of fixed-income people include: teachers, clergy, policemen, firemen, widows and minors on fixed incomes, wives and dependents of our soldiers and sailors, and old age pensioners. They and their families add up to one-quarter of our one hundred and thirty million people. They have few or no high pressure representatives at the Capitol. In a period of gross inflation they would be the worst sufferers.

If ever there was a time to subordinate individual or group selfishness to the national good, that time is now. Disunity at home — bickerings, self-seeking partisanship, stoppages of work, inflation, business as usual, politics as usual, luxury as usual — these are the influences which can undermine the morale of the brave men ready to die at the front for us here.

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Those who are doing most of the complaining are not deliberately striving to sabotage the national war effort. They are laboring under the delusion that the time is past when we must make prodigious sacrifices — that the war is already won and we can begin to slacken off. But the dangerous folly of that point of view can be measured by the distance that separates our troops from their ultimate objectives in Berlin and Tokyo — and by the sum of all the perils that lie along the way.

Over-confidence and complacency are among our deadliest enemies. Last Spring — after notable victories at Stalingrad and in Tunisia and against the U-boats on the high seas — over-confidence became so pronounced that war production fell off. In two months, June and July, 1943, more than a thousand airplanes that could have been made and should have been made were not made. Those who failed to make them were not on strike. They were merely saying, "The war's in the bag — so let's relax".

That attitude on the part of anyone — Government or management or labor — can lengthen this war. It can kill American boys.

Let us remember the lessons of 1918. In the Summer of that year the tide turned in favor of the Allies. But this Government did not relax. In fact, our national effort was stepped up. In August, 1918, the draft age limits were broadened from 21-31 to 18-45. The President called for "force to the utmost", and his call was heeded. And in November, only three months later, Germany surrendered.

That is the way to fight and win a war — all out — and not with half-an-eye on the battlefronts abroad and the other eye-and-a-half on personal, selfish, or political interests here at home.

Therefore, in order to concentrate all our energies and resources on winning the war, and to maintain a fair and stable economy at home, I recommend that the Congress adopt:

- (1) A realistic tax law — which will tax all unreasonable profits, both individual and corporate, and reduce the ultimate cost of the war to our sons and daughters. The tax bill now under consideration by the Congress does not begin to meet this test.
- (2) A continuation of the law for the renegotiation of war contracts — which will prevent exorbitant profits and assure fair prices to the Government. For two long years I have pleaded with the Congress to take undue profits out of war.
- (3) A cost of food law — which will enable the Government (a) to place a reasonable floor under the prices the farmer may expect for his production; and (b) to place a ceiling on the prices a consumer will have to pay for the food he buys. This should apply to necessities only; and will require public funds to carry out. It will cost in appropriations about one per cent of the present annual cost of the war.
- (4) Early reenactment of the stabilization statute of October 1942. This expires June 30th, 1944, and if it is not extended well in advance, the country might just as well expect price chaos by Summer.

We cannot have stabilization by wishful thinking. We must take positive action to maintain the integrity of the American dollar.



TO:

20

Memo

Mr. Gaston said  
#5 is "The meat  
of the speech".

From Mr. Gaston

From: Miss McCathran

- 5 -

(5) A national service law — which, for the duration of the war, will prevent strikes, and, with certain appropriate exceptions, will make available for war production or for any other essential services every able-bodied adult in this nation.

These five measures together form a just and equitable whole. I would not recommend a national service law unless the other laws were passed to keep down the cost of living, to share equitably the burdens of taxation, to hold the stabilization line, and to prevent undue profits.

The Federal Government already has the basic power to draft capital and property of all kinds for war purposes on a basis of just compensation.

As you know, I have for three years hesitated to recommend a national service act. Today, however, I am convinced of its necessity. Although I believe that we and our Allies can win the war without such a measure, I am certain that nothing less than total mobilization of all our resources of manpower and capital will guarantee an earlier victory, and reduce the toll of suffering and sorrow and blood.

I have received a joint recommendation for this law from the heads of the War Department, the Navy Department and the Maritime Commission. These are the men who bear responsibility for the procurement of the necessary arms and equipment, and for the successful prosecution of the war in the field. They say:

"When the very life of the nation is in peril the responsibility for service is common to all men and women. In such a time there can be no discrimination between the men and women who are assigned by the Government to its defense at the battlefield and the men and women assigned to producing the vital materials essential to successful military operations. A prompt enactment of a National Service Law would be merely an expression of the universality of this responsibility".

I believe the country will agree that those statements are the solemn truth.

National service is the most democratic way to wage a war. Like selective service for the armed forces, it rests on the obligation of each citizen to serve his nation to his utmost where he is best qualified.

It does not mean reduction in wages. It does not mean loss of retirement and seniority rights and benefits. It does not mean that any substantial numbers of war workers will be disturbed in their present jobs. Let these facts be wholly clear.

Experience in other democratic nations at war — Britain, Canada, Australia and New Zealand — has shown that the very existence of national service makes unnecessary the widespread use of compulsory power. National service has proven to be a unifying moral force — based on an equal and comprehensive legal obligation of all people in a nation at war.

There are millions of American men and women who are not in this war at all. It is not because they do not want to be in it. But they want to know where they can best do their share. National service provides that direction. It will be a means by which every man and woman can find that inner satisfaction which comes from making the fullest possible contribution to victory.

- 6 -

I know that all civilian war workers will be glad to be able to say many years hence to their grandchildren: "Yes, I, too, was in service in the great war. I was on duty in an airplane factory, and I helped make hundreds of fighting planes. The Government told me that in doing that I was performing my most useful work in the service of my country".

It is argued that we have passed the stage in the war where national service is necessary. But our soldiers and sailors know that this is not true. We are going forward on a long, rough road — and, in all journeys, the last miles are the hardest. And it is for that final effort — for the total defeat of our enemies — that we must mobilize our total resources. The national war program calls for the employment of more people in 1944 than in 1943.

It is my conviction that the American people will welcome this win-the-war measure which is based on the eternally just principle of "fair for one, fair for all".

It will give our people at home the assurance that they are standing four-square behind our soldiers and sailors. And it will give our enemies demoralizing assurance that we mean business — that we, 135,000,000 Americans, are on the march to Rome, Berlin and Tokyo.

I hope that the Congress will recognize that, although this is a political year, national service is an issue which transcends politics. Great power must be used for great purposes.

As to the machinery for this measure, the Congress itself should determine its nature — but it should be wholly non-partisan in its make-up.

Our armed forces are valiantly fulfilling their responsibilities to our country and our people. Now the Congress faces the responsibility for taking those measures which are essential to national security in this the most decisive phase of the nation's greatest war.

Several alleged reasons have prevented the enactment of legislation which would preserve for our soldiers and sailors and marines the fundamental prerogative of citizenship — the right to vote. No amount of legalistic argument can becloud this issue in the eyes of these ten million American citizens. Surely the signers of the Constitution did not intend a document which, even in wartime, would be construed to take away the franchise of any of those who are fighting to preserve the Constitution itself.

Our soldiers and sailors and marines know that the overwhelming majority of them will be deprived of the opportunity to vote, if the voting machinery is left exclusively to the States under existing state laws — and that there is no likelihood of these laws being changed in time to enable them to vote at the next election. The Army and Navy have reported that it will be impossible effectively to administer forty-eight different soldier-voting laws. It is the duty of the Congress to remove this unjustifiable discrimination against the men and women in our armed forces — and to do it as quickly as possible.

It is our duty now to begin to lay the plans and determine the strategy for the winning of a lasting peace and the establishment of an American standard of living higher than ever before known. We cannot be content, no matter how high that general standard of living may be, if some fraction of our people — whether it be one-third or one-fifth or one-tenth — is ill-fed, ill-clothed, ill-housed, and insecure.

-7-

This Republic had its beginning, and grew to its present strength, under the protection of certain inalienable political rights -- among them the right of free speech, free press, free worship, trial by jury, freedom from unreasonable searches and seizures. They were our rights to life and liberty.

As our nation has grown in size and stature, however -- as our industrial economy expanded -- these political rights proved inadequate to assure us equality in the pursuit of happiness.

We have come to a clear realization of the fact that true individual freedom cannot exist without economic security and independence. "Necessitous men are not free men." People who are hungry and out of a job are the stuff of which dictatorships are made.

In our day these economic truths have become accepted as self-evident. We have accepted, so to speak, a second Bill of Rights under which a new basis of security and prosperity can be established for all -- regardless of station, race or creed.

Among these are:

The right to a useful and remunerative job in the industries, or shops or farms or mines of the nation;

The right to earn enough to provide adequate food and clothing and recreation;

The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;

The right of every business man, large and small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home or abroad;

The right of every family to a decent home;

The right to adequate medical care and the opportunity to achieve and enjoy good health;

The right to adequate protection from the economic fears of old age, sickness, accident and unemployment;

The right to a good education.

All of these rights spell security. And after this war is won we must be prepared to move forward, in the implementation of these rights, to new goals of human happiness and well-being.

America's own rightful place in the world depends in large part upon how fully these and similar rights have been carried into practice for our citizens. For unless there is security here at home there cannot be lasting peace in the world.

One of the great American industrialists of our day -- a man who has rendered yeoman service to his country in this crisis -- recently emphasized the grave dangers of "rightist reaction" in this Nation. All clear-thinking business men share his concern. Indeed, if such reaction should develop -- if history were to repeat itself and we were to return to the so-called "normalcy" of the 1920's -- then it is certain that even though we shall have conquered our enemies on the battlefields abroad, we shall have yielded to the spirit of fascism here at home.

- 8 -

I ask the Congress to explore the means for implementing this economic bill of rights -- for it is definitely the responsibility of the Congress so to do. Many of these problems are already before committees of the Congress in the form of proposed legislation. I shall from time to time communicate with the Congress with respect to these and further proposals. In the event that no adequate program of progress is evolved, I am certain that the Nation will be conscious of the fact.

Our fighting men abroad -- and their families at home -- expect such a program and have the right to insist upon it. It is to their demands that this Government should pay heed rather than to the whining demands of selfish pressure groups who seek to feather their nests while young Americans are dying.

The foreign policy that we have been following -- the policy that guided us at Moscow, Cairo and Tehran -- is based on the common sense principle which was best expressed by Benjamin Franklin on July 4, 1776: "We must all hang together, or assuredly we shall all hang separately".

I have often said that there are no two fronts for America in this war. There is only one front. There is one line of unity which extends from the hearts of the people at home to the men of our attacking forces in our farthest outposts. When we speak of our total effort, we speak of the factory and the field and the mine as well as of the battleground -- we speak of the soldier and the civilian, the citizen and his Government.

Each and every one of us has a solemn obligation under God to serve this Nation in its most critical hour -- to keep this Nation great -- to make this Nation greater in a better world.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE

January 11, 1944.

HOLD FOR RELEASE      HOLD FOR RELEASE      HOLD FOR RELEASE

January 11, 1944

CAUTION: The following address of the President MUST BE HELD IN CONFIDENCE until released.

NOTE: Release to editions of all newspapers appearing on the streets NOT EARLIER THAN 9:00 P.M., E.W.T., Tuesday, January 11, 1944. The same release also applies to radio announcers and news commentators.

CARE MUST BE EXERCISED TO PREVENT PREMATURE PUBLICATION.

STEPHEN EARLY  
Secretary to the President

Today I sent my Annual Message to the Congress, as required by the Constitution. It has been my custom to deliver these Annual Messages in person, and they have been broadcast to the Nation. I intended to follow this same custom this year.

But, like a great many of my fellow countrymen, I have had the "flu" and, although I am practically recovered, my Doctor simply would not permit me to leave the White House and go up to the Capitol.

Only a few of the newspapers of the United States can print the Message in full, and I am very anxious that the American people be given an opportunity to hear what I have recommended to the Congress for this very fateful year in our history -- and the reasons for those recommendations. Here is what I said:

"This Nation in the past two years has become an active partner in the world's greatest war against human slavery.

We have joined with like-minded people in order to defend ourselves in a world that has been gravely threatened with gangster rule.

But I do not think that any of us Americans can be content with mere survival. Sacrifices that we and our Allies are making impose upon us all a sacred obligation to see to it that out of this war we and our children will gain something better than mere survival.

We are united in determination that this war shall not be followed by another interim which leads to new disaster -- that we shall not repeat the tragic errors of ostrich isolationism.

When Mr. Hull went to Moscow in October, and when I went to Cairo and Teheran in November, we knew that we were in agreement with our Allies in our common determination to fight and win this war. But there were many vital questions concerning the future peace, and they were discussed in an atmosphere of complete candor and harmony.

In the last war such discussions, such meetings, did not even begin until the shooting had stopped and the delegates began to assemble at the peace table. There had been no previous opportunities for man-to-man discussions which lead to meetings of minds. The result was a peace which was not a peace.

And right here I want to address a word or two to some suspicious souls who are fearful that Mr. Hull or I have made "commitments" for the future which might pledge this Nation to secret treaties, or to enacting the role of Santa Claus.

Of course, we made some commitments. We most certainly committed ourselves to very large and very specific military plans which require the use of all allied forces to bring about the defeat of our enemies at the earliest possible time.

But there were no secret treaties or political or financial commitments.

The one supreme objective for the future, which we discussed for each nation individually, and for all the United Nations, can be summed up in one word: Security.

And that means not only physical security which provides safety from attacks by aggressors. It means also economic security, social security, moral security -- in a family of nations.

In the plain down-to-earth talks that I had with the Generalissimo and Marshal Stalin and Prime Minister Churchill, it was abundantly clear that they are all most deeply interested in the resumption of peaceful progress by their own peoples -- progress toward a better life.

All our Allies have learned by bitter experience that real development will not be possible if they are to be diverted from their purpose by repeated wars -- or even threats of war.

The best interests of each nation, large and small, demand that all freedom-loving nations shall join together in a just and durable system of peace. In the present world situation, evidenced by the actions of Germany, Italy and Japan, unquestioned military control over disturbers of the peace is as necessary among nations as it is among citizens in a community. And an equally basic essential to peace is a decent standard of living for all individual men and women and children in all nations. Freedom from fear is eternally linked with freedom from want.

There are people who burrow through our Nation like unsealing moles, and attempt to spread the suspicion that if other nations are encouraged to raise their standards of living, our own American standard of living must of necessity be depressed.

The fact is the very contrary. It has been shown time and again that if the standard of living of any country goes up, so does its purchasing power -- and that such a rise encourages a better standard of living in neighboring countries with whom it trades. That is just plain common sense -- and it is the kind of plain common sense that provided the basis for our discussions at Moscow, Cairo and Teheran.

Returning from my journeyings, I must confess to a sense of "let-down" when I found many evidences of faulty perspectives here in Washington. The faulty perspective consists in over-emphasizing lesser problems and thereby under-emphasizing the first and greatest problem.

The overwhelming majority of our people have met the demands of this war with magnificent courage and understanding. They have accepted inconveniences; they have accepted hardships; they have accepted tragic sacrifices.

However, while the majority goes on about its great work without complaint, a noisy minority maintains an uproar of demands for special favors for special groups. There are pests who swarm through the lobbies of the Congress and the cocktail bars of Washington, representing these special groups as opposed to the basic interests of the Nation as a whole. They have come to look upon the war primarily as a chance to make profits for themselves at the expense of their neighbors -- profits in money or in terms of political or social preferment.

Such selfish agitation can be highly dangerous in wartime. It creates confusion. It damages morale. It hampers our national effort. It prolongs the war.

In this war, we have been compelled to learn how interdependent upon each other are all groups and sections of the population of America.

Increased food costs, for example, will bring new demands for wage increases from all war workers, which will in turn raise all prices of all things including those things which the farmers themselves have to buy. Increased wages or prices will each in turn produce the same results. They all have a particularly disastrous result on all fixed income groups.

And I hope you will remember that all of us in this Government represent the fixed income group just as much as we represent business owners, workers and farmers. This group of fixed-income people include: teachers, clergy, policemen, firemen, widows and minors on fixed incomes, wives and dependents of our soldiers and sailors, and old age pensioners. They and their families add up to one-quarter of our one hundred and thirty million people. They have few or no high pressure representatives at the Capitol. In a period of gross inflation they would be the worst sufferers.

If ever there was a time to subordinate individual or group selfishness to the national good, that time is now. Disunity at home -- bickerings, self-seeking partisanship, stoppages of work, inflation, business as usual, politics as usual, luxury as usual -- these are the influences which can undermine the morale of the brave men ready to die at the front for us here.

Those who are doing most of the complaining are not deliberately striving to sabotage the national war effort. They are laboring under the delusion that the time is past when we must make prodigious sacrifices -- that the war is already won and we can begin to slacken off. But the dangerous folly of that point of view can be measured by the distance that separates our troops from their ultimate objectives in Berlin and Tokyo -- and by the sum of all the perils that lie along the way.

Over-confidence and complacency are among our deadliest enemies.

That attitude on the part of anyone -- Government or management or labor -- can lengthen this war. It can kill American boys.

Let us remember the lessons of 1918. In the Summer of that year the tide turned in favor of the Allies. But this Government did not relax. In fact, our national effort was stepped up. In August, 1918, the draft age limits were broadened from 21-31 to 18-45. The President called for "force to the utmost", and his call was heeded. And in November, only three months later, Germany surrendered.

That is the way to fight and win a war -- all out -- and not with half-an-eye on the battlefronts abroad and the other eye-and-a-half on personal selfish, or political interests here at home.

Therefore, in order to concentrate all our energies and resources on winning the war, and to maintain a fair and stable economy at home, I recommend that the Congress adopt:

(1) A realistic tax law -- which will tax all unreasonable profits, both individual and corporate, and reduce the ultimate cost of the war to our sons and daughters. The tax bill now under consideration by the Congress does not begin to meet this test.

(2) A continuation of the law for the renegotiation of war contracts -- which will prevent exorbitant profits and assure fair prices to the Government. For two long years I have pleaded with the Congress to take undue profits out of war.

(3) A cost of food law -- which will enable the Government (a) to place a reasonable floor under the prices the farmer may expect for his production; and (b) to place a ceiling on the prices a consumer will have to pay for the food he buys. This should apply to necessities only; and will require public funds to carry out. It will cost in appropriations about one per cent of the present annual cost of the war.

(4) Early reenactment of the stabilization statute of October, 1942. This expires June 30th, 1944, and if it is not extended well in advance, the country might just as well expect price chaos by Summer.

We cannot have stabilization by wishful thinking. We must take positive action to maintain the integrity of the American dollar.

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As you know, I have for three years hesitated to recommend a national service act. Today, however, I am convinced of its necessity. Although I believe that we and our Allies can win the war without such a measure, I am certain that nothing less than total mobilization of all our resources of manpower and capital will guarantee an earlier victory, and reduce the toll of suffering and sorrow and blood.

As some of my advisers wrote me the other day:

"When the very life of the nation is in peril the responsibility for service is common to all men and women. In such a time there can be no discrimination between the men and women who are assigned by the Government to its defense at the battlefield and the men and women assigned to producing the vital materials essential to successful military operations. A prompt enactment of a National Service law would be merely an expression of the universality of this responsibility".

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We have come to a clear realization of the fact, however, that true individual freedom cannot exist without economic security and independence. "Necessitous men are not free men". People who are hungry and out of a job are the stuff of which dictatorships are made.

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Among these are:

The right to a useful and remunerative job in the industries, or shops or farms or mines of the nation;

The right to earn enough to provide adequate food and clothing and recreation;

The right of every farmer to raise and sell his products at a return which will give him and his family a decent living;

The right of every business man, large and small, to trade in an atmosphere of freedom from unfair competition and domination by monopolies at home or abroad;

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The right to adequate medical care and the opportunity to achieve and enjoy good health;

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The right to a good education.

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America's own rightful place in the world depends in large part upon how fully these and similar rights have been carried into practice for our citizens. For unless there is security here at home there cannot be lasting peace in the world.

One of the great American industrialists of our day -- a man who has rendered yeoman service to his country in this crisis -- recently emphasized the grave dangers of "rightist reaction" in this Nation. All clear-thinking business men share his concern. Indeed, if such reaction should develop -- if history were to repeat itself and we were to return to the so-called "normalcy" of the 1920's -- then it is certain that even though we shall have conquered our enemies on the battlefields abroad, we shall have yielded to the spirit of fascism here at home.

I ask the Congress to explore the means for implementing this economic bill of rights -- for it is definitely the responsibility of the Congress so to do. Many of these problems are already before committees of the Congress in the form of proposed legislation. I shall from time to time communicate with the Congress with respect to these and further proposals. In the event that no adequate program of progress is evolved, I am certain that the Nation will be conscious of the fact.

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I have often said that there are no two fronts for America in this war. There is only one front. There is one line of unity which extends from the hearts of the people at home to the men of our attacking forces in our farthest outposts. When we speak of our total effort, we speak of the factory and the field and the mine as well as of the battleground -- we speak of the soldier and the civilian, the citizen and his Government.

Each and every one of us has a solemn obligation under God to serve this Nation in its most critical hour -- to keep this Nation great -- to make this Nation greater in a better world."

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE January 11, 1944

Secretary Morgenthau

FROM Fred Smith  
Norman Thompson  
Mrs. Forbush

In view of the objections of the Under Secretary to the approved plan whereby a so-called "explosive" letter is referred by Mrs. Forbush to Mr. Shaeffer for handling, the matter has had further consideration. We believe that this type of letter should have special handling but since there is objection to such handling by the public relations officer, solely because such procedure would take the letter out of normal channels, we now recommend that such type of letter be referred directly by Mrs. Forbush to the Secretary's staff member in charge of the Treasury activity which deals with the subject matter referred to in the letter. We further recommend that it be the duty of such staff member to see that a prompt and intelligent reply is made to the letter, and in any case where in the judgment of the staff member the advice or assistance of Mr. Shaeffer, from a public relations standpoint, would be helpful in preparing the reply, such aid should be sought.

We believe that it should be the aim to create and maintain good public relations and we feel that prompt, intelligent, and satisfactory replies to letters received by the Department, particularly of the critical or explosive type, can materially aid in this direction.

Approved: JAN 12 1944

*J. M. Morgenthau*  
Secretary of the Treasury

*Ed. R. H.*  
*Thos. Thompson*  
*Labruce E. Forbush*

January 11, 1944

Dear Mr. Crowley:

This is in reply to your letter of January 6th, stating that you would like to have Mr. Harry White made a director of the United States Commercial Company in order that foreign exchange transactions may be carried out in close collaboration with the Treasury Department.

The arrangement has my approval and I have spoken to Mr. White who has agreed to accept the appointment.

Sincerely yours,

(Signed) H. Morganthau, Jr.

Mr. Lee T. Crowley, Administrator,  
Foreign Economic Administration,  
Washington, D. C.

HDW:LS:sh  
1/11/44

CHK

FOREIGN ECONOMIC ADMINISTRATION  
OFFICE OF THE ADMINISTRATOR  
WASHINGTON 25, D. C.

JAN 6 1944

The Honorable  
The Secretary of Treasury

Dear Mr. Secretary:

In order that the foreign exchange transactions of the United States Commercial Company may be carried out in close collaboration with the Department, I should like to arrange to have Mr. Harry White made a director of the company; and should appreciate word that this has your approval and is agreeable to him.

Respectfully,

*For. Economic*  
Administrator

RECEIVED  
DIRECTOR OF  
FOREIGN ECONOMIC  
ADMINISTRATION  
JAN 6 1944

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE Jan. 11, 1944

TO Secretary Morgenthau  
FROM Mr. Hays  
Subject: Administrative set-up for food allocations and Government food purchases.

This is submitted as part of the information asked for in your request of January 1 to Miss Michener.

Allocation of food supplies

The War Food Administration has been directed by Executive Order 9334 to allocate United States food to Government agencies, for direct and indirect military needs, and for civilian and foreign needs.

The task of making recommendations for allocations between the various claimant agencies has been delegated by the Food Administrator to the Director of the Food Distribution Administration, formerly Mr. Roy F. Hendrickson. (Mr. Hendrickson has resigned to go with the UNRRA, and no successor has as yet been announced.) The Director of the FDA is Chairman of the Food Requirements and Allocations Committee, established through an amendment to Executive Order 9334, which represents all United States agencies that are claimants for food either for domestic or foreign account. As chairman of this committee, he is responsible for (1) receiving and assembling requests for food from all claimant agencies; (2) resolving conflicts where possible; (3) fitting requests to the available supplies, and making recommendations for the allocations.

These recommendations serve as the basis for final determinations made by the War Food Administrator in consultation with the Combined Food Board, representing the United Kingdom and the United States. The Director of the FDA serves on the Combined Food Board as personal representative and deputy of the War Food Administrator.

As a general plan, allocations are made for 12 months in advance, but since they are based on estimated production and supply data, they are made "firm" only quarter by quarter. Re-estimates are made every three months, and the future allocations are subject to change as the military, supply, and other conditions require.

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On the Food Requirements and Allocations Committee, in addition to the chairman, are the following members representing the various claimant agencies:

Gen. C. A. Hardigg, War Dept.

Capt. E. F. May, Navy Dept.

Mr. F. J. Cogan, Foreign Economic Administration

Mr. H. J. O'Connell, Director of Food Control,  
War Shipping Administration

Dr. W. Y. Elliot, Director of Transportation and Stockpiling  
Division, War Production Board

Mr. D. A. Fitzgerald, Deputy Director, Food Production  
Administration

Dr. M. L. Gold, Chief, Civilian Food Requirements Branch,  
Food Distribution Administration

Mr. L. T. Hopkinson, Chief, Requirements and Allocation Control,  
Food Distribution Administration

Major Ralph W. Olmstead, Deputy Director,  
Food Distribution Administration

Mr. C. W. Kitchen, Deputy Director,  
Food Distribution Administration

Mr. S. R. Smith, Deputy Director,  
Food Distribution Administration

#### Allocation procedure

The agencies represented on the above committee present claims, with statements of justification, for current and future needs: First, for a series of 3-month periods, and, second, annually for 2 years in advance.

When all the claims have been presented, studies are made by Supply Estimate Committees, made up largely of commodity experts in the Department of Agriculture, of the amounts available of each commodity needed. The Requirements and Allocations Control Section of the FDA then compares the supply estimates with the requirements from the claimant agencies, and makes up a trial balance. Recommendations, which may involve a scaling-down for some agencies when the supply of a

- 3 -

commodity is short, are sent to one of the commodity sub-committees of the Food Requirements and Allocations Committee for consideration, and then to the Committee for action.

The Combined Food Board, representing the United Kingdom and the United States, then considers the recommendations for allocations from the point of view of the manner in which the combined food resources of the United Nations, considered as a common pool, can best serve the war effort. The War Food Administrator in consultation with the Combined Food Board, then makes the final decision on allocations.

Allocations established for certain commodities in relatively short supply for the 1943-44 fiscal year are shown in Table 1.

#### Implementing the allocations

To put the allocations into effect, use is made of food orders, for which legal authority was granted to the Department of Agriculture under Executive Order 9280, and transferred to the WFA under Executive Order 9334.

Food orders are of several types. Perhaps of most importance in the war effort are those with "set-aside" provisions, such as the butter order of January 6, 1943, which required manufacturers to set aside 30 percent of their production for sale to designated Government agencies.

Other types of food orders have been used to facilitate allocations by various methods: (1) By controlling consumption, such as an order which prohibited canners from selling un-concentrated grapefruit juice during the first three months of 1943; (2) by restricting movements of food, such as that issued in April 1943 which restricted shipments of potatoes during the potato shortage; and (3) by controlling disturbed marketing conditions, such as an order on tobacco which channelled supplies to manufacturers and dealers in accordance with past purchases.

#### Over-supplies

From time to time, over-supplies of foods may be accumulated by a claimant agency, due to such factors as an over-estimate of needs, an under-estimate of production, a change in requirements, less than expected loss in shipments, etc. Such cases are handled through the regular allocation procedure, and decisions as to whom the surplus will be allotted are made in much the same way as the original allocation, taking into account not only civilian demands but the requirements of other claimant agencies.

Food surpluses may also be initially accumulated by Government procurement agencies, in excess of requirements for allocations to non-civilian agencies. In such cases, the surpluses may be released directly for civilian use. For example, an order issued in August 1942 required dried fruit packers to set aside for delivery to Government agencies their entire holdings and acquisitions, for one year, of dried apples, apricots, peaches, pears, prunes, and raisins. After the armed forces and other Government agencies had met their requirements, approximately 132,000 tons of raisins and 102,000 tons of prunes were released for civilian consumption.

Such releases are usually made either (1) by permitting the processor, who had been holding the product subject to Government order, to sell the remainder in commercial channels, or (2) where the product has been purchased by a Government agency and is held in storage for Government account, any surplus is usually sold back to the processor from whom it was purchased.

#### Handling of purchases for Government agencies

The purchasing of foods by the Government is done almost entirely through three independent agencies: the Army, the Navy (which buys also for the Marine Corps), and the Food Distribution Administration. While there is doubtless some competition between the three agencies in procuring food supplies, this is minimized through the influence of inter-agency commodity committees, made up of commodity experts from the various claimant agencies, who plan purchasing procedures to avoid undue competition and to keep prices in line. The fact that most prices are restricted by ceilings also helps. The committees work out methods of dividing food supplies that have been set aside by manufacturers for Government use under set-aside orders. A reporting system on procurement enables each agency to keep informed on the progress of the other agencies in reaching their allocations.

The purchases by the Food Distribution Administration are mostly bought in the name of the Federal Surplus Commodities Corporation. Some commodities, however, are originally acquired by the Commodity Credit Corporation under price-support activities and through crop loans, and later transferred to the FDA. Most of the purchases by the FDA are bought in large quantities from commercial processors, distributors and cooperatives.

Food purchased by the FDA is distributed to a number of different agencies, with the largest proportion going to lend-lease. On the basis of deliveries during the 1943 fiscal year, the FDA food was distributed as follows:



- 5 -

	Percent
To the British (including dominions, etc.)	52.6
To Russia	22.1
Other lend-lease	3.0
Caribbean emergency program	7.4
Territorial emergency program (Hawaii)	2.7
Relief (school lunch program, etc.)	3.7
Cash sales (Army, Navy, other Gov't agencies, Red Cross, commercial firms, friendly governments)	8.5
	<u>100.0</u>

Percentage allocations of specified commodities for fiscal year 1944 <sup>1/</sup>

Commodity	: Contin- : gency : reserve	: Military : and war : services	: Lend- : lease : 2/	: Other ex- : ports and : shipments	: United : States : civilians
Meats, total	5.5	16.6	14.1	0.7	63.1
Beef	8.6	23.4	1.1	0.8	66.1
Veal	0.4	18.1	0.7	0.1	80.7
Lamb and mutton	5.5	18.4	16.2	0.2	64.7
Pork	4.0	11.5	24.7	0.6	59.2
Fish, canned	13.6	14.2	22.8	2.7	46.7
Dairy products:					
Butter, creamery and farm	0.5	14.8	5.8	0.4	78.5
Cheese, all	0.5	11.1	31.2	1.6	55.6
Condensed milk	3.9	0.0	22.1	2.0	72.0
Evaporated milk	0.8	35.2	18.1	2.4	43.5
Dried whole milk	0.0	41.5	28.4	16.1	14.0
Dried skim milk	0.4	11.9	53.3	0.9	33.5
Eggs:					
Fresh and frozen	0.0	8.4	0.0	0.2	91.4
Dried whole	0.6	14.5	83.3	1.6	0.0
Fruits and vegetables:					
Canned fruits and juices (excluding citrus)	5.7	40.1	0.5	0.4	53.3
Citrus fruits, fresh and canned <sup>2/</sup>	1.3	14.8	5.3	4.4	74.2
Canned vegetables including soups, baked beans, and baby foods	3.8	25.8	1.2	0.6	68.6
Potatoes	0.8	15.4	2.8	0.4	81.4
Sweetpotatoes	0.8	7.2	0.0	0.0	92.0
Dry beans	1.7	16.2	25.0	6.2	50.9
Dry peas	8.2	8.6	42.8	1.3	39.1
Dehydrated vegetables	11.0	47.2	38.5	0.2	3.1
Frozen vegetables	0.0	28.9	0.0	0.5	70.6
Miscellaneous:					
Dehydrated soups	0.0	33.9	23.7	0.6	41.8
Edible fats and oils (excluding butter)	0.6	5.6	25.4	3.0	65.4
Soya flour, flakes and grits	0.0	0.2	72.9	0.0	26.9

<sup>1/</sup> Allocations were made during the 1943 fiscal year.

<sup>2/</sup> Allocations to the Office of Foreign Relief and Rehabilitation Operations are included in lend-lease.

<sup>2/</sup> Includes concentrates or other byproducts.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau

January 11, 1944

FROM Mr. O'Connell

For your information

At the meeting held in Judge Byrnes' office yesterday afternoon on the subject of renegotiation, the main topic of discussion was whether the Departments would indicate at this time any willingness to accept a specific date as of which operations under the statute would terminate.

As you know, Under Secretary of the Navy Forrestal has consistently advocated a cut-off date, partly because he believes that the statute will have served its purpose within another year or so, and partly because he wishes to offer Senator George a way by which he can extricate himself from his presently embarrassing position with a certain amount of dignity. Judge Byrnes indicated that the President could see no reason of strategy for making such a concession, and thereafter the discussion proceeded largely on a basis of the merits of a cut-off date.

At the end of the meeting it was Judge Byrnes' view that Senator George should be advised that we are in no position to suggest any cut-off date at this time nor to indicate that we would go along with one if he proposes it. It was Judge Byrnes' idea that we should let the Senate Finance Committee, which is apparently to be called together to consider making further revisions in the bill before it reaches the Floor, make the next move. The Judge was obviously cool to the idea of a cut-off date and as the matter rests we are not to make any decision with respect to the cut-off date until the Senate bill reaches the Floor, at which time the situation can be reappraised.

All in all, I thought the result reached was a very desirable one, although it was obviously not entirely satis-

Secretary Morgenthau,

2.

factory to Forrestal, and possibly several others. Incidentally, Judge Patterson, who had heretofore been quite adamant against a cut-off date has weakened substantially, and although he has not yet committed himself definitely as being willing to go along with a cut-off date, I am inclined to think he will if pressed further.

Joseph P. Chandler

Mr. McConnell has been given  
a copy of this progress report.

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE JAN 11 1944

TO Secretary Morgenthau  
FROM Mr. Haas  
Subject: Progress Report on Developing an Estimate of Potential Claims from Termination of War Contracts.

In a memorandum to you Mr. McConnell reported that General Carter had estimated total claims which might result from the termination of war contracts at roughly \$15 to \$18 billions, based on estimates provided by six of the largest war contractors. Mr. McConnell also suggested that we might be able to refine this estimate.

Accordingly, a meeting was arranged with Mr. Stacy May to take up this question. In the meeting the possibilities were explored of obtaining explicit information on possible termination claims by asking a representative group of corporations to develop the relevant information.

It was finally agreed to proceed along the following lines. The WPB people are going to get up a list of companies representative of the various major industrial groups having war contracts. It is proposed to work with the Commerce Department in preparing an analysis of the corporations on this list in two different ways. First, the Commerce Department would be asked to supply information from the regular reports in its possession with respect to the amount of inventories held by each of these companies. Second, a request might be made to each of the companies directly for information on potential termination claims covering particularly inventories and expenses being amortized over the life of a contract. Mr. May suggested that this query might be sent out by the Commerce Department, perhaps with the regular monthly request for inventory data. This will have to be considered after a suitable form has been developed. In any event, it will probably take several weeks before any results are available on this work.

Secretary Morgenthau - 2

Another source of data may possibly develop from some corporation reports which the OPA is planning to collect from a large group of corporations. The forms are now being reviewed by an interdepartmental committee with the hope that they may provide a standard report satisfying the need for information on the part of a number of agencies. We are working with WPB on the question of specifying particular statement items which may be relevant to the question of contract termination claims.

Rough Estimates of Termination Claims

Meanwhile, you may be interested in the very rough figures on termination claims which were developed by Mr. May in the meeting. His basic assumption was that the value of work in process at any given time represents a base for potential claims. He used the rule of thumb that work in process is equal to about 3-1/2 months' business.

You will recall that Mr. May submitted a memorandum to you in November on estimated war expenditures under alternative assumptions with respect to the collapse of Germany. In an appended table it was estimated that, if the war were still continuing in Europe, Treasury expenditures for munitions and construction would amount to about \$32 billions in January-June 1944, \$31 billions in July-December 1944, and \$29 billions in January-June 1945. Taking \$30 billions as a base for a 6 months' period would give \$17-1/2 billions for 3-1/2 months' business. This would represent a rough measure of potential claims on Mr. May's assumptions. (see De Haas page)

In Mr. May's memorandum to you a specific estimate was given of termination claims upon the collapse of Germany. It was stated that "A very crude estimate" of the outlays which might be involved in the settlement of claims under cancelled contracts might be made on the assumptions (1) that work in process equals scheduled deliveries for 3-1/2 months, and (2) that immediate claims would be 75 percent of work in process. The other 25 percent of claims would be spread out over an indeterminate period. On this basis it

Secretary Morgenthau - 3

was estimated that immediate claims would amount to \$4.5 billions if Germany collapsed in the Spring and \$4.2 billions if the collapse occurred in the Fall.

The memorandum noted that "This is probably an outside estimate of the claims arising at this stage in the war, since a good deal of the inventory could be worked off, at a slower rate, during the period of the Pacific War".

We thus have a rough guess of about \$17-1/2 billions for total potential termination claims and something like \$4-1/2 billions for immediate claims following the collapse of Germany. This would leave about \$13 billions for potential claims later. A significant part of this total might never arise, however, due to a number of reasons. First, some part of inventories will certainly be usable by the companies holding the materials or will be salable in the market. Second, as time passes, more and more contracts will have run their natural life. Third, some contracts may be continued, such as for Navy items, notwithstanding the end of the war. On the other hand, some additional claims may be expected to cover unamortized expenses scheduled to be billed over the life of a contract.

The figures quoted above as developed by Mr. May give a very rough birdseye view of the situation. They should, of course, be regarded as highly tentative and subject to fairly drastic revision as more explicit data become available.





OFFICE OF THE DIRECTOR

TREASURY DEPARTMENT  
PROCUREMENT DIVISION  
WASHINGTON 25



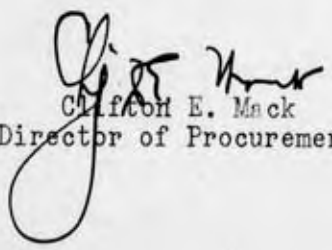
January 11, 1944

**SECRET**

MEMORANDUM TO THE SECRETARY:

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

We are cooperating with the War Department and the Foreign Economic Administration to make available for foreign rehabilitation all salvaged army clothing.

  
Clifton E. Mack  
Director of Procurement

SECRET<sup>15</sup>

LEND-LEASE  
 TREASURY DEPARTMENT, PROCUREMENT DIVISION  
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND  
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS  
 AS OF JANUARY 5, 1944  
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous &amp; Undistributed</u>
Allocations	\$3996.7 (3996.4)	\$1986.7 (1986.5)	\$1560.1 (1560.0)	\$113.8 (113.8)	\$10.6 (10.6)	\$325.5 (325.5)
Purchase Authoriza- tions (Requisitions)	\$3372.5 (3368.0)	\$1768.4 (1765.8)	\$1330.1 (1331.1)	\$44.0 (43.9)	- -	\$230.0 (227.2)
Requisitions Cleared for Purchase	\$3274.8 (3275.4)	\$1710.8 (1715.9)	\$1303.2 (1303.2)	\$43.8 (43.8)	- -	\$217.0 (212.5)
Obligations	\$3141.9 (3123.3)	\$1669.6 (1664.2)	\$1274.9 (1265.0)	\$43.7 (43.7)	\$9.5 (9.1)	\$144.2 (141.3)
Deliveries to Foreign Governments at U. S. Ports*	\$1600.7 (1575.2)	\$1087.6 (1074.4)	\$468.9 (457.3)	\$20.2 (20.2)	- -	\$24.0 (23.3)

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

Note: Figures in parentheses are those shown on report of December 29, 1943.

EXPLANATION OF DIFFERENCE

The decreases in Purchase Authorizations for Russia and Requisitions Cleared for United Kingdom are a result of adjustment of requisitions to actual contracts.

January 11, 1944

My dear Mr. McCloy:

I am enclosing herewith a copy of Mr. Schneider's letter pointing out that there was a stockpile of 70,000 tons of wheat in the Middle East, as of December 31, 1943, under the jurisdiction of the Middle East Supply Council.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Honorable John J. McCloy,  
Assistant Secretary of War.



THE SECRETARY OF STATE  
WASHINGTON

January 11, 1944

Dear Mr. Secretary:

I wish to thank you for your letter of January eleventh with reference to the stockpile of wheat in the Middle East as of last December thirty-first.

Sincerely yours,

*Cordell Hull*

The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

January 11, 1944

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My dear Mr. Hull:

I am enclosing herewith a copy of Mr. Schneider's letter pointing out that there was a stockpile of 70,000 tons of wheat in the Middle East as of December 31, 1943, under the jurisdiction of the Middle East Supply Council.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Honorable Cordell Hull,  
Secretary of State.

WAR SHIPPING ADMINISTRATION  
WASHINGTON

January 10, 1944

MEMORANDUM for Secretary Morgenthau

Subject: Wheat for Italy

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Reference is made to our telephone conversation of this morning concerning the stockpile of wheat in the Middle East. This stockpile, which is estimated by British sources in Washington to amount to 70,000 tons on December 31, 1943, is under the jurisdiction of the Middle East Supply Council, which handles supplies of wheat and other grains for military forces and civilians in the Middle Eastern area.

Approximately 35,000 tons of Canadian wheat and flour are regularly moved to the Middle East, including the Persian Gulf, each month for consumption. This wheat and flour is purchased by the Ministry of Food for the M.E.S.C. and funds for the purchase thereof presumably are obtained under the Canadian Mutual Aid agreement with the U.K. Shipments have been made both on British and United States controlled ships from the eastern seaboard of the United States. An estimate of the amount moved on United States vessels is being obtained.

It was arranged by the British that an additional 25,000 tons of wheat a month would move from Australia to the Middle East starting in August or September of 1943. This wheat, in theory, was destined for a Balkan relief stockpile although, in fact, it is intermingled with other M.E.S.C. supplies. The movement was interrupted by the diversion of some 30,000 tons to India, but it may be assumed that 50,000 out of the 70,000 tons stockpiled in the Middle East on December 31 is set aside for the Balkans. It is now planned by the British Government to bring the total wheat and flour stockpile in the Middle East to 225,000 tons by the end of March, 1944, to provide for Balkan relief on a larger scale. This is to be accomplished by increased liftings from Australia. We understand that additional ships, beyond those necessary to move the above mentioned 25,000 tons, are being laid on in January.

Thus far, all wheat lifted in Australia is believed to have been purchased by the Ministry of Food and to have been lifted in British controlled ships.



F. Schneider  
Associate Deputy Administrator

January 11, 1944

MEMORANDUM FOR THE FILES

In connection with recent discussions of relief and evacuation problems interest has been expressed in the Intergovernmental Committee on Refugees.

This Committee grew out of the Evian Conference called by the President in 1938 to consider German refugee problems arising out of the persecutions instituted by the Nazis. Thirty-two nations belonged to the Committee, including the United States, Great Britain and France. Russia did not belong. The Committee apparently accomplished nothing tangible.

One of the recommendations of the Bermuda Conference was to "revitalize" this intergovernmental committee and to enlarge its scope so that it could deal with the problem of all refugees and not just German refugees. Accordingly, the mandate of the Committee was revised as follows:

"The Executive Committee of the Intergovernmental Committee is hereby empowered by the member states to undertake negotiations with neutral or allied states or organizations, and to take such steps as may be necessary to preserve, maintain, and transport those persons displaced from their homes by their efforts to escape from areas where their lives and liberty are in danger on account of their race, religion, or political beliefs. The operation of the Committee shall extend to all countries from which refugees come, as a result of the war in Europe, or in which they may find refuge. The Executive Committee shall be empowered to receive and disburse, for the purposes enumerated above, funds both public and private."

Twenty-nine nations have become members of the new Committee and twenty others have been invited to join. Its Executive Committee is comprised of the following members.



- 2 -

United States - Myron Taylor - Alternate, Ambassador  
Winant.

Great Britain - Lord Winterton.

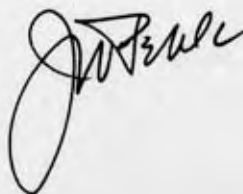
Argentina - Dr. Don Miguel Carcano (Argentine  
Ambassador to Great Britain).

Brazil - J. J. Moniz de Aragao (Brazilian  
Ambassador to Great Britain).

French Committee  
of Liberation - Maurice Dejean.

Netherlands - Jonkheer E. M. van Verduyven (Dutch  
Ambassador to Great Britain).

The Committee's office is in London where it has a management staff composed of Sir Herbert Emerson (British) as director, Mr. Patrick Malin (United States) as vice director, Dr. Kullman (Swiss) as assistant director and Mr. Sillen (Dutch) as secretary. Mr. Malin is presently exploring the problem of setting up offices for the Intergovernmental Committee in the neutral countries.



COPI

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**PARAPHRASE**

**TO : AMERICAN EMBASSY, LONDON, #280**

**FROM: SECRETARY OF STATE**

**DATE: JANUARY 11, 1944**

With reference to the subject of refugees on the Island of Rab, it is to be understood and emphasized that the statement relative to the possible creation of a precedent in the rendition of assistance to the refugees by the military authorities, which was contained in our A-12 of January 8, is that of the military authorities and represents a point of view which these authorities may be required to take in view of the military situation. Whenever it is possible, on the other hand, assistance is rendered by non-military agencies behind the lines which are there for that purpose.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE January 11, 1944

TO Secretary Morgenthau  
FROM Mr. White  
Subject: China *JPW*

1. At meeting, which I attended on your instructions, held in Mr. Hornbeck's office on January 6, 1944, attended by high officials of State, Army and Foreign Economic Administration, the State Department raised the question of accepting immediately the Chinese offer to sign reverse Lend-Lease agreement. It was the feeling of the State Department that, if possible, the supplementary financial agreement initiated by General Somervell which provides for the United States Government obtaining local currency to meet expenditures in China should be signed simultaneously with the general reverse Lend-Lease agreement, but, that if the Chinese were unwilling, the reverse Lend-Lease agreement alone should be signed.
2. General Clay informed those present that the Army, in the person of General Somervell, had promised you that the Army would not do anything with regard to any problem on expenditures in China until they had heard from the Treasury. I indicated that the message to President Chiang Kai-shek, which had been the basis for your request that nothing be done until President Chiang Kai-shek had an opportunity to reply, had been delayed. Both the Army and the State Department indicated keen desire for a decision on this matter in the immediate future.
3. There is also a cable to us received from the Treasury disbursing officer in China relating to the purchase by the various United States agencies in China, including the U.S. Treasury, in the black market of yuan needed for United States Government expenditures. The question raised is whether or not the Treasury should instruct its disbursing officer to discontinue dealing in the black market and return to the use of local currency obtained at the official rate.
4. The Chinese Government has refused the Treasury's request for a special rate of 100 to 1 instead of the present official rate of 20 to 1. In the absence of the President's

- 2 -

communication to the Generalissimo, we would have authorized expenditures in U. S. dollars and had already informed the Chinese Government of this.

5. We feel that a decision both with regard to the reverse lend-lease matter and the use of U. S. currency to meet expenditures in China ought to be made by you very soon. It is the Treasury that is now holding up further action on both of these matters. How long should we wait to hear that the Generalissimo has replied to the President before we make a decision on what to tell the Army and the State Department?

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE January 11, 1944

TO Secretary Morgenthau

FROM Mr. White *JDW*

Subject: Expenditures by U. S. Government agencies in China.

1. The U. S. Army in China is meeting its expenditures for procurement purposes by obtaining yuan at the official rate of exchange of 20 to 1. These expenditures probably account for more than 80 percent of total U. S. governmental expenditures in China which are now in the magnitude of about \$25 million a month.
2. The Army has been paying its personnel in China for more than a year and a half with U. S. currency which is then exchanged by the soldiers in the black market for yuan at rates between 70 to 100 yuan to the dollar.
3. The State Department, since November, 1943, has used U. S. currency to pay Embassy personnel and probably to meet operating expenses. This U. S. currency is, of course, sold on the black market.
4. The Navy Department is meeting its expenditures in China by obtaining local currency at the official rate of exchange but the Naval Attache in Chungking, China, has already requested permission to sell U. S. currency on the black market to obtain Chinese currency for general operating expenses.
5. The U. S. Treasury's disbursing officer in China began, on December 31, 1943, to use U. S. currency to meet payroll. This Treasury officer is disbursing for other agencies such as Foreign Economic Administration, as well as for the Treasury. He has raised the question as to whether he should continue to use U. S. currency and has reported that Foreign Economic Administration now wishes to have all their accounts paid at the black market rate.

AR

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

Chungking

Dated January 11, 1944

Secretary of State

Washington.

57, January 11, 11 a.m. (SECTION ONE)

Weekly economic.

TO SECRETARY OF THE TREASURY FROM ADLER

One. Chungking prices. October retail revised, general 14,410; November wholesale general 20,060 food 13,310, retail general 1608, food 12,870, increases of 11, 17, 17, and 20% respectively on October. December retail preliminary general 18,480 food 14,790 increases of 10 15% on November. November retail prices in Kunming Kweilin and Hengyang - all cities where USAAF forces are located - were respectively 336 179 and 199 times higher than in 1937. Prices in Sian and Loyang also substantially higher than in Chungking.

Two. Central Bank May - September receipts of Foreign exchange granted "special" rate United States dollars 7,820,000,000 sterling 938,000.

Three. Price of gold unchanged in Chungking at CN 12,500 per Chinese ounce selling while sales continue to be negligible. Price of United States dollar backed savings certificates now over 60 per United States dollar on maturity.

Four. Dr. Kung announced at national direct tax conference on December 22 that estimated yield of direct taxes in 1944 will constitute 10% of total receipts. Ministries of Food and Finance have fixed 1944 land tax at 35,000,000 piculs and compulsory food purchases at 40,000,000.

GAUSS

BB

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China.

DATE: January 11, 1944, 11 a.m.

NO.: 57

## SECTION 2

(1) For the month of November notes in circulation amounted to CN dollars 68,912 million. This was seven percent more than for the month of October. Prices will have about trebled and note issue will have somewhat more than doubled during the course of 1943. In view of the fact that inflation will gather momentum and the continued decline in industrial production, the economic prospects for China in 1944 are bleak. A more skeptical attitude than ever has been taken by officials with respect to the efficacy of the sale of gold as an anti-inflationary measure. It seems that there is no feasible way to amelioration of the situation by the contribution of external financial assistance. Further Allied victories, particularly in the Far Eastern Theater, would be the only external aid which would have significant effects.

(2) In December a semi-official company was formed to buy goods from occupied China with capital of CN 150,000,000, of which CN 80,000,000 is being subscribed by Government banks. According to reports, arrangements have been made by the Company for the importation of 450 tons of cotton piece goods and cotton cloth. Tsyehsen, former leader of the Shanghai underworld, is the general manager of the company.

This is the end of the message.

GAUSS

eh:copy  
1-13-44

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China  
DATE: January 11, 1944, noon.  
NO.: 58

FOR THE SECRETARY OF THE TREASURY FROM ADLER.

Reference: Department's 15 of January 3. *SK 689:210*

(1) Your (two) has my full concurrence. The Commission for Control of Foreign Exchange Assets is the appropriate Chinese institution for consultation. The Chinese staff of the Board is being transferred to the Commission. In connection with the type of transaction referred to in your (3), it is most unlikely that a stiff attitude would be taken by any Chinese Government body that would be consulted. Unless a satisfactory arrangement is worked out with Chinese authorities for covering United States Government agencies' requirements, it is presumed that a more liberal licensing policy - referred to in your (two) would also be applied to transactions of United States Government agencies. As you know, in accordance with instructions from Washington, civilian agencies of the United States Government in China have been selling United States currency in the black market for more than a month now. For the past two years, the personal expenditures of American soldiers in China have been financed by the same means.

(2) Reference is made to telegram No. 1690 of November 24 from the Department. The thirty days notice of termination required under the 1941 Sino-British agreement has not yet been given by the British. Shall I submit my resignation as of January 31?

(3) Reference is made to Department's 658 of May 24 and to my TF 138 of July 15. I have recently been asked by the Ministry of Finance for your reaction to the alternative plan of Dr. Kung.

GAUSS



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: American Embassy, Chungking, China  
DATE: January 11, 1944, 3 p.m.  
NO.: 61

*AM*

Department's 25, January 5, 5 p.m.

Accompanied by Acheson, I called this morning on the Generalissimo, an appointment having been previously made for the purpose, and delivered the message. I also found opportunity to make the suggested comments. Dr. Kung, acting as interpreter, translated the message to Chiang Kai-shek. He made some deprecatory remarks to the latter regarding the Treasury recommendations, but the message was affably received by them both. Thanking me for delivering it, the Generalissimo indicated that he would wish to make reply after he has studied it.

GAUSS

*Sent 1/11/44.*

25

To: Mr. Livenessy  
From: Mr. White

Please transmit the following cable from the Secretary of the Treasury to Ambassador Winant.

The following is for your confidential information.

The question of lend-leasing certain categories of items to the United Kingdom was discussed at a meeting held in Secretary Hall's office on January 8, 1944, and attended by Secretary Hall, Asheson, Crowley, Cox, Currie, Secretary Morgenthau and White. The British representatives, consisting of Lord Halifax, Mr. Ben Smith and Sir David Halesy, joined the group later.

Before the British arrived it was agreed that certain transactions which were defensible a year or two ago might not be advisable at this time and that the appended list of items would be submitted to the British with the explanation that we had decided that the lend-leasing of them should be reexamined with the view to deciding whether or not their continuation would be in the best mutual interests.

After the British arrived, Mr. Crowley and Secretary Morgenthau explained that in view of the present circumstances and the need to appear before Congress shortly to request an extension of the Lend-Lease Act, this Government had decided to reexamine our lend-lease policy with a view to eliminating those transactions which had become politically inadvisable. We handed Lord Halifax the list referred to above and informed him that the President wanted a progress report within a month. We also

*Ret. To France. 201*

- 2 -

pointed out that we do not know what the magnitude of the resultant effect would be upon the British dollar position.

The British appeared skeptical that our proposal was not based on a desire to keep down their dollar balances. They stated that it would not taste very well to British officials and public if they thought that financial considerations are the principal motive. Secretary Morgenthau replied that this is the reason why we are approaching the problem in this manner.

You will appreciate the fact that the question of political feasibility cannot be disassociated from the amount of gold and dollar balances held by the United Kingdom.

The meeting adjourned with the understanding that Mr. Crowley and his staff will reexamine with the appropriate British officials the categories of items on the appended list with a view to determining which should be curtailed or eliminated.

We believe that certain questionable items such as the following should be discontinued from Lend-Lease:

- A. Shipments of capital goods such as machinery, installations, etc.
- B. Off-shore purchases such as Iceland fish, Caribbean sugar, oil from outside the United States, etc.
- C. Civilian goods for Jamaica, Southern Rhodesia, the Middle East, etc.
- D. Pulp and paper.
- E. Tobacco for the armed forces.
- F. Certain other controversial items.

January 7, 1944

Handed to the Sec. by Lauchlin Currie at the meeting at the State Department 1/7/44 with Mr. Hall.

CERTAIN OTHER CONTROVERSIAL ITEMS:

Under this category are included such items as those parts of the rental or charter of vessels which are open to question, agricultural machinery and other types of equipment which have a relatively long life, certain raw, semi-fabricated and fabricated materials whose end use is subject to question, items procured from one part of the British Commonwealth for lend-leasing to another part in the same or similar form, and items lend-leased to the British Empire for which the United States has to make substantial imports from third countries, etc.

January 7, 1944

## TELEGRAM SENT

AR  
This telegram must be  
paraphrased before being  
communicated to anyone  
other than a Governmental  
agency. (BR)

January 11, 1944

Midnight

AMEMBASSY,

LONDON

272

FROM THE SECRETARY OF THE TREASURY FOR AMBASSADOR  
WINANT.

The following is for your confidential information.

The question of lend-leasing certain categories of items to the United Kingdom was discussed at a meeting held in Secretary Hull's office on January 8, 1944, and attended by Secretary Hull, Acheson, Crowley, Cox, Currie, Secretary Morgenthau and White. The British representatives, consisting of Lord Halifax, Mr. Ben Smith and Sir David Waley, joined the group later.

Before the British arrived it was agreed that certain transactions which were defensible a year or two ago might not be advisable at this time and that the appended list of items would be submitted to the British with the explanation that we had decided that the lend-leasing of them should be reexamined with the view to  
deciding

-2- #272 January 11, Midnight to London

deciding whether or not their continuation would be in the best mutual interests.

After the British arrived, Mr. Crowley and Secretary Morgenthau explained that in view of the present circumstances and the need to appear before Congress shortly to request an extension of the Lend-Lease Act, this Government had decided to reexamine our Lend-Lease/<sup>policy</sup>with a view to eliminating those transactions which had become politically inadvisable. We handed Lord Halifax the list referred to above and informed him that the President wanted a progress report within a month. We also pointed out that we do not know what the magnitude of the resultant effect would be upon the British dollar position.

The British appeared skeptical that our proposal was not based on a desire to keep down their dollar balances. Waley stated that it would not taste very well to British officials and public if they thought that financial considerations are the principal motive. Secretary Morgenthau replied that this is the reason why we are approaching the problem in this manner.

You will appreciate the fact that the question of political feasibility cannot be dissociated from the amount of gold and dollar balances held by the United Kingdom.

-3- #272, January 11, Midnight to London

United Kingdom.

The meeting adjourned with the understanding that Mr. Crowley and his staff will reexamine with the appropriate British officials the categories of items on the appended list with a view to determining which should be curtailed or eliminated.

#### APPENDED LIST

We believe that certain questionable items such as the following should be discontinued from Lend-Lease:

- A. Shipments of capital goods such as machinery, installations, etc.
- B. Off-shore purchases such as Iceland fish, Caribbean sugar, oil from outside the United States, etc.
- C. Civilian goods for Jamaica, Southern Rhodesia, the Middle East, etc.
- D. Pulp and paper.
- E. Tobacco for the armed forces.
- F. Certain other controversial items.

Under this category are included such items as those parts of the rental or charter of vessels which are open to question, agricultural machinery and other types of equipment which have a relatively long life, certain raw, semi-fabricated and fabricated materials



-4-#272, January 11, midnight, to London.

materials whose end use is subject to question, items procured from one part of the British Commonwealth for lend-leasing to another part in the same or similar form, and items lend-leased to the British Empire for which the United States has to make substantial imports from third countries, et cetera.

HULL  
(FED)

FD:FL:PAK

NOT TO BE RE-TRANSMITTED

U.S. SECRET  
BRITISH MOST SECRETCOPY NO. 12OPTEL No. 13.

Information received up to 10 A.M. 11th January, 1944.

1. NAVAL

French Submarine has been overdue in MEDITERRANEAN since 3rd and must be considered lost. Aircraft attacked an Eastbound convoy North-west of CRAN yesterday: one British ship sunk, one U.S. Ship torpedoed.

2. MILITARY

Italy To noon 10th. Eighth Army. Active patrolling on right and heavy night shelling by enemy of forward New Zealand positions.

Fifth Army. U.S. Troops are now within one mile of CERVARO and have cleared MONTE PORCHIA. British troops have also made progress North West of MONTE MAGGIORE.

Burma ARAKAN. Our forward elements are in MAUNGAW.

3. AIR OPERATIONS

Western Front. 10th/11th. Total 31 Mosquitoes sent to BERLIN, SOLINGEN, KOBLENZ, KREFELD, and on intruder patrols. One JU 88 destroyed, one Mosquito missing.

Italy 8th. Escorted Fortresses dropped 290 tons on an aircraft factory at REGGIO EMILIA., photographs show 11 factory buildings heavily damaged. 9th. Escorted Fortresses bombed POLA Harbour dropping 288 tons. Mitchells dropped 63 tons on the docks and railway centre at ANCONA.

Yugoslavia 8th. Escorted Liberators dropped 68 tons on MOSTAR AIRFIELD.

Bulgaria 10th. According to preliminary reports a heavy force of Fortresses bombed SOFIA.

January 12, 1944  
9:00 a.m.

ARGENTINA

Present: Mr. White  
Mr. Pehle  
Mr. Paul

MR. PAUL: We must present to you a letter accepting Rose's resignation.

H.M.JR: I think I met him once in a year.

MR. PAUL: Well, he has been working largely on Customs.

H.M.JR: That was a nice letter he wrote about you.

MR. PAUL: Yes, he has been kind of a pleasant admirer.

H.M.JR: Now, how do you think we should approach this thing this morning?

MR. PAUL: Well, let's review what happened. We saw him--

H.M.JR: The 24th of November on the Argentine.

MR. PAUL: Yes. Of course, we spoke about Argentina at the previous meeting in November. The last time was December 24.

H.M.JR: It was November 24 and December 20.

MR. PAUL: I thought that 24th of December wasn't right. Anyway, at the last meeting it was arranged

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that we were to get the reaction of these South American Republics through our Ambassadors. We got that. It wasn't too bad. It was not too good in the case of Chile, but we expected that.

(Miss Chauncey entered the conference)

H.M.JR: (To Miss Chauncey) That note which came in from Winant in regard to the English Foreign Office - it came in Monday - a cable - I would like a copy of it.

(Miss Chauncey left the conference)

MR. PAUL: We have quite a number of gold shipments scheduled for this month.

H.M.JR: Have you a list of those?

MR. PAUL: We have them. He will bring them with him. There are eight or ten of them. The British have been discussing this matter with State for sometime, although we didn't know it until a couple of months ago.

Winant's cable refers to embarrassments, and what are they? We know what they are. But I mean, now, the basic point is this, that at the conference on Christmas Day at my house they broadened the front. Collado and this other fellow who was there, professed to think that freezing was just a small segment of the front, that the question should be transferred to a much broader basis, and that we should practically have an economic boycott.

I am very suspicious of that change. I think it is just another way of making the question so difficult that you don't do anything. There isn't any objection, there isn't anything in what they said that is inconsistent with the freezing. Merely because we are planning to go further, there is no reason why we shouldn't go as far as we can go.

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Furthermore, freezing constitutes a very good mechanism. We can extend it; it is very flexible. We can practically accomplish an economic boycott under freezing as far as this country is concerned. We can't, of course, do it as far as England is concerned.

Now, what should we say, in view of all those facts? Don't you think, Harry, that there is some part of State Department that is really masking their unwillingness by broadening the question?

MR. WHITE: Oh, there is no doubt of that with Bonsal, but I think in addition to the things that you said, there are two other items which might be mentioned.

(Mr. Pehle entered the conference)

MR. WHITE: One is the fact that substantial shipments of gold are scheduled to go out this month. The other I am a little more doubtful about. I can just read this one sentence, if I may, from this news item. This is an article from John White, Santiago, Chile, in which he speaks of this threatened revolt and then one of the Senators in Chile charged for the record that the plot was engineered by neighborhood countries which desire a Government in Chile which will be a copy of the anti-Democratic regimes they have recently set up. Of course, that is political. It merely indicates the influence of Argentina, Bolivia, Chile, and Peru, that it is not a static or a declining matter.

It isn't much of our affair, just because it is political, and yet it is our affair in that you are not dealing with an isolated instance.

H.M.JR: Let me see if I have my papers together. Do you have that paper from Winant?

MR. PEHLE: Yes.

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H.M.JR: Do you have that shipment of gold?

MR. PAUL: I would suggest not too much emphasis be put on that.

MR. PEHLE: Five shipments. I haven't anything typed up on that (hands the Secretary a memorandum).

H.M.JR: This is all right.

Madame Martins was at the house yesterday to see Mrs. Morgenthau on a personal matter. She is the wife of the Brazilian Ambassador. She and her husband have just been to the Argentine on a mission, and she started to tell Mrs. Morgenthau about the Nazis, and everything, in the Argentine. She said she was never so shocked in her life. So I asked her to ask him to come to the house just as soon as he can. I want to get the story from Martins. She says she has never seen anything like it, that everywhere you go there are Nazis.

MR. PAUL: The newspapers we have show that.

MR. WHITE: Is there anything in that other statement that the Secretary might use?

MR. PEHLE: Well, the long study that Military Intelligence made, made it very clear that the Bolivian regime was Argentine inspired, and made it also clear that these other--

H.M.JR: May I interrupt you? I think the approach, unless you people are against me, is to say, "Well, look, Mr. Hull, several weeks have passed - several months have passed since you returned from Moscow. There was this misunderstanding while you were away. I told you about the cable that went to you. You have been looking into this thing - weeks have passed. The Bolivian Government has revolted. It looks as though it was encouraged by people from Argentina."

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MR. PEHLE: He said it was.

H.M.JR: "Military people are all disturbed. Now, where are we going? We find ourselves in an impossible position in having frozen two banks, and we are neither fish nor fowl."

MR. PAUL: That is a good way of putting it, using fish nor fowl as a metaphor. I would use that.

H.M.JR: Now, either we should un-freeze them or we should go the whole way. In the meantime, they laugh at us. I frankly want to either un-freeze or freeze.

MR. PEHLE: I don't think you should press too hard about un-freezing the two banks.

H.M.JR: Oh, listen! I am going to say, "You have had plenty of time; now, where are we on this thing?"

MR. WHITE: Do you remember, many months ago, the President asked you to follow this thing? Was there anything said at that time?

MR. PAUL: He said to keep a close watch on it, too.

MR. WHITE: Which might be mentioned at the meeting.

H.M.JR: I don't know how much good it does. The President sent for Hull and General Strong and told them to do something. Now I will say, "I am not satisfied, Cordell; I am going again to take it up with the President. I am just not satisfied," if it is unsatisfactory today.

MR. WHITE: I think we will probably find they have had a meeting yesterday.

H.M.JR: Oh, yes. I always feel when I go in there it is like hitting a feather pillow.

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MR. PAUL: A stonewall made of jelly.

MR. WHITE: Crowley asked me to stay behind.

H.M.JR: There is no jelly.

MR. PAUL: I said a stonewall made of jelly.

MR. WHITE: He asked me to stay behind for two minutes. Evidently he wanted to un-bosom himself about Hull and indicate his great pleasure that you and he are moving together on this dollar balance.

H.M.JR: Sure we are moving together just as long as I can pull his chestnuts out of the fire.

MR. WHITE: I don't think you are pulling his chestnuts out of the fire on that item.

H.M.JR: No, but Crowley would be completely high and dry if it wasn't for the Treasury.

MR. PAUL: It is getting to be common talk around town that everybody is leaving his organization, that it is disintegrating, and they can't get anybody to come there.

MR. WHITE: I think it is very exaggerated. A lot of people are leaving who should have left.

H.M.JR: Somebody is doing a job on them.

MR. PAUL: I do know of certain cases where they haven't been able to get people.

MR. PEHLE: Oh, they have had a lot of trouble.

H.M.JR: Any good men leaving?

MR. WHITE: They have lost a couple, yes.

MR. PEHLE: Sure.



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MR. WHITE: But they have lost a lot who weren't.

MR. PAUL: Knollenberg.

H.M.JR: Knollenberg was with Lend-Lease.

MR. WHITE: Yes, he has gone.

MR. PAUL: He was over with Crowley.

H.M.JR: Mr. Hannegan is the next Chairman of the National Democratic Committee.

MR. PAUL: Is he going to get that job?

H.M.JR: I think he will, today.

MR. WHITE: Does that mean you will look for another man?

H.M.JR: Want the job, Harry?

MR. WHITE: No, thank you. If I had a little less conscience it would be a good job.

MR. PAUL: I have been very impressed by him.

H.M.JR: God! They need somebody, too!

MR. WHITE: They show the dearth of ability if they have to go to an unknown man like that.

H.M.JR: He is not unknown. He was a successful boss of St. Louis.

MR. WHITE: That certainly was a boss-ridden place.

H.M.JR: But he had a clean record, he was clean. No, no, he is a professional politician.

MR. PAUL: I can tell by a few talks with him that he knows his groceries.

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H.M.JR: But strangely enough, Bennett Clark is doing everything he can to assist Hannegan from getting it because Hannegan doesn't want it. Hannegan wants to settle down and make a reputation for his wife and children. He doesn't want this sort of thing.

MR. PAUL: You know he is a complete teetotaler, both as to liquor and smoking.

H.M.JR: He has a very nice looking wife, too.

Well, I think we can kind of go over there - Hull's great trick is to try to make you talk, but I am going to try to make him talk.

MR. WHITE: I suspect they will have come to some decision before you get there, because the first thing they must have done is call a meeting.

MR. PAUL: Bear in mind that that monetary proposition is out the window; they have admitted that.

MR. PEHLE: One thing, Mr. Secretary, and that is if Long comes in with this other cable, he may get you to say something to indicate that things are moving along now on this refugee problem. I think you ought to be very strong that the only action in these minor things is there is no evidence of any program. I mean, if they really ask you what you think, I think you should say quite flatly that there have been some licenses, but nothing else.

H.M.JR: Why don't I go a step further and say, "Cordell, in a few days we are going to give you a memorandum."

MR. PEHLE: I don't think you ought to tip your hand on that at all. In the first place, we are going to argue, as we said before, that you go to the President and not to Hull.

- 9 -

H.M.JR: I was worried. I wasn't going to weaken my hand in bringing this up today before this memorandum is finished. Do you know you have been on these memoranda about two weeks?

MR. PAUL: We had a long session yesterday and some of them we are getting two redrafts of, tomorrow. It is a very difficult memorandum to write.

MR. PEHLE: But I don't think you ought to tell Mr. Hull you are giving him a memorandum.

MR. PAUL: You may decide not to.

January 12, 1944  
10:45 a.m.

JEWISH EVACUATION

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

H.M.JR: Acneson sent me his copy of the conversation that took place Friday. Then he asked if you made a memorandum on Lend-Lease; he would like ours. Do you (White) mind handling this? He comes through with a memorandum, which is very decent of him.

MR. WHITE: We will fix the memorandum up.

H.M.JR: Go ahead, read that out loud (referring to Ref. 43/3/44, dated January 8th, 1944, from A.I. Campbell, attached).

MR. PEHLE: You want me to give a little background?

H.M.JR: Yes.

MR. PEHLE: At the meeting at Mr. Hull's office this morning, Secretary Morgenthau raised the question of London's cable 139, of January 7, and Breckinridge Long was sent for. Also present for the State Department with Mr. Hull were Mr. Reams, Mr. Travers, and Mr. Berle part of the time.

MR. WHITE: Are you going to write up the rest of the meeting separately in your own office?

MR. PEHLE: I would rather do it that way.

H.M.JR: Yes.

- 2 -

MR. PEHLE: Breckinridge Long explained that a letter had been received the day before from Sir Ronald Campbell of the British Embassy, a letter dated January 8th, which reads as follows:

"You will be aware that a discussion took place on 24th November last between representatives of this Embassy and of the United States Treasury Department, regarding the financial aspects of the proposals which have been made by Mr. Higner of the World Jewish Congress for the evacuation of Jews from France and Roumania. I am informed that in view of the wider considerations which are seen to be involved--"

H.M.JR: Wait. Between whom?

MR. PEHLE: It says Treasury. That means when we called in Thorold and brought him up to date on the proposal.

(Continuing) "...wider considerations which are seen to be involved in these proposals, the matter is now being handled by your Department, and I am therefore writing to you to acquaint you with the views of His Majesty's Government.

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

- 3 -

H.M.JR: Now, let's have the other thing.

MR. PEHLE: Then Mr. Long said that when he got that note--

H.M.JR: Just for my own record - the amazing thing about this conference, we had almost forty-five minutes on the Argentine question, on which Mr. Hull was thoroughly prepared, and which Mr. Pehle will dictate. But when we came to this thing he had absolutely no idea. He didn't know about 139. There was a complete file on 139 which is in his outer office, which he didn't know about. He just didn't know what I was talking about.

Long came in, then in came Riegelman, then three other people in the State Department came in.

I turned to Mr. Hull and said, "Would you mind introducing me to these people, because I am sorry, I don't know who they are."

Travers is in charge of the Visa Division, and the other--

MR. PEHLE: And Reams, who is political adviser on refugees.

H.M.JR: And these two people - Hull say, "I don't even know who they are." And there was complete disorder. Breckinridge Long was ashen color; his hands shook. I never saw the man so thoroughly scared. And Hull just didn't seem - one time I said, "You know, when you go through this record for the last year and a half, it is one of the most shocking, upsetting matters I have ever come into contact with."

Hull said, "Yes, that is right."

On the other hand, here are these people handling this thing for him, and he doesn't even know them by sight. It is just unbelievable.

Go ahead.

- 4 -

MR. PEHLE: Mr. Long explained that when you got the letter from Mr. Campbell he immediately called him and asked him to come down and see him, and he did come down.

Mr. Long had written a memorandum, the original of which he had sent to Mr. Hull, dated January 11th about the conversation. When the Secretary asked for a copy of the memorandum, Mr. Long didn't seem willing to give him a copy. He said that all the copies had been distributed and that the Secretary could read the memorandum in Mr. Hull's office.

H.M.JR: But I out-fumbled him and got one.

MR. PEHLE: Finally, one of the persons there sent for his copy of the memorandum.

(Mr. Pehle read the attached State Department Memorandum by Mr. Long, dated January 11, 1944.)

It is very good we got that.

H.M.JR: It is very good. I think it is a good memorandum. That was a copy of what he submitted to Hull.

That opens up entirely new possibilities in those Italian cities.

MR. WHITE: Those Italian cities were in Allied control. They are not under British control, exclusively. I don't understand why the decision.

MR. PEHLE: Theoretically--

MR. WHITE: Theoretically they are British?

MR. PEHLE: Theoretically Allied, but actually British.

H.M.JR: I really think, gentlemen--

- 5 -

MR. LUXFORD: Certainly whenever we can bring them out in the open, wherever we can get our noses into it, we are making progress.

H.M.JR: Well, you see--

(Mrs. Klotz entered the conference)

MRS. KLOTZ: I can't stay away from the Treasury.

H.M.JR: (To Mrs. Klotz) We had a very encouraging session. Now, there is one thing missing which you should get. They sent out a cable yesterday.

MR. PERLE: I will get that.

H.M.JR: What is there we can do next? What do you think?

MR. PERLE: On this? I think we ought to think about it a little bit.

MR. LUXFORD: I do, too.

MR. DuBOIS: The biggest job, I would think, is being sure that you have people who are going to really put their heart into working out some of these problems such as transportation, despite that memorandum--

MR. WHITE: I believe that there is little doubt that the recent chain of events is due to the fact that you have been bringing this up to them. Now, that suggestion--

MR. PERLE: Two things; that, and the public pressure. There has been public pressure.

MR. WHITE: Yes, except that I think they are more worried about the public pressure because there is somebody on the inside who has access to the facts in the cables.



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MR. PEHLE: Sure, they interact on him.

MR. WHITE: Therefore I imagine that their eagerness to act, insofar as it is an eagerness, is exclusively to demonstrate for the record that they are acting, which means that the moment the slightest pressure is relieved, or it is possible to do something in which a record is not possible, that you cannot count upon a full observation.

That is why I think it is very important, as Joe says, that there still be somebody in charge who does not have to be watched.

H.M.JR: Yes, but I have got a constructive suggestion. (To Pehle) Please ask that this conversation between Breckinridge Long and Campbell be cabled today to Winant, see?

MR. LUXFORD: And Harrison?

H.M.JR: I don't think Harrison. Do you think so? Well, there is no harm.

MR. LUXFORD: I was thinking that he can get the feel that the tide is changing.

H.M.JR: That is right. It certainly can go to Winant, and I think Harrison.

MR. LUXFORD: Because all he has to do is get the feel that State is backing out from under him, and he will change his tune.

MR. WHITE: Is it possible that there are angles to this that no one here knows, because they are not as familiar - for example, would somebody in Wise's organization--

H.M.JR: Whose?

MR. WHITE: Or whoever it is who is handling it.

- 7 -

H.M.JR: We have covered every front now, except you haven't yet seen Mr. Lang.

MR. PEHLE: Mr. Lang is in the Army. We are checking lower in the organization.

MR. WHITE: I mean this specific program that is indicated.

MR. PEHLE: Oh, this specific program. We know more about the program, Harry, I think, than anybody else, now.

MR. LUXFORD: Does the World Jewish Congress have the benefit of these potentialities? It may be helpful to them if they will realize there are some ports that are available.

H.M.JR: Yes, well, I think - now we don't - I think my suggestion that the thing should go to Winant is good, and I think your suggestion that it should go to Harrison is excellent. And it should go today. I think all you have to do (to Pehle) is to call up Riegelman and get it out.

Now, when you begin to talk to the outside world - I am just thinking this - Long was absolutely ashen. (To Mrs. Klotz) You have never seen anything like it.

What would you think of the suggestion that we ask Long whether he wouldn't like to invite the representative of the J.D.C. and the World Congress down to a meeting at which we will be present - I mean, Pehle, and you all - and bring them up to date on this thing?

MR. LUXFORD: Wonderful.

H.M.JR: Say that we think it would be encouraging

MR. LUXFORD: Force Long to make commitments to them in your presence.

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H.M.JR: Invite Mr. James Wise down, if he is the man - whoever it is - plus this man from J.D.C. and say, "Now here is an entirely new conception; they are supposed to offer these captured Italian cities in North Africa to the Jews."

MR. PEMLE: Tripoli and Cyrenaica, and so forth.

H.M.JR: Invite these two organizations down to a meeting at which we would be present.

MR. LUXFORD: The importance of Reigner knowing that - he is the fellow working out these plans - and for him to know these port facilities are available--

H.M.JR: In the cable to Harrison say, "Please pass"--

MR. PEMLE: I don't know that Reigner can work it out.

MR. LUXFORD: He has got to work it out. Who else can?

H.M.JR: I think this, that if Long will invite to his office these people, and we would be present, and then let their imagination go to work. He is desperate, and we say, "This is a wonderful idea, Mr. Long. Wouldn't you like to impart it to this organization?"

MR. PEMLE: The thing that troubles me, Mr. Secretary, is that this is something they pulled out of a hat. This is the first attempt of the State Department to get a plan - any plan.

H.M.JR: All right.

MR. PEMLE: All right, now I am a little worried about calling them down here and telling them that we have these wonderful plans, and get Mr. Long to reassure all these people.

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H.M.JR: Not reassure them.

MR. LUXFORD: No, he will say that they are prepared to make these facilities available. They are prepared to furnish transportation.

MR. PEHLE: Well--

MR. WHITE: I think John's point may be that you can't stop there. I don't think the Secretary needs to. There is another aspect of this.

H.M.JR: I am offering this as a suggestion. I want you to think about it. But now the advantage is Long has to expand it. He tells these people these things. And aside from everything else, I mean - God, these people need some little encouragement. This is the first daylight.

Now, let's all be honest. Don't worry about the record you are trying to build up. Are you worrying about that, John?

MR. PEHLE: Yes, I am worried about it, because I am afraid this is something that Long pulls out of the hat to impress everybody and it doesn't mean a damned thing.

MR. DuBOIS: The main thing this will do is help his record, and nothing else; that is my prediction.

MR. WHITE: That depends on what is done with it.

H.M.JR: If you do this, and he says these things, then we are free to begin to work on the Combined Chiefs of Staff. We can begin to work on this and that. The more people that know this thing - there are a lot of people like you gentlemen that want to do something. I kept saying to you that I am more interested in getting these Jews out and doing something than I am in building the record.

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MR. PEHLE: We all are.

MRS. KLOTZ: But the record is already built.

MR. DuBOIS: My own conviction is that as long as a fellow like Long is primarily pushing these things, you are not going to get anything done.

H.M.JR: I don't know. Don't make predictions.

MR. DuBOIS: That stands.

MR. LUXFORD: I think we have Long convicted today.

MR. PEHLE: You have to decide.

H.M.JR: Let's decide this. I don't need any advice on this, that I definitely want a copy of Long's conversation to be sent to Winant and Berne - our Minister in Switzerland.

MR. PEHLE: Sure, I think we all do.

H.M.JR: You fellows go and think about this thing. We will talk about it again tomorrow. My hunch is the same as Luxford's, that if we can get Long to call a meeting and tell them about this thing, I think it is to the good.

MR. PEHLE: You see, we are at the deciding point, right here, as I see it. The Treasury can follow one of two different paths: One is the one of saying "I can't get results working through Long and his group of people over there," and go to the President and try to get somebody else to take the job; the other is to help them in what little ways the Treasury can to make Long's program a success in the mild way in which it is going to be a success. I don't object to that because it makes the record. Nobody cares about the record, but what it does, it enables Long to say to anybody who criticizes, "Well, I have the plans working; the Treasury knows all about them; Mr. Morgenthau is very enthusiastic about them."

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H.M.JR: Now, let me tell you something, may I? This I know, see? I will give you the benefit of fourteen years' experience - sixteen years. If the problem in your mind is let's try to get the President to put somebody new in--

MR. PEMLE: That isn't the problem.

MR. DuBOIS: That isn't necessary.

H.M.JR: Well, you yourself have told me - I don't know whether it is true that Mr. Long is closer to Mr. Hull than anybody - all you have to do is to read the President's message to Congress yesterday - "Mr. Hull and I" - "I and Mr. Hull," all the way through. As I once told the President - what does he want Social Security for, or old-age pension? As long as you work for Roosevelt you don't need it. He never fired anybody.

MR. PEMLE: He might take your job away from you.

H.M.JR: Well, let me tell you, the only chance you have got is to try to the last degree to re-fire Long and work through him and through Hull, see? I don't think there is but very slight chance - we are gaining progress, and so forth and so on.

As I told Mr. Hull this morning, "This is the most shocking thing, almost, that I ever heard of." Mr. Hull agreed with me.

(To Mrs. Klotz) They brought in the three men who make the decisions on the visas, and I asked Mr. Hull to introduce me. He said, "I am sorry, I don't know who they are." Fellows who have complete control of refugee visas. When I asked him to introduce me, he said, "I don't know who they are."

MR. DuBOIS: The question, of course, is whether we actually are making progress.

H.M.JR: Boys, you think it over, but do that one thing for me today, please.

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MR. PEHLE: Right away.

MR. WHITE: We will argue it out among ourselves and see if we can come to an agreement.

H.M.JR: But please remember this: Roosevelt wouldn't move on Hull, he never has; and Hull wouldn't move on Long.

MR. LUXFORD: We may need a new Ambassador in Bolivia.

MR. DuBOIS: Suppose the President felt these facts should be made public.

MR. WHITE: There may be another way of handling it without removing Long.

MR. LUXFORD: Long may be made an Ambassador.

H.M.JR: Incidentally, for these people, Hull announced today to us - this ail has happened since we sent word - the word only went out yesterday to these various South American countries - that within two or three days he is going to use the rawhide on the Argentine, and going to recall the Ambassador - and what else?

MR. PEHLE: I took it, recall for consultation and freeze.

H.M.JR: Within two or three days.

MR. PEHLE: That is what you finally got him to say. I don't think that is what he said the first time. There were some valid things in there the first time. But they said it.

H.M.JR: And non-recognition of Bolivia, a public statement on that - non-recognition of Bolivia.

MR. LUXFORD: Did he say anything about what kind of a freeze?

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H.M.JR: Complete freeze.

MR. WHITE: Decision immediately thereafter.

H.M.JR: I like it, I mean, that we are making progress.

MR. LUXFORD: Mr. Secretary, Mr. Acheson didn't like the Treasury reprimanding Mr. Riegelman.

MR. WHITE: What?

H.M.JR: What do you know?

MR. LUXFORD: Just that Riegelman reported to Moskovitz that Acheson is as sore as a wet hen about that, that we should be telling Riegelman that we don't like his tactics.

H.M.JR: Well, I have a story of the Prince Machiavelli. I am not that clever, but if we wanted to establish a record, there is no entente cordiale between Riegelman and myself; we have done it in the Machiavellian style.

MR. LUXFORD: I think some of Long's fear stems from the fact that he knows Riegelman was blasted by Treasury.

MR. WHITE: I think Long's fear spreads from the publicity, and from the fact that the Secretary was in the office with three of his staff who apparently were on top of the subject and who are interested in following, and his conscience bothers him terribly. He knows he is vulnerable, he knows the thing is dynamite, and that he might lose his job, and he is going, from this moment on, to change the record and do such things as he can do until such time as the heat is off.

H.M.JR: Well, I can assure you, the heat will not be off, see?



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MR. WHITE: Well, except that he only needs to do one thing like this to settle back.

MR. DuBOIS: That is Long - he gets the heat off--

MR. WHITE: There is so much that could be done, but he won't have to do it, because he says, "My God, look at what we have done.

MRS. KLOTZ: Sure.

H.M.JR: That act is all right if you were working with different people - starting with Mr. Roosevelt and Mr. Hull - you have certain tools.

I am reminding you, I am going to keep reminding you - and I have kept reminding you all the time - that I was going to deal with Mr. Hull; I am not going to see Mr. Long alone, ever. I am always going to ask to see Mr. Hull. I am not going to deal with Mr. Long. So far we have had a little success.

You fellows think it over. We will have another meeting tomorrow.

MR. LUXFORD: I take it that you didn't mean by this calling in consultation that that was going to stop this other matter.

H.M.JR: What matter?

MR. LUXFORD: The whole matter of exposing what we know about what Long has been doing.

H.M.JR: It was your suggestion, not mine.

MR. LUXFORD: But what I am driving at is that this is not an alternative to going forward with what we are preparing.

MRS. KLOTZ: I don't know how you can do that if he calls them in.

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MR. LUXFORD: We can discuss that. I think it is possible.

H.M.JR: No, the two things have nothing to do with each other. It was your suggestion.

MR. LUXFORD: Yes, but I didn't want to suggest, in any way, that we should stop on this other matter.

H.M.JR: No, no. As I told you men when I went over this morning, in bringing up cable 139 I thought it might soften the blow and it might not be a good thing to bring it up at that time.

But I would hate to have anybody walk into my office and be as unprepared as Mr. Hull was on that.

O.K. Let's say eleven o'clock tomorrow. Will you tell Mr. Paul?

Harry, do you want to look at what you have in your place and come back at eleven-thirty?

MR. WHITE: On the Chinese?

H.M.JR: Yes. Or have you an annual meeting you have to attend?

MR. WHITE: It won't be anything I don't think I can cancel.

H.M.JR: I think, on that Chinese thing - I haven't got it. I think we had better have Bell here.

MR. WHITE: And one of my men.

## DEPARTMENT OF STATE

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Memorandum of Conversation

Date: January 11, 1944

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

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

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

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

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

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

supplies

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supplies and there were buildings standing. Food could be arranged for them on a rationed basis and they could continue to reside in such places until the end of the war provided the British Government was agreeable. At the end of the war they could return to their former places in Europe under the arrangements which the United Nations were adopting and which the United States Government had proposed at Bermuda and to which Russia had recently agreed, and which provided that each of the nations would permit to return to their former homes the persons who had been forced to leave because of persecutions of race, religion, or political belief. Terms to that same effect should be imposed upon the enemy and conditions inside Germany should be made to conform to the thought that there should be no more persecutions on any of those accounts.

I further stated that in case England did make such a refuge possible in the former Italian colonies it would take pressure off of England because of Palestine, because as it stood Palestine was the only place in the Mediterranean basin where there was refuge for Jews and England was being blamed for her refusal to admit more of them to Palestine under the White Paper. I explicitly stated that I was not opening up the Palestine question but simply used Palestine to elucidate the thought that it would be very helpful in more ways than one to have these cities in the former Italian colonies opened to temporary residence by refugees.

Sir Ronald inquired as to the "intentions of the United States in regard to these problems" and to the matters referred to in Mr. Eden's letter as "problems of transport and accommodation".

I pointed out that I tried to cover the "accommodation" phase of it and that the Department would approach the Joint Chiefs of Staff with the thought that shipping sufficient to serve as transport might be diverted when sufficient persons were assembled to use it to transport them from Spain to these places of temporary residence in Tripoli and along that coast. We had not approached the military and naval authorities but we felt that they would view the matter generously and would no doubt adapt themselves to the situation in case the problem

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developed to the proportions which it might assume. In the meantime there was the established service between Portugal and North Africa which had carried not less than 35,000 persons out of Spain to the neighborhood of Casablanca and which could be continued after completion of the present program. There were remaining in Spain only about 1500 persons - probably not that many.

I then said that UNRRA would probably find it within its jurisdiction to take care of these people once they were located and that we were now discussing the general jurisdiction of UNRRA and the Intergovernmental Committee would have respectively in the premises. Furthermore, the United States under its laws could also receive immigrants and there was the possibility that some of them might desire to come to the United States. Our quotas were open and under the law persons are admissible to this country.

Sir Ronald said that he would send off a telegram to his Government and present the situation as I had presented it to him. I reminded him that this was not a definite proposal, it was just a conversation between our two Governments with the idea of making some favorable adjustment of a problem which might assume large and possibly urgent proportions.

B. L.

A-L:BL:lag

January 8th, 1944.

Ref. 43/3/44

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

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

(Sgd.) R. I. Campbell

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

January 12, 1944

## MEMORANDUM FOR THE FILES:

There was a meeting this morning in Secretary Hull's office called at Secretary Morgenthau's request to discuss (1) Argentina, and (2) London's Cable 139 of January 7, 1944, on the evacuation of Jews from Rumania and France.

Those present at the beginning of the conference were the following:

Secretary Morgenthau	Secretary Hull
Mr. Paul	Mr. Berle
Mr. White	Mr. Dunn
Mr. Pehle	Mr. Collado
	Mr. Bonsal

Mr. Hull opened the meeting by asking, "What is the Treasury stumbling into this morning?" Secretary Morgenthau explained that he had last been over to see Mr. Hull on November 24 in connection with the freezing of Argentina and that he would like to know the direction in which we are heading. He pointed out that we have frozen the two Argentine banks but have not taken any affirmative action to apply freezing controls generally to Argentina. At present our controls on Argentina are neither "fish nor fowl".

At this point Secretary Hull made a long statement concerning Argentine and Bolivian developments which may be summarized as follows: Hull said that as soon as the Bolivian revolution took place, the State Department satisfied itself that the overthrow of the Bolivian Government had been inspired by Argentina and pro-Axis factions within Argentina, and that a pro-Allied government had thus been overthrown during the war at the instigation and inspiration of one of the Latin American countries. He said that he had strongly endorsed the position that there should be a careful examination of the facts by all of the Latin American countries before anyone recognized the new government in Bolivia. Since then all of the countries have been making their decisions as to what they are going to do about recognizing the new Bolivian regime and all of them are concerned about any

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agreement not to recognize the regime as an interference with their sovereignty. However, it is expected that the various countries will make announcements shortly in one form or another that they do not propose to recognize the new government of Bolivia. Hull said that this Government will be ready in two or three days to make such a statement and at the same time "rawhide" Argentina for interfering in Bolivia. Hull said simultaneously Ambassador Armour would be recalled for consultation and the freezing of Argentine assets would be effected.

Hull went on to say that within two days of the Bolivian revolution he had jumped the British, asking them to issue a statement "rawhiding" Argentina and at the same time take the necessary measures to blockade Argentina. Hull said that to date he had not been able to get the British to go along but that he anticipated the British would be willing to blockade Argentina if we would guarantee the British so much meat from the United States, which might mean an additional 20 percent cut of our meat rations here.

Hull said that during a period of peace the normal situation in Latin America is that there are groups in each country who are natural revolutionists, Fascists (although they do not recognize themselves as such) or totalitarians who are ready to overthrow any of the governments. In wartime the situation is even much more unstable and that situations such as that which has developed in the Argentine and in Bolivia can start the boat rocking in many of the other Latin American countries. He mentioned that only \$400,000,000 in goods had been allocated for Latin America out of which only \$170,000,000 had actually been committed. Hull also said that there was some pressure on in Chile and Peru for a change in government in view of what happened in Argentina and Bolivia. He said that he had been slow in taking the action to freeze Argentina because Argentina was just waiting for a pretext to incite some of the other countries in Latin America to set up pro-Axis governments.

In response to a question of Secretary Morgenthau, Mr. Hull said that the statement which the State Department planned to make in two or three days would be directed at both Argentina and Bolivia and at the same time our Ambassador would be recalled for consultation and the freezing of Argentina would



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take place. It was agreed that the freezing would be a general freezing with the decision as to what, if any, general licenses should be issued to be decided on an ad hoc basis later.

Hull said that he had told Lord Halifax very bluntly that people were saying that the British Government would not act in Argentina because of its interests there and that it was trying to save its postwar trade with Argentina and would not cooperate with the United States.

With regard to the purchase of wheat by the Army from Argentina, Hull said that he was having Stimson check to be sure that the wheat would not be purchased, but Dunn said that the Army had been in touch with him only yesterday to see if it could get the wheat from Argentina. Secretary Morgenthau referred to the messages he had sent to the State Department confirming that there was a stockpile in the Middle East of approximately 70,000 tons of wheat and that the War Shipping Administration does not want to get wheat from Argentina because of shipping distances.

At this point Mr. Hull mentioned the fact that if we go too far with Argentina and the situation really blazes up, we may have to send a fleet down in the Argentine waters and keep it there. He mentioned that Argentina has two battleships, 5 cruisers, 12 or 15 destroyers, and 2 or 3 submarines.

The question was raised with regard to the two gold shipments in New Orleans, and it was decided, on Bonsal's suggestion, that any interference with such shipments would merely be a tip-off to the Argentine Government and accordingly we should let them go.

Berle suggested that if anything could be done to help Chile and Peru and to stiffen their attitude toward Argentina it would be helpful. Hull said that he had had the Paraguayan representatives in and congratulated them on the strong attitude Paraguay was taking, and White said it might be helpful to indicate to Paraguay that we were ready to discuss a stabilization agreement which Paraguay had indicated she would like. Bonsal then raised the question as to what Argentina could do to American interests in Argentina and mentioned that we had several thousand American citizens in Argentina with substantial investments there. The

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suggestion was made that if American banks in Argentina were closed by the Argentine Government, it might be necessary to help American interests to obtain funds, through the Export-Import Bank or some similar arrangement which the Treasury said it would explore.

Secretary Morgenthau mentioned that we recently told the British that we did not propose to share Italian and German assets here with Great Britain in settling claims, and he assumed the same would be true in the case of Argentina.

At this point the discussion switched to Cable No. 139 from London of January 7, and Collado and Bonsal left. Breckinridge Long, Robert Reams of the European Division, H. K. Travers of the Visa Division, Theodore Achilles of the European Division, and Riegleman joined the conversation. Hull said he did not understand the reference in the cable to the refugee problem as being "embarrassing". Long said that he had already replied to the cable and that he had also had a note from Sir Ronald Campbell concerning the matter, following the receipt of which he called Sir Ronald in for a discussion. He referred in passing to his memorandum concerning this discussion, which was finally produced. Mr. Long did not seem willing to let Secretary Morgenthau have a copy of the memorandum, saying there were no copies available and that the memorandum could be read in Mr. Hull's office, but a copy was finally produced at Secretary Morgenthau's insistence and is now in our files, as is a copy of Sir Ronald Campbell's note.

Secretary Morgenthau said that he had gone over the history of the work of this Government in rescuing the Jews, and that it was most shocking. Mr. Hull said "he had no doubt of that". Long said that he had not been able to make any progress so far in getting the British Government to open up Tripoli and adjoining areas to Jewish evacuees. The Treasury was told it might give State any further suggestions it had on these matters.



January 12, 1944.

MEMORANDUM FOR THE FILES:

Pursuant to the Secretary's suggestion I called Mr. Riegelman this morning and told him we would like to have the text of the memorandum on the conference between Breckinridge Long and Sir Ronald Campbell sent to Winant and Harrison. Riegelman said he would look after this and that Travers was already drafting a cable to Winant covering the conversation.

During my telephone conversation with Riegelman he said that he thought Breckinridge Long "had a bear by the tail" in trying to evacuate Jews to cities in Tripoli and in Cyrenaica. Riegelman said he had been in these areas and most of the cities and he did not think the suggestion was a practical one in that some of the cities haven't even got water supplies and the military would regard it as impossible to get supplies to such areas. On the other hand, Riegelman said he thought it was entirely feasible to erect camps in Egypt where the supply problem would be much easier. Riegelman said he had made the suggestion in State.

*JTB:lc*

January 12, 1944  
11:30 a.m.

LOANS TO CHINA

Present: Mr. Bell  
Mr. White  
Mr. Friedman  
Mrs. Klotz

H.M.JR: Now, please.

MR. WHITE: I gather that you have read both of these memos (indicating two memorandums to the Secretary dated January 11, 1944, copies attached.)

H.M.JR: Why do you gather that?

MR. WHITE: Because you sent them back to me and said you wanted to discuss them.

The problem that is immediately before us is the necessity to make a decision whether or not to tell the Army that they can go ahead with the State Department in their attempt to make an arrangement to get currency as lend-lease in reverse, or really, as a gift.

You will remember when General Somervell and Clay were here you asked them to wait until a reply had been received to the President's message.

H.M.JR: On lend-lease in reverse?

MR. WHITE: No, you asked them to wait until they attempted to consummate their arrangement.

H.M.JR: A paymaster's job.

MR. WHITE: No, they had discussions with General Chiang Kai-shek or K'ung when they were there in which they asked that for every twenty yuan they buy they get eighty for nothing.

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The State Department has, as a separate matter, had negotiations for lend-lease in reverse with China, which China is eager to sign for the various advantages China thinks she will get out of it. But the State Department and the Army feel that if the lend-lease agreement is signed as it is written now in general terms, that they will get very little out of the Chinese. They, therefore, want to include as an appendix with the lend-lease in reverse contract which the Chinese are eager to sign, this other arrangement which the Army wants to get China to agree on.

In other words, have China to agree to both, in which event, Somervell will get eighty yuan for every twenty he buys, so it will cost him actually one cent instead of five, as it does now.

H.M.JR: May I interrupt you? This lend-lease in reverse--in whose interest is it?

MR. WHITE: Well, I think it is more in China's interest than ours, because China will be able to say, "I am giving you this and that; we are contributing to the war; and you have got to help us out the best way you can."

H.M.JR: Briefly, what do they do?

MR. WHITE: They may give them some services; they may give them some supplies; and they may let them use some of the railroads without charging them. As a matter of fact, they are doing that now, already, outside of any lend-lease in reverse agreement. But they want to be able to say that they have signed this agreement and get somewhat the same kudos out of it that apparently the British have gotten out of their lend-lease in reverse agreement, although the State Department and the Army feel that actually China will give them very little more than they are giving them now.

MR. BELL: Wouldn't they give them some yuan?

MR. WHITE: Not unless they sign the additional agreement. Furthermore, the Army doesn't want to depend

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upon the Chinese to get the funds for payment of the airport; because they say they have got to do it quickly, and the Chinese place all kinds of obstacles in the way of doing it.

H.M.JR: How long has this lend-lease in reverse been hanging fire?

MR. WHITE: A year and a half.

H.M.JR: Who is holding it up now?

MR. WHITE: They are holding it up now for the reason that it has been decided--or at least it is a tentative decision--that there is no use in getting the lend-lease in reverse agreement signed alone. There is value to this Government in getting it only if it can be accompanied with an agreement on what Somervell wants.

H.M.JR: Well, what is the matter with that?

MR. WHITE: That is all right, but Somervell promised you that he would not move in response to your request, until you had heard from the Generalissimo.

H.M.JR: All right, I will free him now.

MR. WHITE: Good.

H.M.JR: One of Mr. Hull's secretaries said they just got a cable back from Gauss saying that Chiang Kai-shek was going to take time to consider the President's cable which he sent in regard to the lease-lending of money. So I free him of that, because I wasn't familiar with this other thing.

But the only condition I want to make in freeing him is, I say that there should be a Treasury man in China who will be a center around which all foreign exchange transactions will emanate, whether it is State Department, the Army, or anybody else. See?

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MR. WHITE: That takes in a lot of territory besides the Army.

H.M.JR: I think we should have one deal; if Somervell can get the yuan at one cent, why shouldn't everybody get it?

MR. WHITE: That is what we tried to do, and we were turned down.

H.M.JR: By whom?

MR. WHITE: By K'ung. And the next step--

MR. BELL: Now, everybody is getting it but the Treasury.

MR. WHITE: Which is the next question.

H.M.JR: I think that we should send somebody out there, whether what's-his-name wants it or not. I think we should send somebody like Taylor and have an agreement. This is where I can assert myself. Say, "Mr. Taylor is there as the United States Treasury representative, and all foreign exchange transactions should go through him." Period!

MR. WHITE: This, which Somervell is going to get, they would not regard as a foreign exchange transaction. They would regard it as a gift. They are getting eighty for nothing.

H.M.JR: Call it anything you want.

MR. WHITE: There are two things that I might suggest. One is, might you not want to call up Somervell yourself and tell him it is off? I think it would be a nice thing to do unless you don't want to, because he promised you personally that he would wait.

H.M.JR: Why don't I do that and simply tell him that Mr. Bell and Mr. White would like to talk with Clay about this matter, if that is agreeable to you?

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MR. WHITE: Yes. I am sure there isn't much Clay will say, because they are taking the position that they don't want to have anything to do with any other arrangement. All they want is eighty yuan for nothing.

Moreover, they haven't got this yet. It is not sure they are going to get it.

H.M.JR: If I call up Somervell and say, "Look, Somervell, I am going to tell you to go ahead on one condition, that all foreign exchange transactions in Stilwell's area have to clear through a Treasury man that we will send out."

MR. BELL: I don't see a lot of advantage in that. They are getting all this stuff through shipment of currency. It isn't an exchange matter.

MR. WHITE: That is right. They get paid in dollars, and they get it in the black market. It might be better to say, I think, what you first said, to have Clay come down and talk it over with Dan and me. Then we can work something out. In the first place, there is no assurance that they will get what they are asking for.

In the second place, it still leaves us with a major problem.

H.M.JR: Don't let me get into too many details. Let me call Somervell and release it, and if you are willing, tell him Bell and White will handle it and send Clay over here.

MR. WHITE: Not that we will handle it, but we will talk about it. You are raising a major issue with them.

H.M.JR: I really don't care. If you fellows are satisfied, I am satisfied.

MR. WHITE: Raise the block.

H.M.JR: Let me raise the block, and I will leave it with you fellows, and you keep me advised as you go along.



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MR. WHITE: I would be inclined to raise the block and let them do what they can.

MR. BELL: That is what they are doing. We thought we had everybody strangled for the past year. Then they have just gradually gone ahead on their own.

MR. WHITE: I mean, with respect to their eighty-for-nothing.

MR. BELL: Hasn't the black market materially improved since they have been buying with U. S. currency? It went from one hundred twenty down to eighty, didn't it?

MR. WHITE: I think it is closer to a hundred. It has improved and will continue as they spend more.

H.M.JR: I think you are wrong. I am just going to say this thing: I think for the Treasury prestige there should be one man in General Stilwell's area that handles all foreign exchange transactions.

MR. BELL: Haven't we a man there?

MR. WHITE: Yes, I think that is true. But that is a little separate from this other arrangement they are trying to make.

H.M.JR: All right. I will not argue.

MR. WHITE: Then if you will tell them to have Clay look up Dan, we can decide how best to straighten it out.

H.M.JR: I am not going to argue.

MR. BELL: I would like to get the Treasury man over there. We made a mistake on December 31, and disbursed at this new rate.

Now, you have got to change him and make him go back to the official rate on January 15. I think the employees are going to raise the deuce.

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MR. WHITE: From now on, we now have this other problem, which is slightly different, and equally serious.

H.M.JR: All I am doing is, I am raising this block and throwing it in to you fellows' laps. You can keep me posted.

MR. WHITE: One other problem, however, that relates to the President--that is why we have to raise it. In your recommendation, which the President forwarded, he said you were going to do two things: Sell currency, and sell gold.

Now, we are in the position where we have practically got to sell currency, as Dan will tell you. We cannot wait for an answer from him. We can on the gold, but we have got to permit the American Treasury disbursing officer to pay in dollars, because the Army is doing it, State Department is doing it, and we have either got to stop them or go along.

MR. BELL: We are the only one that is pure in this whole--

H.M.JR: I would go one step further, I would begin shipping a little of these jewelers' bars out.

MR. WHITE: Without waiting to hear from Chiang Kai-shek? Then we have to have somebody out from the Treasury end.

H.M.JR: I would start sending these five-ounce bars out.

MR. WHITE: We have to send somebody along, then. We would send Bill Taylor out.

H.M.JR: I wouldn't wait. I would do both. I would send currency and jewelers' bars.

MR. BELL: We have the currency at the end of December from the Army to meet an obligation that the OSS is raising out there. Our disbursing officer misunderstood the

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purpose for which that currency was given him, not only misunderstood it, but he got there a good deal ahead of Donovan's man. So he went ahead and disbursed it for Treasury purposes at the black market rate.

Now he is down to fifteen thousand dollars, and we have to acquire more currency for Donovan.

I would like to raise another question while we are all here. We have run out of gold in New York for export purposes, and we have been trying to save shipping gold from Fort Knox by getting some of the foreign governments to agree to take earmarked gold in Denver. And we have to get Mexico and Brazil to agree to it. That has released about two hundred million dollars. Brazil hasn't yet gone through. Mexico has gone through, and we have sold all of that gold except about five million.

The question has come up about the State tax in Colorado as to whether that applies to gold not owned by the Treasury, and it is causing quite a little discussion. There is some doubt as to where we will come out.

I first told the mint to go ahead and make up an estimate to send to Congress to ship gold from Fort Knox to New York, a billion dollars' worth. It will probably be April or May before we get that, and I think we ought to go ahead and pay for it out of the stabilization fund, because the stabilization fund gets the profit anyhow. I think we ought to have gold there. I don't think we should raise any doubts in the minds of these foreign governments.

Since we made this decision to earmark gold in Denver, Harry will tell you that Great Britain has made a decision to draw out about two hundred and fifty or three hundred million dollars in gold, ostensibly to pay a gold obligation in Portugal. But I have a suspicion that it has something to do with this earmarking away from New York.

H.M.JR: We haven't heard from the State Department on the Portugal thing.

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MR. WHITE: We just got a letter, which was as much help.

H.M.JR: Leahy--I sent that to you.

MR. WHITE: They might not draw the whole amount.

MR. BELL: But it started--

MR. WHITE: It might be only a hundred million dollars.

MR. BELL: I would like to have authority to send a couple of hundred thousands--to send that money to New York. It will take a long time because of the transportation.

H.M.JR: Out of my fund? Will you reimburse me?

MR. BELL: You get all of the profit, and I get none. Then you want me to pay the expenses.

H.M.JR: Will you send in a deficiency bill to move that?

MR. BELL: We would normally, but it would take a long time to get a deficiency appropriation. As long as all of the profit goes to the fund, it is a proper charge.

MR. WHITE: I think you could defend it on the ground that it is desirable to show the other foreign governments that there isn't the slightest hesitation to have gold wherever they want it.

H.M.JR: Are you going to put in a deficiency bill to reimburse my stabilization fund?

MR. BELL: No, no use raising that question.

MR. WHITE: I passed the buck to Dan.

H.M.JR: When you talk about two hundred thousand dollars I can understand what you are talking about.

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MR. BELL: If I say a couple million or two hundred million, you would say, "Go ahead." That is just the way Congress reacts.

H.M.JR: But now you are beginning to get down to a level where I can understand what you are talking about.

(The Secretary held a telephone conversation with General Clay, as follows:)

January 12, 1944  
11:50 a.m.

HMJr: Hello.  
Operator: They expect General Somervell in a few minutes.  
HMJr: Oh, well, see if General Clay....  
Operator: General Clay. Right.

11:55 a.m.

HMJr: Hello.  
General Clay: Good morning, Mr. Secretary.  
HMJr: How are you?  
C: Fine, thank you, sir.  
HMJr: General, I asked for General Somervell and they said he is out. Now, would you give him this message for me?  
C: Yes, sir.  
HMJr: Remember when General Somervell and you were over here, I asked you gentlemen to wait until we got an answer -- the President got an answer.  
C: Yes, sir.  
HMJr: Well, I'm afraid it's going to be too long, and therefore I'm going to take back my request and you people can go ahead. Hello?  
C: All right, sir.  
HMJr: You get the significance of what I'm saying?  
C: I do, very much so, yes, sir.  
HMJr: Now, I thought if it is agreeable to General Somervell, you might have a talk with Bell and White. There are several things about this they'd like to talk to you about.  
C: I'll make a -- I'll get in touch with him and find out when he's free and then arrange to get them all together.

HMJr: But the point -- General Somervell doesn't have to get in on it.

C: I see.

HMJr: I mean, I'm sure you can handle it for him.

C: Fine. I'll get over to see -- I'll call Mr. Bell and make an appointment and ask him to get Mr. White, and come over to see him.

HMJr: Yeah, but the point is that I'm -- I don't want to hold you up any longer.

C: We appreciate it very much, sir. And we -- we'll see what we can do. I don't know whether we're going to get anywhere or not but it won't hurt us to try.

HMJr: That's right.

C: Thank you very much.

HMJr: Thank you.

C: Yes, sir.

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H.M.JR: Now shall I call up the President and ask if that is all right?

MR. BELL: No, it is too late for that.

H.M.JR: I don't know what you are, you come in here and try to nick me for a couple of hundred thousand dollars.

MR. BELL: That is just pocket change.

H.M.JR: Why don't you call up the Governor of Colorado and tell him not to do this?

MR. BELL: No, I don't think we ought to get into that. I think everybody likes to have their gold earmarked in New York in the Federal Reserve Bank. It has been a long-standing custom, and I don't think we should have any question about this gold. I am reversing myself. About as much as we can get on a train at one time will be one car, Walker tells us. And it would take about thirty cars to move a billion dollars' worth of gold. So that means thirty trains.

H.M.JR: Harry White has an opinion on everything but this.

MR. WHITE: This is Dan's side.

MR. BELL: This is where I got Harry unguarded.  
(Laughter)

MR. WHITE: I also think that it is time we moved substantial amounts from Fort Knox up to New York.

H.M.JR: But you don't answer me.

MR. WHITE: Dan knows much more about these deficiency bills than I do. If it is all right with Dan, it is all right with me. Shouldn't we move more gold?

MR. BELL: That is what I am talking about. I am talking about Fort Knox to New York.



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H.M.JR: Where have you (White) been? Come back from Moscow and join us.

MR. WHITE: I thought you were still on the Denver tax thing.

H.M.JR: Do you want to do it all over again?

MR. BELL: He agrees with me.

MR. WHITE: I think that you could very easily justify it.

H.M.JR: Where are you, Friedman, on this?

MR. FRIEDMAN: That is not my department. (Laughter)

MR. WHITE: It isn't far east enough.

H.M.JR: I will assert myself as Secretary of the Treasury for once and say yes.

MR. BELL: Thank you, that is all we want to know.

January 11, 1944

Secretary Morgenthau

Mr. White

Subject: Expenditures by U. S. Government agencies in China.

1. The U. S. Army in China is meeting its expenditures for procurement purposes by obtaining yuan at the official rate of exchange of 20 to 1. These expenditures probably account for more than 80 percent of total U. S. governmental expenditures in China which are now in the magnitude of about \$25 million a month.
2. The Army has been paying its personnel in China for more than a year and a half with U. S. currency which is then exchange by the soldiers in the black market for yuan at rates between 70 to 100 yuan to the dollar.
3. The State Department, since November, 1943, has used U. S. currency to pay Embassy personnel and probably to meet operating expenses. This U. S. currency is, of course, sold on the black market.
4. The Navy Department is meeting its expenditures in China by obtaining local currency at the official rate of exchange but the Naval Attache in Chungking, China, has already requested permission to sell U. S. currency on the black market to obtain Chinese currency for general operating expenses.
5. The U. S. Treasury's disbursing officer in China began, on December 31, 1943, to use U. S. currency to meet payroll. This Treasury officer is disbursing for other agencies such as Foreign Economic Administration, as well as for the Treasury. He has raised the question as to whether he should continue to use U. S. currency and has reported that Foreign Economic Administration now wishes to have all their accounts paid at the black market rate.

HDW/ISF/efs 1/11/44

January 11, 1944

Secretary Morgenthau

Mr. White

Subject: China

1. At meeting, which I attended on your instructions, held in Mr. Hornbeck's office on January 6, 1944, attended by high officials of State, Army and Foreign Economic Administration, the State Department raised the question of accepting immediately the Chinese offer to sign reverse Lend-Lease agreement. It was the feeling of the State Department that, if possible, the supplementary financial agreement initiated by General Somervell which provides for the United States Government obtaining local currency to meet expenditures in China should be signed simultaneously with the general reverse Lend-Lease agreement, but, that if the Chinese were unwilling, the reverse Lend-Lease agreement alone should be signed.
2. General Clay informed those present that the Army, in the person of General Somervell, had promised you that the Army would not do anything with regard to any problem on expenditures in China until they had heard from the Treasury. I indicated that the message to President Chiang Kai-shek, which had been the basis for your request that nothing be done until President Chiang Kai-shek had an opportunity to reply, had been delayed. Both the Army and the State Department indicated keen desire for a decision on this matter in the immediate future.
3. There is also a cable to us received from the Treasury disbursing officer in China relating to the purchase by the various United States agencies in China, including the U.S. Treasury, in the black market of yuan needed for United States Government expenditures. The question raised is whether or not the Treasury should instruct its disbursing officer to discontinue dealing in the black market and return to the use of local currency obtained at the official rate.
4. The Chinese Government has refused the Treasury's request for a special rate of 100 to 1 instead of the present official rate of 20 to 1. In the absence of the President's

- 2 -

communication to the Generalissimo, we would have authorized expenditures in U. S. dollars and had already informed the Chinese Government of this.

5. We feel that a decision both with regard to the reverse lend-lease matter and the use of U. S. currency to meet expenditures in China ought to be made by you very soon. It is the Treasury that is now holding up further action on both of these matters. How long should we wait to hear that the Generalissimo has replied to the president before we make a decision on what to tell the Army and the State Department?

HDW/ISV/efs 1/11/44

DEPARTMENT OF STATE  
WASHINGTON

JANUARY 12, 1944

My dear Mr. Secretary:

I have received your letter of January 1, 1944, in regard to a proposal of the British Treasury to offer Portugal the right to convert into gold some of Portugal's fifty-four million pounds of sterling balances. You state that the liabilities in question are a part of Britain's gold liabilities, and that the proposed payment will not alter the status of discussions going forward between the Treasury, the Foreign Economic Administration and this Department, concerning the scope of lend-lease aid to Britain.

This Department perceives no political reasons for opposing the contemplated gold transfer to Portugal.

Sincerely yours,



The Honorable

Henry Morgenthau, Jr.,

Secretary of the Treasury.

January 12, 1944  
11:34 a.m.

HMJr: Hello.

Max  
Lerner: Hello, Mr. Secretary.

HMJr: How are you?

L: All right.

HMJr: Mr. Lerner, I don't know whether any of my people have approached you yet on what I hope you'll do for us?

L: No.

HMJr: Well, let me just take a minute and tell you. On the night of the 17th, the Treasury is opening its Fourth War Loan and we have an hour on all four of the Radio Chains. Hello?

L: Yeah.

HMJr: And they have prepared a radio script in which I take quite an important part and the conversation is supposedly between a soldier in the trench and myself.

L: Yeah.

HMJr: Now, the one thing that they've completely missed in this program is "What are we fighting for?"

L: Yeah.

HMJr: And this boy's name is Sergeant Dudley....

L: Yeah.

HMJr: ....that we've borrowed from the Air Corps.

L: Uh huh.

HMJr: And he is in New York supposedly to get in touch with you today to read the script to you.

L: Uh huh.

HMJr: Now, what I was hoping was that you would write for me a speech, "What we are fighting for.". You see?

L: Uh huh.

HMJr: And to be a little bit off-the-record I was, frankly, disappointed that the President didn't touch on that in his message to Congress.

L: Uh huh.

HMJr: And, as I told Dudley, if we ask you to do it, I don't care how far overboard you go because there'll be plenty of people here in Washington that will water it down anyway.

L: Yeah, I see.

HMJr: But, it seems to me that it's a wonderful opportunity. We've got four Radio Chains, Coast to Coast, and -- to pitch this thing on that plane and remind the people once more what we are fighting for.

L: When would it have to be done?

HMJr: I go on the air Monday night.

L: I see.

HMJr: And....

L: He's going to be around here for a little while?

HMJr: He's supposed to have been there today.

L: Yes. He hasn't gotten in touch with me yet.

HMJr: Yes.

L: Well, I'll be glad to do what I can.

HMJr: Yes.

L: How long a section of the speech would that be?

HMJr: Well, he'll have to tell you. He has all the mechanics.

L: Fine.

HMJr: And I think the best thing would be, if you could arrange to let him read you the script.

L: Yeah.

HMJr: He's a very able boy, but he's just missed -- there's no soul in the whole program.

L: Yeah. Yeah.

HMJr: And that's what I'd like you....

L: Yeah.

HMJr: ....to supply.

L: All right, I'll supply the soul.

HMJr: Thank you. And, as I say, I imagine he will get in touch with you momentarily.

L: I'll do anything I can.

HMJr: Thank you so much.

L: Right.

HMJr: Bye.

L: Good bye.



January 12, 1944  
12:05 p.m.

LIQUOR CONTROL

Present: Mr. Smith  
Mr. Graves  
Mr. Kennedy

H.M.JR: I put in a stop order last night to the Commissioner. No more labels until I have a chance to look at that thing.

MR. GRAVES: Yes, sir.

H.M.JR: Now, what I thought was this, Harold: I think we ought to make up our minds what a blended whisky is, see? Is a blended whisky a blend of whisky or a blend of whisky and something else, see? That is number one.

My own inclination - I think we should discontinue the words "Imitation Whisky."

To my mind - I may be wrong, you can find out - a blended whisky is a blend of whisky. But that isn't what it seems to be.

MR. GRAVES: No, the name is wider than that now. It will include a blend of whisky and neutral spirits.

H.M.JR: A year ago, or two years ago, I wondered whether a blend of whisky wasn't a blend of whiskies.

MR. GRAVES: The present situation grows out of regulations issued by the Federal Alcohol Administration, which you approved in January, 1936. What we are doing now conforms with those regulations, which I brought along.

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H.M.JR: Could you tell me what they were?

MR. GRAVES: Yes, sir.

H.M.JR: Your name is Kennedy?

MR. KENNEDY: Kennedy, with Stewart Berkshire.

H.M.JR: I knew your face. I just couldn't place your name.

MR. GRAVES: Our definition of blended whisky reads this way: Blended whisky is a mixture which contains at least twenty percent by volume of one hundred proof straight whisky and separately or in combination whisky or neutral spirits, if such mixture at the time of bottling is not less than eighty proof. So our regulations, or the regulations of the FAA which the Treasury approved, makes that definition of blended whisky.

And what now is going on, has gone on since the approval of these regulations, which was in January, 1936. That is in the days of Mr. White, you remember, and Mr. Choate.

H.M.JR: Well, I just wonder if, in view of the abuse, whether that definition shouldn't be revised.

MR. KENNEDY: That includes, Mr. Secretary, a lot of prominent blends, today, that definition - Black Seagram, Seven Crown, Five Crown, some Schenley blends--

H.M.JR: Twenty percent straight whisky plus--

MR. GRAVES: Eighty percent either of some other whisky or neutral spirits.

MR. KENNEDY: Some of those blends may be, say, thirty, seventy - thirty percent whisky and seventy percent neutral spirits.

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H.M. JR: What are neutral spirits?

MR. KENNEDY: Alcohol.

H.M. JR: But they can't get alcohol.

MR. GRAVES: Some distillers have a supply of beverage alcohol that they are now using.

H.M. JR: Supposing it isn't alcohol? I notice one place it said fruit spirits - in the room, there. Supposing it isn't alcohol? And another one was rum.

MR. GRAVES: As I understand, if there is any substitution, we won't permit the product to be called whisky. The word "imitation" would have to be supplied, or in some cases I suppose you don't even permit the use of the word "whisky" at all. You call it distilled spirits.

MR. KENNEDY: Those samples in there, that is not the general rule. Those were lots that we picked up in bottling plants that were already in process. We found that they were not putting out blended whisky because the spirits they were using in the blend were not neutral. In other words, they were not using alcohol, so they had had the stuff already bottled up or in process in tanks that had been blended.

Then we came along and said, "All right, to get rid of that you label it thirty percent whisky and seventy percent rum," or seventy percent fruit spirits, whichever the case may be.

H.M. JR: What are fruit spirits?

MR. KENNEDY: They had used brandy, Mr. Secretary, in there, in lieu of alcohol, see? And they had not redistilled their alcohol or their fruit spirits to make them neutral.

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H.M.JR: Would you go along with me to stop using the words "imitation whisky"?

MR. GRAVES: We sure can stop it.

MR. KENNEDY: Yes.

MR. GRAVES: We can quit approving any further labels, as I understand you want it.

H.M.JR: Don't go so fast. You know this lesson and I haven't looked at it since 1936, if I looked at it then. That is nine years.

Could we agree this morning that if they don't live up to the 1936 regulation - if it is a seventy thirty, it is a blended whisky - that is whisky and alcohol; but if it is whisky and something else, we will discontinue the word "imitation"?

MR. GRAVES: Yes, we can do that.

H.M.JR: What will you use in place of that, where there is part whisky and part something else?

MR. GRAVES: Have to call it distilled spirits under some designation. You can't call it whisky or rum or brandy. But we can make them label it just "distilled spirits."

H.M.JR: Can you put on that label what it is? I saw a label in there, seventy-five percent rum and twenty-five percent whisky.

MR. GRAVES: They are required to do that now.

H.M.JR: But in good size?

MR. GRAVES: Yes.

MR. KENNEDY: That is right.

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H.M.JR: The way it was in there?

MR. GRAVES: Yes, that we can do.

H.M.JR: For the time being, that would satisfy me, because up to now you have permitted the word "imitation" whisky.

MR. KENNEDY: That is right. Those cases are rare, though.

H.M.JR: Yes, but I think you will find it will grow if you don't do something about it.

MR. KENNEDY: That is right.

MR. GRAVES: We can stop that. You (to Kennedy) might be left with some product for which labels have already been approved, but that probably is trivial and unimportant.

MR. KENNEDY: But we can work it out very shortly.

H.M.JR: Are many labels pending?

MR. KENNEDY: Right now they are coming in at the rate of about seventy-five to a hundred a day - applications for label approval. Back a year or so ago we were getting them at the rate of, say, two hundred a day, and two hundred and fifty was the highest per day.

H.M.JR: But now how about those people? I mean, can you put them on notice as of such-and-such a date they will have to discontinue using those labels of imitation whisky?

MR. KENNEDY: We will just have to work it out in some way. The difficulty is, when they have a label in their possession, it is pretty hard to get it away from them.

MR. GRAVES: We could stop that. We might have to be a bit arbitrary.

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H.M.JR: Why not, if you said to them, "As of February 1, nothing can be bottled with a label using the words "imitation whisky"?"

MR. GRAVES: There is a question that would be raised there, one which probably is not tremendously important, but that would amount to an amendment to these regulations.

MR. KENNEDY: And a public hearing.

MR. GRAVES: We are not supposed to amend any of the definitions of these various types of spirits, except after public hearing - notice and hearing.

H.M.JR: Now look, gentlemen, let me give you the way I would like to see you do it, and you find the way to do it. I want, within a reasonable time - a couple of weeks for people to be put on notice that they can't use the words "imitation whisky" any more.

MR. GRAVES: I think we can do that.

H.M.JR: If they have to destroy a few thousand labels, they are making enough money, anyway - they can charge it up to the Secretary of the Treasury. Let's stop it some way or other.

MR. GRAVES: Yes, that is a matter of instructing our supervisors to instruct their gaugers.

H.M.JR: Now, the other thing that I was impressed with in there, when we do this exhibit I would very much like to show what these samples sell at retail, see?

MR. SMITH: We are getting that information.

H.M.JR: Now, they impressed me yesterday that this was isolated. The time to stop a thing like this is when it is young. I mean this counterfeiting of

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labels, and all the rest of the stuff. I was quite impressed to find it existed. I wrote a memorandum, I don't know whether it has had time to get out - I would like very much to start an enforcement group in Miami.

MR. KENNEDY: We have that, sir.

H.M.JR: Because Miami, Palm Beach, the winter resorts down there - Key West - how many enforcement people to you have down there?

MR. KENNEDY: We handle that out of our Atlanta office. We have about a hundred and twenty-five or thirty men there through Georgia and Florida.

H.M.JR: Well, you cleaned up Georgia?

MR. KENNEDY: Well, we are working right along. Probably if we have about three or four weeks there we will make quite a showing.

H.M.JR: How long before you could be down in Miami in a big way?

MR. KENNEDY: Tomorrow.

MR. GRAVES: Mr. Berkshire is going to Miami from Atlanta today, as a result of your suggestions.

H.M.JR: Oh, he is? All right. I am sure you will find things rampant there, when you read the number of people betting, and all the rest of the stuff. He is going down?

MR. GRAVES: Yes, Mr. Hannegan phoned him about half an hour ago to get on his horse and go down to Florida.

H.M.JR: When did that memorandum come through?

MR. GRAVES: I haven't seen the memorandum. Mr. Hannegan told me about it.

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H.M.JR: Now, have you people got any suggestions about what we can do to bring it to the public attention - I mean, what they are getting in the way of liquor? That is what I want. I want to bring it to their attention.

MR. GRAVES: You mean poor quality?

H.M.JR: Yes, and so forth.

MR. GRAVES: I think we could furnish a lot of material that would show what is being marketed.

MR. KENNEDY: Through publicity?

H.M.JR: Yes, when this exhibit is ready I am going to invite the Senator from Indiana, whatever his name is--

MR. KENNEDY: Van Nuys.

H.M.JR: If they like it I am going to take the exhibit and put it up in the halls of Congress - literally, I am. I want to show what the Treasury is doing, that we are on the job. And then if they say, "What can you do about it?" - then I want to have some suggestions.

If the best suggestion is to draw down liquor over four years - I don't know. I would like to have some suggestions from you people about what could be done to counteract this. I think before the public sees this, we ought to invite Chester Bowles over to look at it, and make sure he doesn't feel we are doing something to undermine him. Do you see?

MR. SMITH: Yes.

H.M.JR: I would like him to have a look at it before we break the publicity.



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Harold, if you remember when we were fighting, some of the best tips we used to get were from the legitimate industry as to where to go and where to look. And after all, it is all to their interest. So I want them to see it, too. It is all to their interest to cooperate with us. They would have some good suggestions. I would like the distilling industry to see it, too.

In other words, I don't want Day or Van Nuys or Chester Bowles to say, "Now, if you had only asked my advice you could have done it just as well if you had done it a little bit differently." Do you see? O.K.

If you make any good hauls - haven't you made any? You will make some in the South, I am sure you will. I mean, I am sure when you hit Miami you will hit pay dirt.

MR. KENNEDY: I hope so.

H.M.JR: It is the prices. I mean, somebody at the house said last night, "What is all this? I go into a store in Virginia" - Old Rocking Chair, I think was the name - and she said, "I buy a bottle" - I think they are allowed to buy one quart a month--

MR. KENNEDY: Yes.

H.M.JR: "I buy one quart a month. Do you know what I am getting? My husband tells me every month I should buy a quart."

Well, if she wants to buy a quart and she knows that twenty percent of it is whisky, all right; that is her business.

MR. GRAVES: It always shows on the back label what this product is.

H.M.JR: Yes, but I want it on the front label. I want it in the body of the label, itself.

- 10 -

MR. GRAVES: You mean the percentage distribution between neutral spirits and whisky?

H.M.JR: Yes, labels about that size (gestures). Oh, very definitely. They have one in there now (points to outer office). If the label is twice as big as this (indicates three by five card) - there is one in there now the way I would like to have it.

MR. KENNEDY: We will stop and take a look at it.

John Sullivan  
Robert Hannegan  
The Secretary.

January 12, 1944

I would like to have another Progress Report as to how we are getting along with enforcement in the State of Georgia. Also, I would like to start a special alcohol tax endorsement drive in Florida, starting in Miami and I want to do Key West and Palm Beach. I'd like to start this just as soon as possible. Please let me know how soon you can start the Miami Special Drive. *Done -*

January 12, 1944<sup>135</sup> ✓  
12:25 p.m.

HMJr: Hello.

Randolph  
Paul: Hello.

HMJr: Go ahead, please.

P: There's \$100,000 moving from the Central Bank of  
Bolivia to the Central Bank of Argentine. It's  
my feeling and everybody's feeling that we should  
do nothing about it.

HMJr: I agree.

P: Particularly in view of this morning's conference.

HMJr: I agree.

P: Okay.

HMJr: Thank you.

January 12, 1944  
4:35 p.m.

HMJr: Hello, Harry.

Harry  
White: I've just read that note from Cordell Hull on the Portuguese gold.

HMJr: Yeah. Well, you could -- who do we notify now?

W: Well, notify the British that we have no objections.

HMJr: I think you ought to do it in writing, Harry.

W: I see.

HMJr: Prepare a little letter and I'll sign it tomorrow.

W: Well, if it's a letter from you it would have to be to the Exchequer. Uh -- do you want to make it that important?

HMJr: Well....

W: They only asked for our comment. They didn't even ask for our approval.

HMJr: Well, then you -- who would you write to?

W: I would -- wouldn't -- well, ordinarily I would have notified their representative here who is Crow, who has been left here, who would cable. Or we could cable to Cassidy. I think the -- the -- either course would be better than a....

HMJr: I agree. I agree, but I want it in writing.

W: Oh. Well, I'll confirm it with a -- through a letter to Crow from me.

HMJr: Okay.

W: And I don't -- there's no other action possible on the basis of these two letters that we've got from those two, although Neff, from the Army Department, told me that he thought they would welcome this opportunity to try to get some bases down there in Portugal.

HMJr: Well....

- 2 -

W:           However, there's nothing left for us to do.  
I'll take care of it.

HMJr:       Hello.

W:           Yes, sir.

HMJr:       The only thing is, I might take a minute to call  
up McCloy because McCloy has personally told me  
he wanted to use this opportunity to get a base.  
Supposing....

W:           Yeah, why don't you do that, because I don't  
know to what extent he represents the views of  
the Army on this.

HMJr:       I'll call up McCloy right now.

W:           And then I'll wait 'till you let me know.

HMJr:       Aren't you feeling well?

W:           Yeah. All right.

HMJr:       Because you didn't inch in on me and bring up  
some other matter.

W:           (Laughs) Oh, boy, there's enough.

HMJr:       All right.

W:           No, I remember a lesson for about a month  
anyway.

HMJr:       Well, that's about twenty-nine days longer than  
I remember them.

W:           Okay, sir.

HMJr:       All right.

January 12, 1944  
4:38 p.m.

HMJr: Hello.

Operator: Mr. McCloy is not there. She thinks he's at the State Department. Miss Zinser is on the line.

HMJr: Oh, gee. Well, give me Miss Zinser.

Operator: All right. Go ahead.

HMJr: Hello.

Miss Zinser: Hello, Mr. Morgenthau.

HMJr: When am I going to meet you? I met your sister or is it your cousin?

Z: My sister. Is it a beautiful Ensign?

HMJr: Yes. Well....

Z: Yes. She knows Mimi so well.

HMJr: Yes.

Z: That's why. You've got a lovely daughter-in-law.

HMJr: I think so.

Z: Oh, she's a grand girl.

HMJr: Yes. Look, this is kind of -- I need a little quick action. Mr. McCloy spoke to me a few days ago that he'd seen my memorandum about the English were going to pay a large sum over to Portugal.

Z: Yes.

HMJr: And he hoped to do something about it to help get a base on the Azores.

Z: Yes.

HMJr: Well, now, I've had a letter from Leahy, Combined Chiefs of Staff, to go ahead; a letter from Mr. Hull, and I don't know whether the Combined Chiefs of Staff and the Assistant Secretary of War talked to each other.

- 2 -

Z: Yeah.

HMJr: But I was about to tell the English to go ahead.

Z: Yes.

HMJr: Now, if Mr. McCloy has got any interest in this he's got to move awful fast.

Z: Yes. I know he's been fooling around with it so do let me -- I'll get him, as soon as he comes back and pass this on to him and he can call you.

HMJr: Tell him to stop fooling.

Z: Oh. (Laughs) I will as soon as he comes back. He's lost over in town somewhere.

HMJr: All right.

Z: All right, sir.

HMJr: You can't get him out of a meeting, can you? If you....

Z: He's with Secretary Hull, supposedly, or on his way home.

HMJr: Oh.

Z: So....

HMJr: If I'm not here, because I've got to go to the dentist at five -- Mr. Harry White knows all about this.

Z: All right. Fine. Well, he can call him then, or you if it's earlier.

HMJr: Right.

Z: Thank you, Mr. Morgenthau.

HMJr: Bye.

Z: Bye.



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January 12, 1944  
4:45 p.m.

HMJr: Hello.

Jack  
McCloy: Hello.

HMJr: Those Zinser girls are something.

M: (Laughs) Yes.

HMJr: They can deliver.

M: That's right. She made me call you before  
I could even go to the bath room.

HMJr: Oh, for... (Laughs) That's the first good belly  
laugh I've had in a month.

M: I sent that thing down to the Joint Chiefs of  
Staff. I got this report last night. I should  
have called you up this morning on it. That --  
and I stated that I thought this was a good chance  
to exert the leverage we wanted to loosen up that  
Azores business.

HMJr: Yeah.

M: The Joint Chiefs of Staff considered it in the  
light of some information which I didn't have....

HMJr: Yeah.

M: ....until last night; namely, that we are in there  
lock, stock and barrel.

HMJr: Oh.

M: And they said the word has gone out from -- to the --  
entre nous -- that we are to come in and take what  
we want and don't talk any more about it.

HMJr: I get you.

M: And so they thought that they'd better just let the  
thing ride.

HMJr: Well, to show you what kind of a pal I am, I had  
a memo from the Joint Chiefs of Staff to go ahead.

M: Yes.

- 2 -

HMJr: But I didn't want to do it without giving you a chance.

M: Well, that's fine. They -- they took -- they considered the point that I raised but the boys sent back word to me that this is what the situation is and our troops have landed there.

HMJr: Oh, really?

M: Yeah. And the story that we get is that if we come and don't talk so much about it, why, we'll be all right. Now, and then they -- in the light of that, the Joint Chiefs of Staff and Congress assembled decided that they didn't want that pressure.

HMJr: Right.

M: Okay.

HMJr: Hello?

M: Yes.

HMJr: Please go to the bath room.

M: All right. Thanks very much.

HMJr: Bye.

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Jan. 12, 1944

TO Secretary Morgenthau  
FROM Mr. Haas  
Subject Current Developments in the High-grade Security Markets

I. Government Securities in Upward Movement

The market for Government securities registered improvement during the last calendar week. Gains were most marked among the longer-term partially tax-exempt issues, which scored advances of as much as 9/32. Prices of the taxable securities advanced as much as 5/32 in the case of the medium-term bonds. The four longest-term taxable bonds did not participate in the rise, but their prices were firm. Declines, which in no case exceeded 1/32, were confined to a few of the earlier tax-exempt maturities.

Transactions in Government securities by the Federal Reserve System during the week were confined almost entirely to bills.

Last week's improvement may mark a reversal of the movement which occurred in the Government security market during the last two months of 1943, during which long-term taxable bonds experienced a decline of 6/32 on the average, and intermediate taxables declined 5/32 on the average. The intermediate taxable bonds have now more than recovered their losses; but long-term taxable bonds and both groups of partially tax-exempt bonds are still below their levels at the end of October.

During the past few days, the February 1 certificates have been quoted in the market on a negative yield basis, indicating that investors generally anticipate an exchange offering to be made to holders of this issue.

II. Other High-grade Bonds Have Also Shown Strength Recently

High-grade municipal bonds, which reached an all-time high price in the latter part of October, only to drop sharply during November, have been rising fairly steadily for the past five weeks; but still have more than half of their November

Secretary Morgenthau - 2

loss to make up. High-grade corporates declined in price during most of both November and December, but have moved upward moderately since the first of the year.

### III. Excess Reserves Near Six-Year Low

On January 5, the latest weekly reporting date, excess reserves of member banks stood at \$971 millions (see attached chart). At this level, they were \$53 millions above the six-year low reached on December 8. Movements of excess reserves since the last week of October, when transfers of deposits from War Loan Account to private accounts, and the steady increase of money in circulation, had combined to reduce them by almost \$1 billion (\$2,051 millions to \$1,062 millions) in six weeks, have been relatively small. The factors contributing to the drain on excess reserves between October 27, 1943, and January 5, 1944, and the manner in which they were largely offset, are shown in the following table:

		: In billions of dollars
<u>Drain on excess reserves:</u>		
Increase in required reserves	0.7	
Increase in money in circulation	1.3	
Decrease in monetary gold stock	0.2	
Increase in Treasury cash and deposits with Federal Reserve Banks	0.5	
Other factors (net)	<u>0.1</u>	2.8
<u>Offsets to drain on excess reserves:</u>		
Federal Reserve net purchases of Government securities	2.4	
Increase in other Federal Reserve credit	<u>0.3</u>	<u>2.7</u>
Decrease in excess reserves		0.1

It is particularly interesting to note that nearly \$1.4 billions of the \$2.4 billions increase in Federal Reserve holdings of Government securities consisted of Treasury bills and \$0.9 billion of certificates. Most of these bills and

Secretary Morgenthau - 3

certificates came presumably from weekly reporting member banks in 101 leading cities, whose holdings of these two classes of issues have decreased by \$1.4 billions and \$0.6 billion, respectively, in the period under consideration. Banks in the larger centers have shown a tendency in recent months to be fully invested and to rely on sales of bills or certificates to Federal to maintain their reserve positions. Excess reserves in New York City and Chicago have been quite small for the greater part of a year. Banks outside of the larger centers, however -- particularly country banks -- appear not to have abandoned yet the practice of maintaining considerable excess reserves.

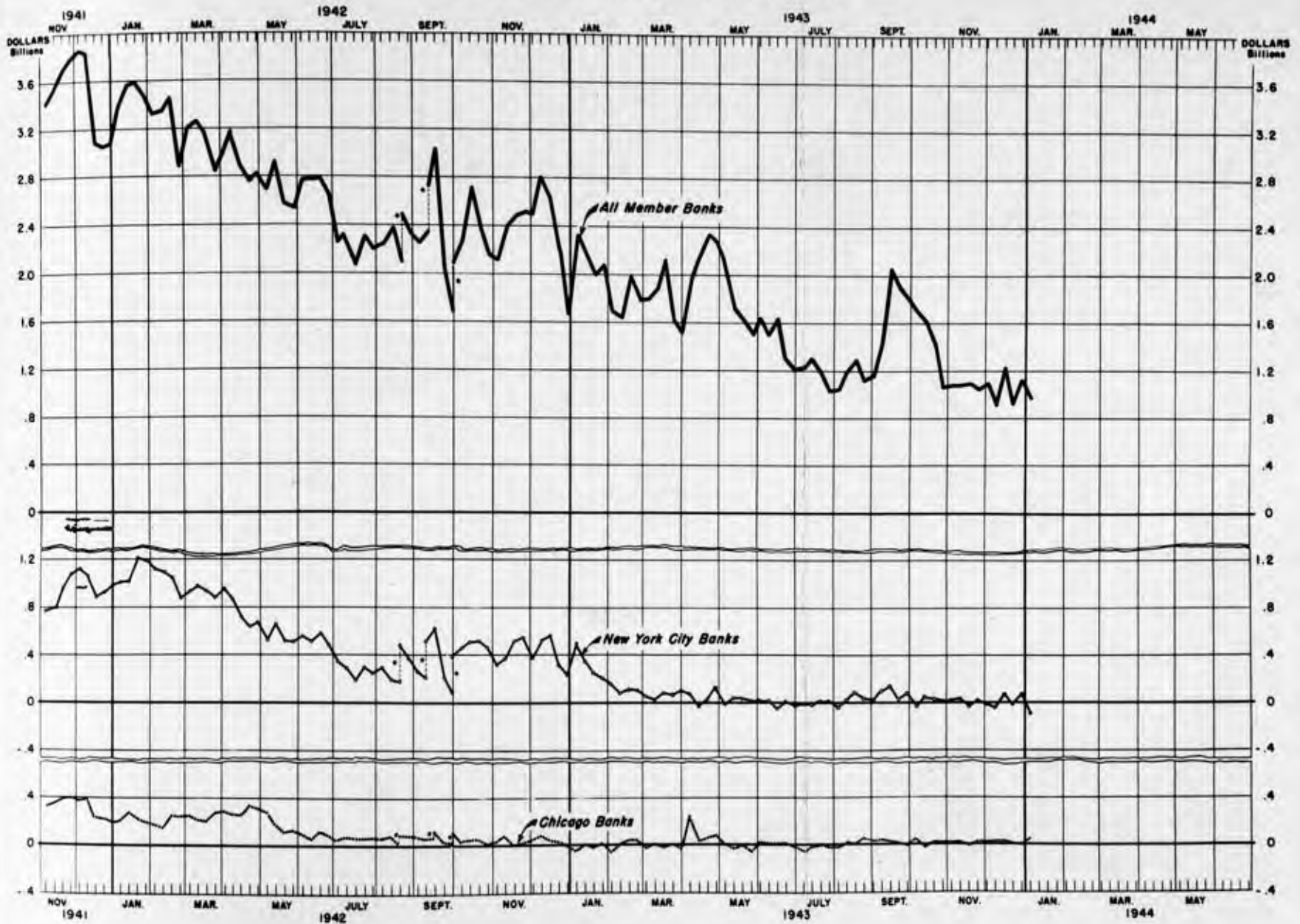
#### IV. Weekly Reporting Bank Bill Holdings Declining

As indicated above, banks in the larger cities have tended to be fully invested and to rely on Treasury bills as a substitute for excess reserves. The maintenance of their reserve positions has resulted in significant shifts in the distribution of ownership of Treasury bills, as is shown in the following table covering the period October 27, 1943-January 5, 1944:

Class of Holder	October 27, 1943		January 5, 1944	
	Amount	Percent : of total	Amount	Percent : of total
(Amounts are in millions of dollars)				
Federal Reserve Banks	5,485	42	6,863	53
Weekly reporting member banks:				
New York City	1,539	12	1,114	8
Chicago	469	3	234	2
Other cities	<u>2,618</u>	<u>20</u>	<u>1,831</u>	<u>14</u>
Total	4,626	35	3,179	24
All others	<u>2,949</u>	23	<u>3,031</u>	23
Total	13,060	100	13,073	100

It is interesting that the increase in Federal Reserve holdings of Treasury bills (\$1.4 billions) was just about sufficient to finance the increase of money in circulation (\$1.3 billions) during the period.

## MEMBER BANK EXCESS RESERVES



\* Change in reserve requirements

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

January 13, 1944

TO Secretary Morgenthau

FROM Fred Smith *FS*

Gamble asked me to prepare a message to be read over the air at the launching of the "Carole Lombard."

Attached is an Albee-Smith collaboration.

Attachment

*original message  
sent to Mr. Lombard 1/12  
1944*

Secretary's message -

(Launching of ship "Carole Lombard".)

The ship that you are sending down the ways today will carry to the far corners of the earth the name of a great American woman -- a typical American woman.

Carole Lombard was at the height of her career when she heard the call of her country, and became one of the first of the long list of prominent volunteers who have given, and are giving, freely of their time and energy to carry the story of the war and war bonds to their fellow Americans.

Carole Lombard might easily have felt that this war was not for her, that her prime duty was to herself and to her career. But she did not. She realized that the very life of her country stood in terrible danger. She knew that this war would call upon every American for sacrifices; and she, in line of duty, was called upon to make the supreme sacrifice. She gave her life as a soldier gives his, in the service of the country she loved.

The ship that goes out in the world today carrying her name, is only continuing the same job which she helped start when this terrible war had only just begun.

Godspeed to the gallant ship "Carole Lombard."



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

January 12, 1944

TO Secretary Morgenthau

FROM Fred Smith *FS*

## Progress report:

(1) By our friend Commander Beecher of the Navy, I am assured that Nimitz is in the bag for the program.

(2) Searle's office is optimistic about Eisenhower, but has not made any promises.

(3) Having chased all over the War Department for clearance on using the new airplane, I finally called our friend Colonel Sexton, who turned me over to General Kuter in Arnold's office, and Kuter said that there was no reason why we couldn't do just about what we wanted to do with the new ship. He assigned a man to work with me on the arrangements.

(4) We have set up the audition for eighteen or twenty war heroes Friday afternoon at four o'clock. Gamble felt that it would be better to bring a group of not-bed-ridden men to our theater downstairs, rather than get mixed up with the hospital, so he is arranging to get them here.

(5) Norman Thompson is getting the loan of Bob Carley from the Army to handle our overseas operation. I have cleared this with Gamble and he is in entire agreement.

(6) I gave the Working Press Reporters a lecture on the program this morning, and they have set out to do a bang-up publicity job. The first story is scheduled to go out tonight, if we get clearance from the networks. We will then have a story every day between now and the broadcast.

(7) George Albee has been called to New York to work on a movie for DuPont. He will be tied up until Monday. This further complicates his present complications, so I think we must make up our minds that we are not going to have him full time, or even with any dependability for this drive. He is willing but entangled.

TREASURY DEPARTMENT

AM

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INTER OFFICE COMMUNICATION

DATE

January 12, 1944

TO Secretary Morgenthau

FROM Fred Smith



Roy Blough's group has prepared a "question and answer" script on taxes and tax simplification. It is ready for you to see, unless you would rather wait until the first broadcast on the War Loan Drive is out of the way.

TREASURY DEPARTMENT

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INTER OFFICE COMMUNICATION

DATE Jan. 12, 1944

TO Secretary Morgenthau

FROM Mr. White *HDW*

This is a comparative statement of the earnings and expenses of the Stabilization Fund for the months of November and December, 1943.

<u>Earnings</u>	<u>November, 1943</u>	<u>December, 1943</u>
Interest earned on investments	\$ 19,481.48	\$ 20,110.19
Profits on handling charges on gold	140,824.52	242,990.63
Miscellaneous profits	<u>3.95</u>	<u>2.32</u>
Total	\$160,289.95	\$263,103.14
 <u>Expenses</u>		
Salaries	\$ 26,324.03	\$ 26,300.35
Travel	768.64	1,126.14
Subsistence	3,305.90	413.00
Telephone & Telegraph	2,406.52	1,764.46
Stationery	545.68	38.05
All other	<u>450.43</u>	<u>402.52</u>
Total	\$ 33,801.20	\$ 30,044.52
Net earnings	\$126,488.75	\$233,058.62

This report was completed from figures supplied by Mr. O'Daniel.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE Jan. 12, 1944

TO Secretary Morgenthau

FROM Mr. White

Subject: Status of Stabilization and Gold Agreements on  
December 31, 1943.1. Stabilization Agreements in Operation

<u>Country</u>	<u>Dated</u>	<u>Expires</u>	<u>Amount</u>		<u>Collateral</u>
			<u>Commitment</u>	<u>Outstanding</u>	
Brazil <sup>1/</sup>	7/15/37	7/15/47	\$100,000,000	None	None Gold
Ecuador	3/1/42	6/30/44	5,000,000	None	None required
Iceland	5/1/42	6/30/44	2,000,000	None	None required

2. Stabilization Agreement Concluded but not  
yet Effective

Mexico	11/1/41	6/30/45	\$ 40,000,000	None	None required
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3. Gold Sale Agreement

<u>Country</u>	<u>Dated</u>	<u>Expires</u>	<u>Commitment</u>	<u>Outstanding</u>	<u>Payment due</u>
					<u>within</u>
Cuba	7/6/42	6/30/45	\$ 5,000,000	\$5,000,000	120 days from each sale

4. British Coin Purchase Agreement

<u>Country</u>	<u>Dated</u>	<u>Expires</u>	<u>Commitment</u>	<u>Purchases</u>
Liberia	9/26/42	6/30/44	\$ 2,000,000	\$637,700

<sup>1/</sup> The agreement as amended also provides for sale to Brazil of up to \$300,000,000 in gold, of which \$181,085,894 has been sold.

SECRET

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WAR DEPARTMENT  
WAR DEPARTMENT GENERAL STAFF  
MILITARY INTELLIGENCE DIVISION G-2  
WASHINGTON

January 12, 1944.

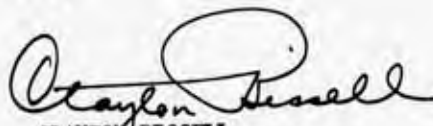
The Honorable,

The Secretary of the Treasury.

My dear Mr. Secretary:

The situation in Argentina with respect to  
the blocking of the two banks remains unchanged.

Sincerely,

  
CLAYTON BISSELL,  
Major General,  
Deputy A. C. of S., G-2.



SECRET

NOT TO BE RE-TRANSMITTED

U.S. SECRET

COPY NO 12

BRITISH MOST SECRET

OPTEL No. 14

Information received up to 10 A.M. 12th January, 1944.

1. NAVAL

Adriatic On 7th/8th two of H.M. Destroyers sank three schooners, damaged 2 trains, blew up a locomotive and shelled CIVITANOVA and the Railway area of ANCONA

On 8th/9th. two other H.M. Destroyers damaged 4 schooners and two trains and bombarded SAN BENEDETTO. Our Motor Launches sank two CALQUES North West of RHODES on 9th and took some prisoners. A large U-boat was sunk by U.S. Forces North East of AGORES yesterday.

2. MILITARY

Italy To noon 11th. U.S. Troops are little more than 1/2 mile East of CERVARO and have cleared the ground to North and South but no confirmation yet of capture of village.

Russia Russians have cut railway both North and South of SARNI and have captured places 18 miles South South West of NOVOGRADVOLYNSK and 23 miles West South West of BERDICHEV. They have also made further advances South of BYELAYA, TSENKOV and North and West of KIROVO.

3. AIR OPERATIONS

Western Front 11th. 681 Fortresses and Liberators supported by fighters were sent to attack Aircraft industrial objectives in North West GERMANY. Full reports not yet received from 309 of them sent to 2 Aircraft Factories near WADGEBURG as many landed away from bases. It is known that both Factories were attacked but Allied and Enemy casualties are not yet known though 42 Bombers are outstanding. The remaining aircraft, of which 17 are missing, dropped 93 tons on an Aircraft Factory at BRUNSWICK and 417 tons on other objectives in North West GERMANY and reported enemy casualties 42:19:24. 5 Allied fighters missing.

Italy 10th. Mitchells dropped 58 tons on railway communications at SAN BENEDETTO. 122 light and Fighter Bombers attacked objectives near ROME and in the Battle as.

Agos Davia 10th. Liberators dropped 73 tons on the Railway Centre at SKOPIJE with fair results.

OFFICE OF THE  
SECRETARY OF THE  
TREASURY DEPARTMENT  
1944 JAN 13 5 54 PM

January 13, 1944  
9:20 a.m.

DISPOSITION OF SURPLUS COMMODITIES, PROCUREMENT

Present: Mr. Bell  
Mr. Sullivan  
Mr. McConnell

H.M.JR: Can you do what you have in ten minutes?

MR. McCONNELL: In less time than that, sir. I can give you the facts as they developed.

About five days ago Mr. Hancock asked if Mr. Sullivan could get ready to discuss the division of surplus and classification, perhaps, with Will Clayton. He mentioned Clayton. I spoke to Mr. Sullivan, and he prepared a detailed classification of each item with the indication in the tabulation as to what each division is equipped to handle, and what some other agency might handle, something to initiate discussion.

Yesterday we went over to see Mr. Hancock. He was called to the Hill, so we talked to Mr. Crawford, his assistant. He seemed very pleased to have something to work on to get this thing settled.

After we came back Hancock called and said there had been a hitch with Clayton, and would we come back this morning. He wants us to come over and talk to him this morning at ten-thirty.

I told Mr. Bell, and Hancock also called you--or did Hancock call it off?

MR. SULLIVAN: It was called off.

MR. McCONNELL: He said the same thing. Apparently something had happened as between the Baruch committee and Mr. Hancock.

- 2 -

H.M.JR: The Wall Street Journal had a tip-off on this thing yesterday.

MR. McCONNELL: I didn't see it.

(The Secretary held a telephone conversation with Senator Truman, as follows:)



January 13, 1944  
9:21 a.m.

HMJr: Hello.

Senator Truman: Hello, Mr. Secretary.

HMJr: Good morning, Senator.

T: How are you this morning?

HMJr: Oh, I'm alive and....

T: (Laughs)

HMJr: ....not much kick in me though.

T: Oh, I know they are but then I don't think they mean it as a personal matter. Do you?

HMJr: (Laughs)

T: Some of us, at least, are not in that category.

HMJr: All right.

T: Now, what I called you about is a political matter.

HMJr: Please.

T: I understand that the President is taking our new Commissioner of Internal Revenue and making him Chairman of the National Committee.

HMJr: Well, I don't know that it was settled as of yesterday.

T: I advised -- I advised the -- I advised Hannegan not to do it, but of course, if the President makes a personal matter out of it, he can't do anything else.

HMJr: That's right.

T: And what I was particularly interested in, I would like awful well to see that that job didn't leave Missouri if that could be managed.

HMJr: I see.

T: We've got an awful good fellow at the other end of the State whom I think is qualified to make -- to make the grade.

HMJr: Who's that?

T: Dan Nee.

HMJr: Oh yes.

T: Your great bond salesman.

HMJr: (Laughs)

T: (Laughs) Bennett and I were very much interested in the fact that this was the first major job we'd had out there and we'd like to keep it in the State for a little while if we could.

HMJr: (Laughs)

T: We really haven't had a fair chance at this, you know, if they take Hannegan away from it.

HMJr: Yeah. Well, the trouble with you fellows from out there make good so fast we can't hold on to them.

T: (Laughs) Well, that's a compliment, I guess. Of course, I'm proud of the fact that he did make good.

HMJr: Well, I'll be glad to study it. In fact, we are studying it.

T: I wish you would, because here's the situation out there. You know, Missouri is in a hell of a fix politically since all our Democratic Organizations went to pieces and got in jail and everything of that kind, and if Nee were put into this thing I think he'd do as good a job as Hannegan and it would straighten out the political situation so I think we could nominate a Governor that we could elect.

HMJr: Well, I'll certainly study it.

T: I'll appreciate it, Mr. Secretary, if you will and if you want to talk to me further, I'll be glad to talk to you.

HMJr: Thank you so much.

T: That's all right.

HMJr: Good morning.

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MR. McCONNELL: Now, we have this ten-thirty appointment with Hancock.

H.M.JR: What is he going to spring on you?

MR. McCONNELL: We are quite in the dark.

H.M.JR: Do you want me to make a little forecast?

MR. McCONNELL: He said, "We will take all or nothing."

H.M.JR: I think you can find the Wall Street Journal noting they will take it all and they will take over Procurement, too.

You can tell him for me that I will not stop unless the President tells me that is what he wants. I am not just going to take it without going directly to the President, and no if's, and's, or but's. I mean, you could just tell them that.

MR. McCONNELL: All right, sir.

H.M.JR: I mean, I will certainly talk with Baruch in the first instance. After all, Mr. Baruch told us at lunch--Baruch may not know about this. You might say, "Does Baruch know about this?"

Hancock evidently made some kind of commitment to Jones and his people, and you can see that Baruch knew nothing about it at lunch. Baruch said, "I don't know where you stand, John, but this is where I stand."

MR. McCONNELL: I thought Hancock was in agreement with Baruch at the end.

H.M.JR: I think so.

You tell them if they want to take on a fight with me, they can take on this one.

And, incidentally, they are going to have trouble, because this Treasury Procurement is patterned after

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Albany. It was very much the same thing as when Roosevelt was Governor, and he likes it. I mean, this was very much the same thing as when he was Governor, because Admiral what's-his-name--

MR. BELL: Peoples.

H.M.JR: One of the first things I did was, I had Chip Robert here, Lawrence Roberts, Jr., of Atlanta, Georgia. I inherited him, with other troubles. He had Procurement, and I went up against Mr. Farley and the whole Democratic machine, and I put in the President's personal friend for his assistant, Admiral Peoples, with the help of Louis Howe.

The President knows Procurement and he likes it. If they want to take on this scrap, O.K. I have just about enough energy to take on Jones and Hancock.

MR. SULLIVAN: I think this trouble is something else, Mr. Secretary.

MR. BELL: You will get some help from Eugene Meyer.

H.M.JR: I am not looking for a fight; I won't start one. Tell them I don't want to fight. We have enough fighting in Italy and over Berlin and Tokyo. But if these fellows want to fight, I will take them on.

Mr. Baruch owes it to me to call me up and explain this thing to me if they are going to change. I do my business around here on my word, and he and Hancock gave me to understand that it was settled, so Baruch owes me a visit to explain this thing. I may be seeing things under the bed, but the fact that Flynn wrote this thing yesterday was a tip-off. You can find it; it is by Flynn.

MR. SULLIVAN: I think the trouble is something else. Hancock has told me that it probably was to get this into Clayton's hands, divorced from Jesse Jones. Yesterday Crawford said to me, "Has Clayton worked all his arrangements out?"

I thought he meant about his procedure. I said, "The thing has gone ahead quite far."

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Then he said, "How has he worked it out from Jesse?"

I said, "I don't know."

H.M.JR: Look, the day that Clayton is disloyal to Jones the sun won't rise, and don't kid yourself. Baron Jones and Baron Clayton are from Houston, Texas, and they stick together.

MR. SULLIVAN: I am not kidding myself; I am only reporting my part of the story.

H.M.JR: I mean, the day those fellows don't stick together the sun won't rise.

MR. SULLIVAN: At this meeting yesterday Crawford was very anxious for me to write a letter, stressing the need of immediate action on this, and he said, "Make it just as strong as you can."

Then when I talked with him afterwards and found out about this hitch, he said, "Make the ~~letter~~ letter just as strong as you can and bring it over with you tomorrow morning.

I am not going to take that letter over there unless you say I should.

H.M.JR: Of course not.

MR. SULLIVAN: I am afraid he will use our letter as a basis of changing the agreement.

H.M.JR: I am going to take Mr. Baruch and Mr. Hancock's word unless they call me up and say it isn't so. They have always kept their word.

MR. McCONNELL: We are just speculating in the dark, Mr. Secretary.

H.M.JR: I am glad. That is what I am here for. Now you know how I feel, and I am not looking for any extra fights.

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MR. McCONNELL: Definitely.

H.M.JR: But I am not going to be hornswoggled by that gang.

Good luck!

Incidentally, we are going to have a good film tomorrow night. Have you read the book "The Song of Bernadette"?

MR. McCONNELL: Am I invited?

H.M.JR: Yes.

January 13, 1944  
9:30 a.m.

## GROUP

Present: Mr. Bell  
Mr. Gaston  
Mr. Sullivan  
Mr. Smith  
Mr. Paul  
Mr. Blough  
Mr. White  
Mr. Thompson  
Mrs. Klotz  
Mr. Surrey

H.M.JR: Have you got that question and answer thing?

MR. BLOUGH: I have a draft of which I am not very proud, right with me.

H.M.JR: This is just for the record - for those people who may be interested - at the Chinese Embassy last night after dinner I had a chance - Harry, will you listen, please? I had a chance to talk with the Ambassador and T.L. Soong who, incidentally, claims he has met me. I never met that fellow before. This is confidential - he is leaving this morning for China. So I took the opportunity to say to him that I hoped when they got back they would impress on K'ung the urgency of letting General Stillwell have a special rate so that they could rapidly go forward with their construction program. And I also told them we were thinking of using these jewelers bars, five ounces of gold.

Then the Ambassador went on to tell me that the President - it was very difficult to understand - evidently the President told the Ambassador the same



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plan the President has which he told me of, trying to mop up the Chinese currency at a price now, to sort of give the Chinese an option to buy it back when the war is over, you know.

So I am very glad I used that chance to talk to Ambassador Wei.

I just want to put it in the record.

MR. WHITE: You met T.L. Soong just for a few minutes. I brought him in here with me when he came, about six months ago, just to say hello.

H.M.JR: He said he had met me.

What I would like to do if I could - I would like to spend as much time as you all have - first tell me what happened on the tax bill yesterday. Depending upon what happens - the question is whether it is too late to do anything.

Will you tell me, Paul?

MR. PAUL: I can't tell you anything except what I read in the paper, because I haven't seen Stanley this morning yet.

H.M.JR: Should we have him come in?

MR. PAUL: I think so. You know Stanley is on the Floor every day. He is admitted to the Floor.

H.M.JR: Tell me at least what was in the paper.

MR. PAUL: They went right on voting on some of the sections of the bill, completely ignoring the Presidential request, or Presidential statement about a realistic tax bill. In fact, George said, "It is a pretty realistic bill when rates reached" - he mentioned the rates. He really flung it back at the President.

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MR. GASTON: He said that a man who gets a million dollars is in the red.

MR. SULLIVAN: Fifty-nine hundred.

MR. PAUL: The renegotiation has been put off until Monday, according to Byrnes, at the request of a number of people who don't care about the tax, but want to be there for that discussion.

You know, of course, they voted down by a big majority the Vandenberg freeze of social security.

H.M.JR: They voted in favor of it?

MR. PAUL: Against the rise. That was a big vote, forty-eight to seventeen.

MR. BELL: That is an amendment to the tax bill offered on the Floor.

MR. PAUL: No, it was voted by the committee. It was in the Senate tax bill.

MR. BELL: I thought they were going to hold hearings on that bill.

(Mr. Surrey entered the conference.)

MR. BLOUGH: The House is going to hold hearings.

MR. BELL: The Senate put it in the bill.

MR. PAUL: There were no hearings in the House, so Doughton thought they ought to have hearings, I suppose to guide the conferees in the House.

MR. BLOUGH: There are some House Members opposed to the freeze, so it may be all because of their attitude.

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MR. PAUL: (To Surrey) The Secretary wanted to hear what happened yesterday on the tax bill. I thought we should hear from the man on the spot.

H.M.JR: Go ahead, Senator.

MR. SURREY: Unfortunately, I am not a voting Senator. They went through the bill very fast, covered practically all of the amendments made by the Senate Finance Committee without any discussion, and just about completed the revenue part of the bill. They meet on Friday - to finish up some technical amendments that were passed over.

MR. PAUL: No session today.

MR. SURREY: No session today. They may not even sit Saturday, and then go over until Monday on renegotiation. But there was no discussion or anything about the need for more taxes.

MR. PAUL: Didn't George say something about a realistic--

MR. SURREY: George made a general explanation of what is in the bill, as he does every time. Toward the end he had a remark about our having a realistic tax structure.

H.M.JR: Did anybody get nasty about me, by name?

MR. SURREY: No, there has been very little discussion of anything in connection with this bill. A social security discussion was under way there with very few Senators on the Floor. I think only Senator Murray read a speech in opposition.

H.M.JR: Poor Mr. Roosevelt; the headache this morning was, "Senate turns President down on tax bill suggestion."

MR. SURREY: It was never an issue.

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H.M.JR: What is the parliamentary procedure? Is there, for instance, any use of my - this is what Roy Blough has been working on - my making a fight for simplification? Can't you bring that up in a committee?

MR. PAUL: That is relevant in connection with the next tax bill.

H.M.JR: Too late in this?

MR. SULLIVAN: I think you are wasting your power now, Mr. Secretary.

MR. PAUL: The only point of your doing it now - it is what I have been trying to do, too - is to make it clear that you were in favor of simplification. Otherwise, Loughton and George will steal the play and will have forced you later into simplification.

MR. BELL: Well, the Budget is coming out today recommending simplification.

H.M.JR: I tell you, if I thought I could do it in this tax bill, I would give it serious consideration.

I think it is a mistake because I have got to begin by Monday night to sell bonds. I have got to concentrate on that. If I can't get it in this tax bill, I think it is a mistake for me to do anything now, for the next month, except talk bonds.

MR. SULLIVAN: I have one suggestion along that line.

H.M.JR: Unless somebody disagrees--

MR. BLOUGH: I think you cannot do anything in this tax bill, and it might be just as well to let the rancor of this bill die down, and then when you do start talking, to talk in the cooperative tone, because there will be no issue on simplification of a vital character.

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MR. PAUL: Yes, there will. There will be general platitudes about being in favor of it. There will be an issue in the things you do to get it.

H.M.JR: Herbert, everybody goes to you in the first instance, who is going to make a speech. Unless there is something you could do about the present tax bill, I would like the Treasury just to kind of die down.

MR. PAUL: Pipe down.

H.M.JR: That is the word.

MR. GASTON: Mr. Paul has a speech on simplification and it is a very good speech indeed.

H.M.JR: For when?

MR. GASTON: For Providence.

MR. PAUL: Tomorrow night.

H.M.JR: Oh, that is all right, but after that, again, I think we might pipe down for awhile.

MR. GASTON: I don't think we ought to go out and look for trouble on the thing, but I think when people are invited to speak, it is worth while, to keep the record straight, that we have made definite proposals for simplification.

H.M.JR: That is all right.

MR. PAUL: Our record is pretty good on simplification. I don't know whether your remarks apply just to simplification, or generally.

H.M.JR: I am raising the point - I am to see Blough at ten o'clock - of whether I should make a speech. I am thinking out loud now, and asking for advice. I think that, beginning with the 18th for the

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next month, unless there is something to be gained immediately, my own feeling, subject to advice, is that the Treasury should pipe down on controversial issues other than that we are trying to sell the war to the United States through the medium of War Bonds, the key being unity, beginning with Monday.

MR. PAUL: There is a letter on your desk, Herb, about that.

H.M.JR: The purpose of this meeting is the conference.

I started with this thing to get advice from Surrey and Paul and the rest. Should I go on the air? If I could do something in this tax bill - but I can't do something in this tax bill - I am going to pipe down, see?

MR. BELL: There isn't anything you can do in this bill unless you do it on the floor of the Senate before it passes. After it gets in conference--

MR. SULLIVAN: You can't do a simplification job on the floor.

MR. GASTON: I don't know whether there is a chance of anything else.

MR. BLOUGH: Can't do anything with this bill.

MR. BELL: It seems to me you better let taxes go for awhile and then start out on a new program.

MR. PAUL: I just put the question; it would suit me not to have to do anything. I just put the question. I think that American statistical thing is in March, sometime; now, they are going to discuss this whole question of post-war reserves, and that sort of question - both sides present it. Now, the question is whether you want to let it go by default and not have it there.

H.M.JR: Where?

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MR. PAUL: I think it is in New York in March. I just use that as an example. I may be wrong about that; I think it is March.

H.M.JR: This thing will run about a month, beginning with Monday.

MR. GASTON: What is that invitation you have, Roy?

MR. BLOUGH: I have a couple that I think are quite non-controversial tax - scientific groups to speak to. One has been scheduled for some months for the 21st of January. It does not involve any controversial issues about taxation. But it is on taxation, and it is a meeting which is scheduled here in Washington at the American Economic Association.

Then there are a couple of others which are much more recent in origin. One is at New York at the Tax Institute.

MR. GASTON: I should think those scientific and economic, regular annual meetings--

H.M.JR: I think those are all right if they are not controversial. But the point is, I don't want to do something which will give George a spring-board to come back at me in the middle of the bond drive, that is all.

MR. BLOUGH: I don't think these will have any bearing on that at all. We will make sure they don't - that they are written in that way.

MR. SULLIVAN: I think you might wish to consider a statement to be made this week about these forms. You are going to have a lot of correspondence during the next month about the complexity of these forms, and I think a statement from you about the effort the Treasury has made to make these forms as simple as possible under the existing law, pointing up the need

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of the Congress to direct its attention, at an early date, to a simplification, would be well worth while.

H.M.JR: Do you have it in your own bean?

MR. SULLIVAN: Yes, but I would like to have Bob come over and Bob and Fred and I take a crack at such a statement, and then submit it to you.

H.M.JR: Could you do it ad lib at the ten-thirty press conference?

MR. SULLIVAN: I think it would be better if it came directly from you in the form of a formal release. I think that should be a pretty carefully worded document.

MR. SURREY: I think there are two problems I was discussing with Roy in connection with this speech you were thinking about. One is how to answer, if it is going to be answered, the general complaint that will arise about these forms, whether anything should be done, and how it should be done.

Secondly, what should be done with respect to the attitude toward the Congress on this proposed simplification bill. I think there is a possibility of the situation being somewhat serious. If we put the blame on them and they put the blame on us, and we get down to that, it is likely that they will just throw us out and proceed on their own way with possibly the Bureau in a simplification bill. I think that would be very serious.

I think any statement of simplification, and that the law should be simplified, should take into account the attitude we want to express to the Congress with respect to this forthcoming job.

H.M.JR: Look, Stanley, if this isn't something that has to be settled today--



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MR. SURREY: It doesn't.

H.M.JR: I am not feeling terribly well, and unless I have to hit it today, I don't want to hit it, see? Does that in any way hook up with what Sullivan wants to do?

MR. SULLIVAN: I think it does.

H.M.JR: Why don't you get together with these boys and Paul and Surrey and the rest, and have a little meeting and let Fred Smith sit in on it.

MR. SULLIVAN: Sure, right after this is over.

H.M.JR: He won't be able to do it then.

MR. PAUL: I have a date for lunch with Carlson.

H.M.JR: I need Fred right after this.

MR. SULLIVAN: I think Stanley's remarks bear me out that it has to be a carefully worded release and better not to take a chance ad libbing it.

H.M.JR: All right. Get together whenever you fellows can.

Is there anything I should say at my ten-thirty press conference today on taxes, or anything I should do today?

MR. PAUL: I would think not.

H.M.JR: Just say I am disappointed? They will ask me. I will say that of course I am disappointed. Let it go at that?

MR. SURREY: I think that would be all right.

MR. PAUL: I think you should say very little. That is a good way to pass it off, I think. No use pretending you aren't disappointed.

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MR. SMITH: If you haven't something you want particularly to say this morning, it would be just as well if you didn't have a press conference, because they are all working on the Budget Message, and whatever you say probably won't get into the paper, anyhow.

MR. PAUL: They are going to ask you some time.

H.M.JR: I would love to get out of it; not on account of the tax bill, but on account of my physical condition.

MR. SMITH: I talked to Shaeffer this morning and he said that the boys actually would appreciate it and he would go down and tell them.

H.M.JR: Well, step out and tell them.

MR. PAUL: They are going to ask you a question at press conference pretty soon with respect to that bill about the new way of getting appropriations - Disney and this Congressman from Illinois.

MR. BELL: That is a constitutional amendment, isn't it, that can't pass the Appropriation except by three-fifths?

MR. PAUL: That is the one.

MR. BELL: That certainly doesn't have a chance.

MR. PAUL: They are going to ask about it.

H.M.JR: I don't have to do questions and answers?

MR. BLOUGH: Right.

H.M.JR: So let me go around the room. Anything else in the tax bill?

MR. SURREY: One amendment was put in that I didn't have a chance to check. I think it deals with Customs, Mr. Gaston. Senator Vandenberg offered it. He offered it and it went in in two minutes. I spoke to Mr. Lynch about it yesterday.

MR. GASTON: I want to know whether it is my amendment or not.

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MR. SURREY: I think it is the one. There is a bill pending in the House.

MR. GASTON: The bill pending in the House is bad. It will never pass.

MR. SURREY: It has been adopted by the Senate.

H.M.JR: For the newspapers?

MR. GASTON: Some of the newspapers want to get permission to import a lighter weight paper as newsprint. The problem is that if you lower the standard and admit lower weight paper as newsprint, it will affect a catalog-directory market which uses that lighter weight paper in competition with local mills. There is a bad fight there.

H.M.JR: Again, you tell Mr. Gaston.

Anything else?

MR. SURREY: No, except that Senator Taft argued for the Treasury yesterday on technical amendment. He upheld the Treasury against Barkley, Connally, and LaFollette. He lost, and came over to me and said, "Well, what do you think of my arguing in behalf of the Treasury?"

I said, "You did an excellent job, Senator."

He said, "I wanted to do it this time because I will be arguing against you so often, and this will look good on the other side."

H.M.JR: Is that all?

MR. SURREY: Yes.

H.M.JR: Thank you. I will excuse you. Good-bye, Senator!

MR. THOMPSON: Mrs. Spangler was back on the switch-board. She is not strong enough for full time.

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H.M.JR: I want to see her as soon as I can.

MR. THOMPSON: Mrs. Moreland, the other operator that answered your phone, is leaving to join her husband in Florida.

H.M.JR: What is he doing down there?

MR. THOMPSON: He is in the Army and may be sent overseas. She will be down there until he is sent overseas. It may be several months.

H.M.JR: Have her come up and say good-bye to me. She is young, isn't she?

MR. BELL: Does that make any difference?

MRS. KLOTZ: It makes a lot of difference, Dan.

MR. BELL: He sends the old ones in to me to say good-bye. (Laughter)

MR. GASTON: It is obvious, if she is young she can come up.

H.M.JR: O.K. I will not try to explain. But if you saw the four operators who came up on New Year's-- there was one young one I was trying to identify. I won't say anything about the other three.

Is that all you have?

MR. THOMPSON: That is all.

H.M.JR: Excuse me, but if any of you want to read something in a lighter vein, if Mr. Thompson doesn't mind my kidding him, you should get hold of a circular he was going to have go over my name at the opening of the cafeteria. It read like Doctor Copeland's column on health notes. It had everything but how to do callisthenics' in the morning.

MR. THOMPSON: The doctor had it you should take a bath every day. I took that out, but I missed the other things.

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H.M.JR: Did you see it?

MR. GASTON: I didn't read what was on the back.

H.M.JR: You missed something. You should read it.

MR. THOMPSON: That is part of the medical officer's campaign. They are putting it out in all the buildings.

H.M.JR: O.K. Put in "Buy a Bond," or "Back the Attack," but not "Take a bath."

MRS. KLOTZ: They won't need it if they buy a bond.

MR. BELL: The only thing I have is to remind you that sometime next week we have to consider the refunding of the two billion, two hundred million of certificates maturing on February 1.

H.M.JR: I will be here the middle of the week. I will be here Tuesday. You had better do it Tuesday. Then I go to Cincinnati.

MR. BELL: Will you be back the end of the week?

H.M.JR: I am not sure, Dan.

MR. BELL: Tuesday is all right.

H.M.JR: You had better nail me Tuesday.

MR. BELL: It won't be such a hard job; it is a question of whether we will have a year or take it off as of that date, because you are going to have a big certificate issue on February 1, '45, the certificate in the drive.

H.M.JR: You people missed a good conference yesterday. Dan and I really came to grips. It was one of the few times in ten years that Harry White didn't have an opinion. It had to do with two hundred thousand dollars being taken out of my stabilization fund to pay for movement of gold. When they got down to two hundred thousand, I could understand what they were talking about. Then I was particularly suspicious because White had no opinion. We finally settled it, as usual, in Bell's favor.

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MR. BELL: That is all I have.

H.M.JR: Let Haas and his boys do the work. Is he sick?

MRS. KLOTZ: Yes.

MR. BELL: They have been working on it, and I have also been talking to Rouse about it.

H.M.JR: When does that come?

MR. BELL: February 1 is the maturity date.

H.M.JR: It wouldn't be a bad trick to pay it off in cash and make the boys a little hungry.

MR. BELL: Well, that uses up your balances. I think they are expecting a refunding, because securities are selling at no-yield basis. They are expecting an exchange offering.

H.M.JR: Well, you have disappointed them before.

MR. BELL: Well, we can't stand many disappointments these days.

H.M.JR: Incidentally, while we are on financing, you ought to read what Winthrop Aldrich said was the Attorney General's job, because it is our case. I noticed very carefully that he said we are just as guilty in this thing, I think, as the Attorney General. Did you read what Winthrop Aldrich said?

MR. PAUL: Yes.

MR. SULLIVAN: He blistered them.

H.M.JR: Yes, and he left us out. If you (Smith) have a chance--

MR. SMITH: I read it over the ticker yesterday.

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MR. SULLIVAN: It simply doesn't make sense.

H.M.JR: That is our case, isn't it?

MR. PAUL: Yes.

H.M.JR: It is a pre-Pearl Harbor father diamond. The fact that he helped the Germans before Pearl Harbor makes it O.K.

MR. PAUL: He acts as if the statute wasn't on the books before Pearl Harbor.

H.M.JR: No, but anything he did for the Germans before Pearl Harbor was all right. I thought whoever the public relations man is for the Chase Bank--either they did an awfully poor job, or Winthrop Aldrich got mad and talked without anybody--

MR. PAUL: I am not sure whether it was a poor job or an awfully good job.

MR. SULLIVAN: I am not either.

MR. PAUL: When they were as guilty as they were in that case, what can you do but produce some irrelevancy like that?

MR. WHITE: That raises a question that relates to an inquiry that Mr. Crowley made of you as to whether or not he should let Mr. Barth, who is implicated in this and who is now--

H.M.JR: How do you spell it?

MR. WHITE: B-a-r-t-h.

H.M.JR: What relation is he to Allen Barth?

MR. WHITE: I haven't the slightest idea; I shouldn't think any, because this Barth worked in a bank. (Laughter)

MR. PAUL: That is a curious type of logic.

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MR. WHITE: Do you think so? I could expand on it.

MR. SULLIVAN: Or anything else.

MR. WHITE: At the slightest provocation, John.

MR. GASTON: Lots of respectable banking families have black sheep, you know, Harry.

MR. WHITE: He wanted to know--

H.M.JR: Listen, we are approaching a campaign. Will you please wait and withhold those remarks? It won't read well in print. We need the banking vote.

I told you once; you had this up before me once before. I said to fire the guy. Whose relative is he?

MR. WHITE: He is not working for us; he is working for Crowley.

H.M.JR: They asked us.

MR. WHITE: The final report has just come in. The law recommends that even though he is involved, the decision should be made by Crowley himself. It is not important. I mentioned it because the case is up. If you still think he should be fired, I will pass the judgment by saying it is Mr. Crowley's affair but we think he should be fired.

H.M.JR: He is a crook, isn't he?

MR. WHITE: I don't know. He is implicated.

MR. GASTON: If he is a bubble dancer, he should be fired.

MR. WHITE: He is skating on thin ice.

H.M.JR: What did he do?

MR. WHITE: He apparently knew what was going on, and I don't know.



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H.M.JR: What was going on?

MR. WHITE: The bank was dealing in this fellow's account.

MR. PAUL: They let payments go out in spite of the freeze.

MR. BELL: Was Barth implicated?

MR. WHITE: Barth seems to have had knowledge, not sufficiently so that they are going to indict him, but the boys think he was definitely responsible.

H.M.JR: You are talking now about the Chase?

MR. WHITE: Yes.

H.M.JR: This fellow now is in Spain, isn't he?

MR. WHITE: That is right.

H.M.JR: And Barth knew about it?

MR. WHITE: So they think. He knew something about it.

H.M.JR: How much did he know?

MR. WHITE: I don't know; I didn't read the whole report.

MR. PAUL: I would have to go back.

H.M.JR: Let me put it this way: I suggest to White that you post yourself on this matter.

MR. WHITE: It is very much out of my bailiwick.

H.M.JR: Why did you bring it up?

MR. WHITE: The facts are in my bailiwick. I am accustomed, in legal matters, to take the opinion of the Legal Division.

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MR. PAUL: That is a good idea.

H.M.JR: If Mr. Barth is really implicated, to get down to facts and not figures, and Mr. Crowley did ask our advice, my advice to Mr. Crowley is to get rid of the man.

MR. WHITE: All right.

H.M.JR: But I would want to be sure of my facts.

MR. PAUL: We will check just how much he was implicated.

H.M.JR: Now, do you have something that is in your bailiwick, Mr. White, for a change?

MR. WHITE: Yes, 'sir, for a change. The decision has to be made, which we have been postponing for some time, as to what proportion of the payments of expenditures on relief shall be made by the British.

Now, it is a large question, and certainly a question that involves several departments. Would you like to have some informal sub-committee give you a recommendation on it from the various departments?

H.M.JR: I am very touchy on these British matters.

The Under Secretary of State calls up Leo Crowley on the morning we are going over on dollar balances, and they call--Stettinius calls up Cox and says, "Well, I hear that Crowley has gone over completely to Morgenthau's camp. I guess Crowley must be anti-British." I have been trying to find out what that makes me. Do you know about that?

MR. WHITE: Yes. I would say it made you a good American citizen.

H.M.JR: Anyway, in the mood I am in this morning, I am for a sub-sub-committee to work on it.

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MR. WHITE: All right. It has also come to our attention that the magnitude of gold which England is selling throughout the Middle East and in India is running into very substantial amounts, almost at a rate, we think, of several hundred million dollars a year. We can get more figures, but that is one reason why their balances aren't growing more rapidly than they were.

The reason they are selling the gold is because they are able to buy the currencies at almost half-price and so they figure they had better reduce the sterling balances of those countries, even though gold is being given, since the gold, they feel, is gold they won't otherwise get from the United States. But that should be borne in mind in considering their balances.

H.M.JR: Could you stay behind a minute? I have a personal matter, Harry, I want to talk to you about.

MR. WHITE: Yes, sir.

The other things can all wait.

MR. BLOUGH: For your information, we are working very closely with the Bureau of Internal Revenue on further simplification plans. We had a very nice, I thought, very profitable meeting with Mr. Graves and others of the Bureau staff yesterday, and I think there is perfect agreement and working arrangements there that will, I hope, assure the absence of any difference in the final programs which may come out.

H.M.JR: Good. What else, Roy?

MR. BLOUGH: That is all.

MR. PAUL: I have nothing.

MR. SMITH: International News Service is taking pictures of Government officials' desks without the Government officials sitting behind them, and would like to come and take yours.

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H.M.JR: All these things are the most stupid, asinine-- the answer is no.

MR. SMITH: I have been trying to figure out what they are going to do with them after they got them.

H.M.JR: I am sick and tired--

MR. BLOUGH: Put other people behind them, probably.

MR. SMITH: That is Hearst's outfit.

H.M.JR: Yes, it is a silly piece of business.

I want to see you and Gaston. What I want to say to White will take thirty seconds.

MR. SULLIVAN: The Federal Real Estate Board wants Federal representation. It has ordinarily been Procurement. The problem now is quite the reverse. There is so much real estate owned by the Federal Government and taken out of local taxation. I think it more properly falls in Roy's lap. I haven't had a chance to talk it over with him. I will make a recommendation later on.

The appointment Bob was to have had across the street has been postponed until today or probably tomorrow.

H.M.JR: He is all right on this Procurement business, isn't he--McConnell?

MR. SULLIVAN: Yes. I was very glad for your expression of opinion this morning.

H.M.JR: I couldn't have been more powerful, could I? I wasn't directing it at him.

MR. SULLIVAN: I know, but it will serve a very useful purpose, I think.

H.M.JR: I don't know, but they think there is a deal on. This is really funny, Procurement should go

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under RFC, but not RFC, because Mr. Will Clayton is going to separate from Jones and set up his own organization, so it will be all right. It will be Will Clayton, and not Jones. I said, "The sun won't rise the day Will Clayton and Jones separate. They have got too nice a thing in Houston to fall out here in Washington."

MR. GASTON: Procurement?

MR. BELL: That is just speculation.

H.M.JR: Well, they will know this morning.

MR. GASTON: Transferring Procurement out of the Treasury?

H.M.JR: Yes, but I told them I was going to hold Mr. Bernard M. Baruch to his word to me. If there was a change I would want a visit from Mr. Baruch. I am going to hold him to his word. He knows what that means.

MR. BELL: It would seem funny to transfer a permanent organization to a temporary one.

H.M.JR: Flynn had an article yesterday.

Mr. Gaston?

MR. GASTON: I haven't anything, except I think that we have rather exaggerated the difficulties of the March 15 tax return. I found that with the preparatory work that you had to do on that September declaration it was easier to make out this March 15 return than it has been in past years.

H.M.JR: As a farmer and grower, I am in constant battle with OPA, and believe me, if I weren't Secretary of the Treasury I would buy time on the radio to go after them. It is unbelievable. Here was a thing--O'Connell was helping me as a friend--eighteen pages of regulations, and down in that thing there were three words buried which completely changed my method of selling apples. Well, of course, any other person just goes ahead and

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sells illegally. He isn't going to read eighteen pages, and it is constantly changing all the time.

MR. GASTON: Well, I think that is true. We have talked about the difficulty, and everybody makes a joke about the difficulty of income tax returns, but if you compare them with some other Government documents and questionnaires--well, they are as clear as the Russian primer.

MR. WHITE: That is a very clear document.

MR. GASTON: That is what I am talking about.

MR. BELL: You ought to view necessary income tax returns in another light. They are really educational.

H.M.JR: Mr. Gaston brings in a breeze from the Northwest.

MR. WHITE: OPA regulations will get almost as bad as our Foreign Funds regulations if we keep up.

H.M.JR: Who is that directed at?

MR. WHITE: It is merely an indication that wherever you have regulations, difficulties keep growing. You keep amending and adding until they become extremely complicated with the best of intentions.

H.M.JR: O.K.

January 13, 1944

Messrs. Gaston, Paul, White, Pehle, Luxford and DuBois.  
The Secretary.

When I meet with you at 11:00 o'clock this morning I would like to discuss with you the possible suggestion that we put up to the State Department a concrete proposal in regard to refugees who can be moved. In other words, are there any refugees now in either Spain or France that could be moved promptly if the State Department would get behind the project in a forceful manner? Also, please consider this suggestion and discuss it with me when I see you at 11:00 o'clock. In other words, it seems to me the time has come for action and not for any more hypothetical discussions on the part of the State Department. In thinking over this idea don't forget the 4,000 Jews who are on some island off Yugoslavia. We ought to be able to move that group promptly. There, at least, are some people that we could reach.

January 13, 1944  
11:00 a.m.

JEWISH EVACUATION

Present: Mr. White  
Mr. Paul  
Mr. Gaston  
Mr. Luxford  
Mr. DuBois  
Mr. Pehle  
Mrs. Klotz

MR. PAUL: We want to give you something to read over the week end.

MR. WHITE: It may not be necessary for you to spend much time with us at this point at all.

H.M.JR: Let me go ahead. Just proceed.

MR. PAUL: We have for you a quite lengthy report pulling all of the pieces of this picture together and we want to give you that, and we want to impress on you the fact that you really will have to spend some time with it. It is a hard job. We will try to make it as simple and orderly as possible.

H.M.JR: This is the report that is coming through now?

MR. PAUL: This is from me to you. It is just impossible to make it something that he who runs may read.

H.M.JR: I will tell you what I will do. I can spend the greater part of Saturday morning on this, or reserve Saturday morning. (To Mrs. Klotz) You put it down.



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MR. PAUL: I think it might be helpful if you would go over this written report before we have a meeting.

H.M.JR: I am not sure I can, but I will try to.

(To Mrs. Klotz) Put it down for nine-thirty Saturday; just cross out the rest of the morning.

Can't I read it with you people so I can question things as I go along?

MR. PAUL: Any way you want to do it.

H.M.JR: What is today - Thursday?

MR. GASTON: Thursday.

H.M.JR: I think it will end up my doing it that way.

Now, what else besides that report? Where is the report? I haven't received any.

(Mr. Paul hands the Secretary an eighteen-page Intra-Departmental Memorandum of January 13, 1944.)

H.M.JR: Have you seen this, Herbert?

MR. GASTON: I think not, the revision; I have seen the original.

MR. DuBOIS: This is just to the Secretary.

MR. PAUL: This is in the Department, here. It is intended as a report to you. It is not an outside document.

H.M.JR: It has got a nice title, anyway.

MR. PAUL: This is inside the Department - Intra-Treasury report.

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H.M. JR: Have you signed this thing?

MR. PAUL: I initialed it.

H.M. JR: Now, in the meantime what do I do?

MR. PAUL: We had anticipated having ready for you Monday a report from you which goes out of the Department; that is, goes to the President.

H.M. JR: I won't be here Monday.

MR. LUXFORD: Tuesday will be just as well.

MR. PEHLE: That is the crucial document.

MR. LUXFORD: Tuesday gives us one more day to work on it.

H.M. JR: You see, you are getting right in towards bonds, now. This is three weeks now, I think, you have been on this thing. Monday night I am on the air and Wednesday I am in Cincinnati. I will be working on that speech at Cincinnati.

MR. PEHLE: We can have that memorandum by Saturday.

H.M. JR: If you could have it Saturday morning--

MR. PEHLE: We can have it then. It is in pretty good shape, now.

What we want, Mr. Secretary, is for you to master that stuff.

H.M. JR: I will read that between now and Saturday.

MR. PEHLE: Then Saturday morning we will be ready.

H.M. JR: I will read this between now and Saturday morning, definitely.

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You fellows better be ready Saturday morning, because we are getting into the other week, which is going to be next to impossible.

Now, what about the suggestion I made to you people?

MR. PERLE: We have been canvassing. There are a number of things that are coming up, on which the Treasury can certainly be of some help. Could we take a few minutes and review that Island of Rab?

H.M.JR: Yes.

MR. PERLE: I have the facts now. I haven't distributed copies of these cables because I was warned today it involved Military information and shouldn't be distributed. But it gives you, I think, a good example of the type of case in which, today, no effective action is being taken.

On October 12, 1943--

H.M.JR: Just one minute. This (indicating memorandum) isn't dated. (The Secretary dates Mr. Paul's memorandum)

MR. PERLE: Hull sent a cable on October 12, '43, to winant saying that he had received the following telegram from Dr. Goldman of the World Jewish Congress, "Quote: Am being informed from London that four thousand Jewish refugees and Yugoslavs recently in internment camps in Yugoslavia have been freed by the Yugoslav partisans and removed to Adriatic Island of Rab."

H.M.JR: What is the date?

MR. PERLE: October 12, 1943. "--Understand food and medical supplies urgently needed as Island suffers serious shortage. In view of possibility Island being recaptured by Germans, most desirable to remove refugees

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as soon as possible to safer area - Southern Italy, Sicily, or North Africa. May I respectfully request you to bring this matter to the attention of the authorities in North Africa and Sicily, asking them to take the necessary steps."

Hull tells Winant, quote: "Please refer to Executive Committee of the Inter-Governmental Committee, and if you deem it advisable, transmit it to Murphy for Eisenhower."

H.M. JR: I asked you a couple of days ago who was on the Inter-Governmental Committee.

MR. PERLE: I have a report on my desk, but I haven't read it yet.

H.M. JR: Give it to Mrs. Klotz. And while you are going that, find out where they get their authority.

MR. PERLE: All right.

On November 4, Winant came back and he said that the Embassy took this matter up with the Director of the Inter-Governmental Committee and received from him this letter. This letter says, "After referring to this matter, we got in touch with the World Jewish Congress and asked them to ascertain the information on which Dr. Goldman's information was based, which was several months old. They promised to get more information. In the meantime they talked to Prof. Brodetsky, of the Jewish Board of Deputies. He had received word from an Army chaplain now in Italy who had been in touch with the Yugoslav refugees in the camp.

In other words, there is a camp at Bari, in which the Yugoslav refugees who have apparently been coming over--

H.M. JR: Bari, Italy?

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Mr. PERLE: Yes. ...coming over from Yugoslavia under their own power are being taken care of. The letter to the chaplain is dated the 8th of October, '43.

At that time, according to his information, there were three thousand Yugoslav Jews on the Island, their position being precarious, since the Island has changed hands several times. But he suggested their safety could be insured by evacuation and concentration in the existing refugee camp at Bari.

He further said that failing direct help, the refugees might be able to hire Italian boats to bring them to safety if they had the necessary funds.

Although the situation may have materially changed since the Army chaplain wrote this letter, there appears to be some chance the military authorities in Italy might be able to offer assistance.

Malin and the Director of the Inter-Governmental Committee have carefully considered what action is possible, and recommend the following: The appropriate military authorities in North Africa and Italy have practical means of helping them. Transportation involves military consideration, on which they have no opinion.

Failing practical assistance, those who did reach the mainland could be kept in the Bari area pending - and so forth. Costs of the transportation would be small, and so forth.

On the grounds of urgency, they are putting forward their suggestions immediately, and they suggest that the Department of State be asked to make the necessary approach to the appropriate authorities.

That was November 4.

The next document is dated January 3, '44. It is a cable to Winant and says, with reference to this

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matter we have the following, quoted from a letter from the Joint Chiefs of Staff, dated December 15. In other words, State took it up with the Joint Chiefs of Staff. This is what they say:

"The Commanding General of North African Theater of Operations has been consulted with regard to this matter, and pursuant to his recommendations it has been determined that the military situation does not permit the military authorities to render any direct assistance to these refugees at this time.

"The Theater Commander has reported the supplies and facilities for displaced persons in Italy are already overstrained and the demands for these items should, if possible, be reduced.

"Aside from the fact that operational needs do not permit the rendition of assistance to these refugees, it is considered that to take such action might create a precedent which would lead to other demands and an influx of additional refugees for the care of which the military authorities would be unable to provide facilities and supplies.

"Although recommending that no direct assistance or funds be provided, the Theater Commander states that he will continue as in the past to care for any refugees who should be able to reach Italy as a result of their own efforts.

"Our latest information is that refugees on the Island of Rab, together with those on Otocac, total approximately fifteen hundred, and the majority of these refugees are Jews."

"Since receipt of the letter in reference Department (State), Germans now hold Rab." State advised Winant to inform the Inter-Governmental Committee, and if they have any better suggestions, the Department should be informed.

Now that, to me, illustrates.

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H.M.JR: In the meantime the Germans took the Island?

Mr. PERLE: Now the Germans have the Island again. There isn't anything that can be done. It is somewhat dubious. If anybody can do anything for these refugees, the military authorities and the Red Cross in Italy could do it.

H.M.JR: I still think - isn't there anywhere a case, you see, which you could use? I don't know whether it is too late now - these four or five thousand children in France - whether that time has passed, you see. But here you are, and if you could say to the State Department, "Here are a thousand - these can be moved tomorrow. Now what are you going to do?" - See?

Mr. LUXFORD: Couldn't we say that the woods are full of potential projects?

H.M.JR: No.

Mr. LUXFORD: There is this difference, Mr. Secretary.

H.M.JR: No, because the impression I have got - "Now, I challenge you to produce."

Mr. LUXFORD: The woods are full of potential projects just reported to us - three or four that are worthwhile. But we can't do a thing unless we have a right to get in here and pitch on these things. The woods are full of potential projects.

Mr. PERLE: Well, the French children thing is a Governmental issue.

Mr. DuBOIS: Probably be solved like that, if you had someone with power and will to act.

Mr. PAUL: The real question is not a specific project, but getting this out of the State Department.

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MR. PENLE: Until you do, Mr. Secretary, these things are pin-pricks. Something could have been done in the Yugoslav case. Maybe it still can.

H.M. JR: I agree with you, but I am not going to digress from the point - the position that I am taking. I don't know, if you press this French children thing, they said that the people would have to go underground. I don't know whether there is anybody to deal with. I listen very carefully, and when you get down to the thing on the French children, I don't know whether--

MR. WHITE: Mr. Secretary, the same things that are troubling you, troubled me, and I wanted to say what are the specific projects that you can get, and action that can be taken. Aren't there one, two, three, four, five?

After much discussion and examination of the various possibilities, I became convinced there are none such, and that to approach it from that point of view is to completely miss the potentialities, that if they were as simple as that, if there were a thousand persons here, would somebody, by a word or statement - or several people, by a statement - were prevented from getting into an area which would give them protection, the thing would be much more simple, and I don't think that would have reached that far. It is because the cases are far more obscure, they are far more generalized, they require day-to-day decisions, impelled by the most forceful kind of desire, and they require something which is not merely a statement of getting a specific paper, or a specific decision, but a whole host of little actions, little decisions, which depend upon the right kind of administration, and I think to seek--

H.M. JR: Let me interrupt you, Harry, because I can't take too much pounding today. Supposing I go to the President with the most terrific document of condemnation of these people, and he turns to me and says, "Henry, I have never been so shocked in my life. What can I do?"



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MR. WHITE: We have a specific proposal.

MR. PEHLE: An Executive Order, Mr. Secretary.

MR. PAUL: You won't have to go to him with no implementation.

H.M.JR: But the thing is even more shocking because, I think, in some of these cases that I have listened to, the time has gone by that you can do anything.

MR. PEHLE: That is where we don't hear about them until it is too late.

MR. GASTON: This commanding general's document there is tremendously shocking to me, because what he says is, "We don't want to give any physical or monetary aid to these people on this Island because it will create a precedent and stimulate an influx of refugees, and we are not ready and don't want to take care of them."

MR. WHITE: We will take care of Italians, who are enemies, but not--

H.M.JR: All right, all right. Look, let me suggest this. I think, at this meeting, because it ties up a lot of people - I think at this meeting there should be two people from the White House, say, to save time. One is Judge Rosenman, and the other is Ben Cohen. And then if there is some drafting to be done, or something like that, it is much better to have an Executive Order drafted over there.

MR. GASTON: I would like to have one other fellow if he were well enough to come. I would like to have Harry Hopkins, but he won't be well enough.

H.M.JR: I don't agree with you. I have gone to Hopkins; I have never seen him do a thing. But I do think that to save time it would be useful to have Rosenman and Cohen.

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MR. PEMLE: We ought to talk to you about the Executive Order first, because it involved you and Mr. Crowley, the way it is done.

H.M.JR: That is all right. I can learn my lesson simultaneously. I mean, what harm can there be of having Rosenman and Cohen?

MR. WHITE: I think it is desirable. I would like to suggest in a few words what we had hoped to have for you on Monday.

H.M.JR: I haven't got the time. This thing has dragged along so long.

MR. WHITE: We'll have it on Saturday afternoon. It is what we hope to have for you, for you to use if you decide that is the appropriate measure.

H.M.JR: Why can't I have them sit here? I know them well enough as part of the picture, and let them make up their minds with me.

MR. WHITE: I think it is an excellent idea.

MR. LUXFORD: Mr. Secretary, we can indicate to you projects that are on the griddle right now that, if you had a committee of this character you might be very successful.

H.M.JR: That is the suggestion of the original committee - this is the Crowley, Stettinius, Morgenthau?

MR. LUXFORD: Right. But if you had that kind of an organization there are projects on the fire right now where you could make a real contribution, and I can list them for you right now if you want them. But that is an altogether different thing from saying what can you do in your capacity as Secretary of the Treasury, going hat in hand, to Mr. Hull. You won't get anything on these projects with those, but you can do it if you are in this committee.

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MR. WHITE: You will get a specific question, "Well, Henry, what did you want me to do, and I will do it," which is exactly the approach that will lead to very meager results, and will mean that you will have to keep constantly on the ball and get very little.

MR. PAUL: That ties in with Connally's and Bloom's objections to this Senate bill.

H.M.JR: What is that?

MR. LUXFORD: We can give you a little background on that. There have been hearings before both the House and the Senate on the ridiculous operations of State on the refugee problem. The Senate Foreign Relations Committee reported out unanimously a resolution calling for the establishment of a commission by the President to take this thing out of State and to handle the Jewish refugee problem.

Now, the House Foreign Relations Committee, Bloom's committee, had been holding hearings on the same problem, and Bloom is having to do everything he can possibly do to keep that resolution from being reported out of the House Foreign Relations Committee.

Now, Bloom--

H.M.JR: Why shouldn't it be?

MR. LUXFORD: Bloom has only these two things in mind, apparently: One, that he was in on the Bermuda Conference, he was the delegate - the case reflects on that; and secondly, he probably feels that it will be a blow to the Administration to have this thing thrown out onto the Floor of the House and debated on the basis that it will be debated. It will not be any pleasant thing.

MR. PAUL: Therefore, his remedy is an Executive Order - let's do it without a statute.

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MR. LUXFORD: That is the point - let's do this thing and get the credit for it.

H.M.JR: Herbert, can you see any objection to inviting in, Saturday morning, Rosenman, Cox, and Ben Cohen?

MR. GASTON: No.

H.M.JR: So we can do our homework together, because I have tried to make up my mind as we go along. And if necessary, we will carry over until Saturday afternoon. But it is the last chance I have for a week.

MR. LUXFORD: Are you prepared to disclose our hand? That is, what you have got on State, at that meeting?

H.M.JR: Yes. Two of these men are on the President's pay roll.

MR. LUXFORD: I realize that. I only call your attention to one thing, that Oscar Cox is very friendly to Stettinius, and Stettinius is right with you on this, I think. But what is said may get back to Stettinius.

MR. WHITE: I doubt very much whether that need give you concern.

H.M.JR: That doesn't bother me.

MR. LUXFORD: I just wanted you to know about it.

H.M.JR: Now, look, I will take care of Oscar Cox. I mean, if necessary, I can take care of Oscar Cox. Don't you agree with me, Harry?

MR. WHITE: Yes, I do, sir.

H.M.JR: Let me just start this thing going.

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MR. GASTON: I think this, in reference to what you said about specific projects: I think that our report to the President ought to state something in general, as specific as we can make it, about the scope of the problem and the prospects of getting people out, and prospects about how many are trying to get out, and what can be done to aid them.

MR. WHITE: We intended to say that in a very general way, because we all appreciate the fact that as the war moves toward the end, that there are all kinds of opportunity opening up in the satellite nations which become apparent as you go along, which require quick and decisive action, and which are not evidenced now.

H.M.JR: Gentlemen, may I say this? What the Commanding General says is no different from what the English Foreign Office says, and what everybody else has said. The whole strain is this: "This thing is a damned nuisance."

MR. DuBOIS: That is it.

MR. LUXFORD: "Why should we be tagged with it?" That is what he says.

H.M.JR: When you get through with it, the attitude to date is no different from Hitler's attitude.

MRS. KLOTZ: Exactly.

MR. WHITE: I think it is worse, because it is covered up by a species of hypocrisy in which men are deterred from doing what they should wish to do, either because it is difficult--

MR. GASTON: You are unfair. We don't shoot them. We let other people shoot them, and let them starve.

MR. PAUL: Starve and get all kinds of diseases.

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MR. WHITE: It is curious how many different reasons can be thought up for not taking action.

MR. PAUL: Haven't got any water - haven't got any ships.

MR. WHITE: Yes, didn't have any water down in North Africa.

MR. PAUL: How the devil a lot of these people lived there before, I don't know.

MR. LUXFORD: Let me give you a sample of one of those run-arounds: The World Jewish Congress has a proposal for ten million dollars to be made available to the International Red Cross, which the Red Cross thinks they can use primarily for relief in Central Europe.

H.M.Jk: How much money?

MR. LUXFORD: Ten million dollars, primarily for relief to Jews in Central Europe and Transnistria. But they also indicated the possibility of getting part of that fund to get some people out of Transnistria. They went to the State Department on that. They said, "We would like to have some assistance on this."

Long first tossed it into the waste-paper basket; namely, the Inter-Governmental Committee. Yesterday they went back and said, "Can you put up some money?"

(The Secretary held a telephone conversation with Oscar Cox, as follows:)

January 13, 1944  
11:30 a.m.

HMJr: Hello.

Operator: Judge Rosenman will call you back in about twenty minutes.

HMJr: Yes.

Operator: And I have Mr. Cox.

HMJr: All right.

Operator: Go ahead.

Oscar  
Cox: Hello.

HMJr: Oscar.

C: Yes, sir.

HMJr: I would like to invite you to come to the Treasury at 9:30 Saturday morning on this Refugee business.

C: Yes, air.

HMJr: You'll have to give me your word of honor that this is something only between the Treasury and the President.

C: Oh, sure.

HMJr: See?

C: I won't even tell Louise.

HMJr: Well, you can tell Louise.

C: All right. I'll be there.

HMJr: This is something that's between the President and the Treasury and if you can disassociate yourself to that extent, I'd like you to come.

C: I can, yeah.

HMJr: It will take, most likely, all of Saturday morning and if we can't come to a decision, I'm holding all of Saturday for this.

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C: Right.

HMJr: Because before sunset I've got to -- I'm going to make some kind of a decision.

C: Right. I'll be there.

HMJr: And you can come on that basis.

C: Yes, sir.

HMJr: I thank you.

C: All right.

HMJr: Bye.

C: Bye.



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H.M.JR: He is a smart operator.

MR. LUXFORD: We know that very well.

H.M.JR: Well, he is on my side.

MR. LUXFORD: I am sure he is.

Schulman went to see Long day before yesterday, Schulman, of the World Jewish Congress. He said they would like to have a contribution. Long said, "There is no money in the President's Fund to be used; there is just no money available."

I just checked this morning and there is some seventy million dollars in the President's Fund that is unallocated. The State Department has apparently funds in their allocation out of that fund, and moreover, if they wanted any more they could get it with a snap of their fingers. It is just a sample.

What he told them to do was to go to Congress and get an appropriation. By the time you got an appropriation, this whole thing would be over.

(The Secretary held a telephone conversation with Judge Rosenman, as follows:)

January 13, 1944  
11:33 a.m.

Judge  
Rosenman:

Goldman, you know - our friend was over here and said that Dr. Weizmann wanted to send me some information, so I told him to send it with some fellow coming over in OWI.

HM Jr: Yeah.

R: He delivered it to OWI, and they sent it over to me in the pouch, which is not 100 per cent kosher, but I find in addition to a letter to me a letter addressed to you in a sealed envelope, so I was going to send it over.

HM Jr: Would you do that?

R: Yes.

HM Jr: All right.

Now look, Sam. Saturday morning at 9:30 the Treasury is having a meeting here in regard to this whole question of refugees.

R: Uh-huh.

HM Jr: And I'm inviting you to come as Assistant to the President. It will take most of the morning.

R: Uh-huh.. Well, now is that wise to have the President to have the President in it?

HM Jr: Oh, yes, because the chances are the thing will have to go to the President. Don't worry whether it is wise or not until you hear it.

R: Well, there won't be any publicity about that?

HM Jr: There never is from the Treasury.

R: Well, all right. No, but I mean .....

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HM Jr: No, I - I ....

R: No, but what I was thinking of is whether we ought to get the President in on any refugee problem, right now.

HM Jr: Wait until you hear the case. The thing - I am going to do my homework with my own Treasury people, and rather than have to do it all over again - which may take all day - I thought that you might - I would like very much to have you go along as we go along. This is the result of three weeks of intensive preparation.

R: I see. Well, do I understand only Treasury people are going to be there?

HM Jr: No, I am inviting you, and I am inviting Ben Cohen and Oscar Cox.

R: Uh-huh.

HM Jr: And the rest will be Treasury people.

R: Uh-huh. Can I give you my first reaction?

HM Jr: Yes.

R: I don't suppose there will be any leak on the thing, will there?

HM Jr: There will be no leak.

R: The thing I am thinking about is whether when you talk about refugees you want to have three Jews. You're not only talking about Jewish refugees?

HM Jr: I'm talking about refugees.

R: Yes. Well, I have my reservations about those three people. I can see that I can be there with respect to the President. What would Ben be there? Just as an individual?

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- HM Jr: No, he is coming from the White House, too.
- R: And Cox?
- HM Jr: Cox is coming over as special advisor to me, but with the understanding that he is coming - that this is just between the Treasury and the President, and nobody else. I asked him if he could detach himself, and he said that he could.
- I don't think you have any conception of how serious this thing is.
- R: Well, I am sure I have.
- HM Jr: Well, if you have I don't see how you can keep the President out of it.
- R: Well, I don't - I don't say the President ought to be kept out of it. He is the only one who can solve it eventually.
- HM Jr: Well, that's the point.
- R: But the thing that I am most - if it is an off-the-record thing, why I don't see any harm in it at all.
- HM Jr: Well, look, if the only thing you are worrying about is publicity, I can guarantee you there will be no publicity.
- R: All right. Well then certainly it doesn't make much difference who is there. If it is - if there were to be publicity, I think the choice of the three people is terrible.
- HM Jr: Don't worry about the publicity. What I want is intelligence and courage - courage first and intelligence second.
- R: All right. I can't get there at 9:30 because I am over in the bedroom, but I will come over as soon as I leave the bedroom.

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HM Jr: All right, but we'll start at 9:30.

R: Yes. That's the time we are supposed to be over there.

HM Jr: But you better allow the rest of the morning.

R: That - that would be simple.

HM Jr: What?

R: That's all right.

HM Jr: Would you rather have us start at - well, I can start and then you can pick up - or would you rather have us wait and make it 10:00?

R: Well, no. You people start and I'll come over as soon as I am through.

HM Jr: All right.

R: I'll send this over - it's addressed to Mrs. Klotz and I'll send it right over.

HM Jr: That's all right.

R: Okay.

HM Jr: And then I will expect you Saturday.

R: Right.

HM Jr: And it may slop over until Saturday afternoon. I'm - I'm setting aside all of Saturday for it.

R: Uh-huh. Okay, I'll be over there.

HM Jr: All right.

R: All right.

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(Mrs. Morgenthau entered the conference)

H.M.JR: My God! Sam Rosenman: "Would there be any publicity? Would there be any leaks?" He thought the choice of people coming was very bad. He said that the President should be kept out of the refugee matter.

I said, "Do you realize how serious it is?"

He said, "I realize, but it is a bad time to bring the President in."

"Yes, I realize nobody can solve it but the President. Will anybody know I am going to be there?"

MRS. KLOTZ: It is inconceivable.

MR. WHITE: Bring him in through the radio.

H.M.JR: Herbert, would you excuse yourself and take my wife to your room, since she has dropped everything-- (Mrs. Morgenthau left the conference)

He (Rosenman) is working, ostensibly, for the President with Hull on the White Paper, do you see? And if this went to the President, and he didn't know about it, he could very well block it, just the way he has started to block it already. Do you see?

Now, you have got to carry him with you, and he has got to, at least in front of us, say, "Well, I think this is wrong," and so forth. But if this went to the President without him, well, use your own judgment. I mean, you have got to carry with you the people that the President may turn to, and I haven't got the energy to do the thing twice and take Rosenman for a night alone and try to do this thing with him.

Now it was the same way when Rosenman was given the contract by the President to get out a joint statement, England and ourselves, causing the Jews all over the world to stop protesting against the Arabs, and so forth. He had to contract to do that. I

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finally told him it was a mistake, that the worst thing in the world was - why should England and the United States censure the Jews at this time?

MRS. KLOTZ: But he was all ready to do it until Mr. Morgenthau entered into it.

H.M.JR: But take it from me, it adds to our difficulty to have a meeting with him present, but it is much better to add to it, because fellows like Ben Cohen and the rest will cut his throat. Oscar Cox, you see - you have got to carry him - he is in a position that you have got to carry him along.

MR. PAUL: What would you think of giving him a copy of that memo that I just gave you?

MR. WHITE: No, I think the thing to do is to work on him while he is here, because that kind of a fellow - what you tell him in his own private boudoir merely supplies him with arguments to answer. That kind of mentality can only be pushed and shamed into a position by virtue of a group activity. I don't mean to make an invidious comparison when I say that kind of mentality; I mean that attitude.

MRS. KLOTZ: When we have him imbibed with some of the stuff you boys have, he will get the spirit.

MR. WHITE: Yes.

H.M.JR: In the final analysis, he is a fine person, but he is surrounded by a lot of reactionary people, and we have got to work on him. He will be all right. But it is much better to take it on Saturday.

MR. WHITE: You are right. Otherwise he will oppose it when you are not in a position to meet his arguments; whereas, you have either got to render him on your side, or at least weaken his opposition.

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H.M.JR: And where he specifically asks me please to keep him posted on anything that I do on Jewish affairs--

MR. WHITE: He did?

H.M.JR: Yes, he did.

MR. WHITE: What would he do with the information you were going to post him on?

H.M.JR: So we could work at cross purposes.

MR. WHITE: What purpose is he working on?

H.M.JR: He is working on the White Paper.

Well, I could have talked more freely, a little bit more emphatically, if I hadn't had some people here, but maybe it is just as well that I didn't.

MR. LUXFORD: You told him it took courage.

H.M.JR: I said courage and intelligence.

MR. PAUL: Courage first.

H.M.JR: All right.



Jan 13, 1944

REPORT TO THE SECRETARY ON THE ACQUIESCENCE  
OF THIS GOVERNMENT IN THE MURDER OF THE JEWS.

One of the greatest crimes in history, the slaughter of the Jewish people in Europe, is continuing unabated.

This Government has for a long time maintained that its policy is to work out programs to save those Jews of Europe who could be saved.

I am convinced on the basis of the information which is available to me that certain officials in our State Department, which is charged with carrying out this policy, have been guilty not only of gross procrastination and wilful failure to act, but even of wilful attempts to prevent action from being taken to rescue Jews from Hitler.

I fully recognize the graveness of this statement and I make it only after having most carefully weighed the shocking facts which have come to my attention during the last several months.

Unless remedial steps of a drastic nature are taken, and taken immediately, I am certain that no effective action will be taken by this Government to prevent the complete extermination of the Jews in German controlled Europe, and that this Government will have to share for all time responsibility for this extermination.

The tragic history of this Government's handling of this matter reveals that certain State Department officials are guilty of the following:

(1) They have not only failed to use the Governmental machinery at their disposal to rescue Jews from Hitler, but have even gone so far as to use this Government machinery to prevent the rescue of these Jews.

(2) They have not only failed to cooperate with private organizations in the efforts of these organizations to work out individual programs of their own, but have taken steps designed to prevent these programs from being put into effect.

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(3) They not only have failed to facilitate the obtaining of information concerning Hitler's plans to exterminate the Jews of Europe but in their official capacity have gone so far as to surreptitiously attempt to stop the obtaining of information concerning the murder of the Jewish population of Europe.

(4) They have tried to cover up their guilt by:

(a) concealment and misrepresentation;

(b) the giving of false and misleading explanations for their failures to act and their attempts to prevent action;

(c) the issuance of false and misleading statements concerning the "action" which they have taken to date.

Although only part of the facts relating to the activities of the State Department in this field are available to us, sufficient facts have come to my attention from various sources during the last several months to fully support the conclusions at which I have arrived.

(1) State Department officials have not only failed to use the Governmental machinery at their disposal to rescue the Jews from Hitler, but have even gone so far as to use this Governmental machinery to prevent the rescue of these Jews.

The public record, let alone the facts which have not as yet been made public, reveals the gross procrastination and wilful failure to act of those officials actively representing this Government in this field.

(a) A long time has passed since it became clear that Hitler was determined to carry out a policy of exterminating the Jews in Europe.

(b) Over a year has elapsed since this Government and other members of the United Nations publicly acknowledged and denounced this policy of extermination; and since the President gave assurances that the United States would make every effort together with the United Nations to save those who could be saved.

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(c) Despite the fact that time is most precious in this matter, State Department officials have been kicking the matter around for over a year without producing results; giving all sorts of excuses for delays upon delays; advancing no specific proposals designed to rescue Jews, at the same time proposing that the whole refugee problem be "explored" by this Government and Intergovernmental Committees. While the State Department has been thus "exploring" the whole refugee problem, without distinguishing between those who are in imminent danger of death and those who are not, hundreds of thousands of Jews have been allowed to perish.

As early as August 1942 a message from the Secretary of the World Jewish Congress in Switzerland (Riegner), transmitted through the British Foreign Office, reported that Hitler had under consideration a plan to exterminate all Jews in German controlled Europe. By November 1942 sufficient evidence had been received, including substantial documentary evidence transmitted through our Legation in Switzerland, to confirm that Hitler had actually adopted and was carrying out his plan to exterminate the Jews. Sumner Welles accordingly authorized the Jewish organizations to make the facts public.

Thereupon, the Jewish organizations took the necessary steps to bring the shocking facts to the attention of the public through mass meetings, etc., and to elicit public support for governmental action. On December 17, 1942, a joint statement of the United States and the European members of the United Nations was issued calling attention to and denouncing the fact that Hitler was carrying into effect his oft-repeated intention to exterminate the Jewish people in Europe.

Since the time when this Government knew that the Jews were being murdered, our State Department has failed to take any positive steps reasonably calculated to save any of these people. Although State has used the devices of setting up inter-governmental organizations to survey the whole refugee problem, and calling conferences such as the Bermuda Conference to explore the whole refugee problem, making it appear that positive action could be expected, in fact nothing has been accomplished.

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Before the outcome of the Bermuda Conference, which was held in April 1943, was made public, Senator Langer prophetically stated in an address in the Senate on October 8, 1943:

"As yet we have had no report from the Bermuda Refugee Conference. With the best good will in the world and with all latitude that could and should be accorded to diplomatic negotiations in time of war, I may be permitted to voice the bitter suspicion that the absence of a report indicates only one thing -- the lack of action.

"Probably in all 5703 years, Jews have hardly had a time as tragic and hopeless as the one which they are undergoing now. One of the most tragic factors about the situation is that while singled out for suffering and martyrdom by their enemies, they seem to have been forgotten by the nations which claim to fight for the cause of humanity. We should remember the Jewish slaughterhouse of Europe and ask what is being done -- and I emphasize the word 'done' -- to get some of these suffering human beings out of the slaughter while yet alive.

"\* \* \* Perhaps it would be necessary to introduce a formal resolution or to ask the Secretary of State to report to an appropriate congressional committee on the steps being taken in this connection. Normally it would have been the job of the Government to show itself alert to this tragedy; but when a government neglects a duty it is the job of the legislature in a democracy to remind it of that duty. \* \* \* It is not important who voices a call for action, and it is not important what procedure is being used in order to get action. It is important that action be undertaken."

Similar fears were voiced by Representatives Celler, Dickstein, and Klein. Senator Warner and Representative Sadowski also issued calls for action.

The widespread fears concerning the failure of the Bermuda Conference were fully confirmed when Breckinridge Long finally revealed some of the things that had happened at that Conference in his statement before the Committee on Foreign Affairs of the House on November 26, 1943.

After Long's "disclosure" Representative Celler stated in the House on December 20, 1943:

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"He discloses some of the things that happened at the so-called Bermuda Conference. He thought he was telling us something heretofore unknown and secret. What happened at the Bermuda Conference could not be kept executive. All the recommendations and findings of the Bermuda Conference were made known to the Intergovernmental Committee on Refugees in existence since the Evian Conference on Refugees in 1938 and which has been functioning all this time in London. How much has that committee accomplished in the years of its being. It will be remembered that the Intergovernmental Committee functions through an executive committee composed of six countries, the United States, the United Kingdom, the Netherlands, France, Brazil, and Argentina. True, no report of the Bermuda Conference was made public. But a strangely ironical fact will be noted in the presence of Argentina on this most trusted of committees, Argentina that provoked the official reprimand of President Roosevelt by its banning of the Jewish Press, and within whose borders Nazi propagandists and falangists now enjoy a Roman holiday. I contend that by the very nature of its composition the Intergovernmental Committee on Refugees cannot function successfully as the instrumentality to rescue the Jewish people of Europe. The benefits to be derived from the Bermuda Conference like those of the previous Evian Conference can fit into a tiny capsule."

One of the best summaries of the whole situation is contained in one sentence of a report submitted on December 20, 1943, by the Committee on Foreign Relations of the Senate, recommending the passage of a Resolution (S.R. 203) favoring the appointment of a commission to formulate plans to save the Jews of Europe from extinction by Nazi Germany. The Committee stated:

"We have talked; we have sympathized; we have expressed our horror; the time to act is long past due."

The Senate Resolution had been introduced by Senator Guy M. Gillette in behalf of himself and eleven colleagues, Senators Taft, Thomas, Radcliffe, Murray, Johnson, Guffey, Ferguson, Clark, Van Nuys, Downey, and Ellender.

The House Resolutions (H.R.'s 350 and 352), identical with the Senate Resolution, were introduced by Representatives Baldwin and Rogers.

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The most glaring example of the use of the machinery of this Government to actually prevent the rescue of Jews is the administrative restrictions which have been placed upon the granting of visas to the United States. In the note which the State Department sent to the British on February 25, 1943 it was stated:

"Since the entry of the United States into the war there have been no new restrictions placed by the Government of the United States upon the number of aliens of any nationality permitted to proceed to this country under existing laws, except for the more intensive examination of aliens required for security reasons." (Underscoring supplied)

The exception "for security reasons" mentioned in this note is the joker. Under the pretext of security reasons so many difficulties have been placed in the way of refugees obtaining visas that it is no wonder that the admission of refugees to this country does not come anywhere near the quota, despite Long's statement designed to create the impression to the contrary. The following administrative restrictions which have been applied to the issuance of visas since the beginning of the war are typical.

(a) Many applications for visas have been denied on the grounds that the applicants have close relatives in Axis controlled Europe. The theory of this is that the enemy would be able to put pressure on the applicant as a result of the fact that the enemy has the power of life or death over his immediate family.

(b) Another restriction greatly increases the red tape and delay involved in getting the visa and requires among other things two affidavits of support and sponsorship to be furnished with each application for a visa. To each affidavit of support and sponsorship there must be attached two letters of reference from two reputable American citizens.

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If anyone were to attempt to work out a set of restrictions specifically designed to prevent Jewish refugees from entering this country it is difficult to conceive of how more effective restrictions could have been imposed than have already been imposed on grounds of "security".

It is obvious of course that these restrictions are not essential for security reasons. Thus refugees upon arriving in this country could be placed in internment camps similar to those used for the Japanese on the west Coast and released only after a satisfactory investigation. Furthermore, even if we took these refugees and treated them as prisoners of war it would be better than letting them die.

Representative Dickstein stated in the House on December 15:

"If we consider the fact that the average admission would then be at the rate of less than 58,000 per year, it is clear that the organs of our Government have not done their duty. The existing quotas call for the admission of more than 150,000 every year, so that if the quotas themselves had been filled there would have been a total of one-half million and not 580,000 during the period mentioned.

"But that is not the whole story. There was no effort of any kind made to save from death many of the refugees who could have been saved during the time that transportation lines were available and there was no obstacle to their admission to the United States. But the obstructive policy of our organs of government, particularly the State Department, which saw fit to hedge itself about with rules and regulations, instead of lifting rules and regulations, brought about a condition so that not even the existing immigration quotas are filled."

Representative Celler stated in the House on June 30:

"Mr. Speaker, nations have declared war on Germany, and their high-ranking officials have issued pious protestations against the

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Nazi massacre of Jewish victims, but not one of those countries thus far has said they would be willing to accept these refugees either permanently or as visitors, or any of the minority peoples trying to escape the Hitler prison and slaughterhouse.

"Goebbels says: 'The United Nations won't take any Jews. We don't want them. Let's kill them.' And so he and Hitler are marking Europe Judentun.

"Without any change in our immigration statutes we could receive a reasonable number of those who are fortunate enough to escape the Nazi hellhole, receive them as visitors, the immigration quotas notwithstanding. They could be placed in camps or cantonments and held there in such havens until after the war. Private charitable agencies would be willing to pay the entire cost thereof. They would be no expense to the Government whatsoever. These agencies would even pay for transportation by ships to and from this country.

"We house and maintain Nazi prisoners, many of them undoubtedly responsible for Nazi atrocities. We should do no less for the victims of the rage of the Huns."

Again, on December 20, he stated:

"According to Earl G. Harrison, Commissioner of the Immigration and Naturalization Service, not since 1862 have there been fewer aliens entering the country.

"Frankly, Breckinridge Long, in my humble opinion, is least sympathetic to refugees in all the State Department. I attribute to him the tragic bottleneck in the granting of visas.

"The Interdepartmental Review Committees which review the applications for visas are composed of one official, respectively, from each of the following Departments: War, Navy, F.B.I., State, and Immigration. That committee has been glacierlike in its slowness and coldbloodedness. It takes months and months to grant the visas and then it usually applies to a corpse.

"I brought this difficulty to the attention of the President. He asked Long to investigate at once. No, there has been no change in conditions. The gruesome bottleneck still exists."



(2) State Department officials have not only failed to cooperate with private organizations in the efforts of these organizations to work out individual programs of their own, but have taken steps designed to prevent these programs from being put into effect.

The best evidence in support of this charge are the facts relating to the proposal of the World Jewish Congress to evacuate thousands of Jews from Rumania and France. The highlights relating to the efforts of State Department officials to prevent this proposal from being put into effect are the following:

(a) On March 13, 1943, a cable was received from the World Jewish Congress representative in London stating that information reaching London indicated the possibility of rescuing Jews provided funds were put at the disposal of the World Jewish Congress Representation in Switzerland.

(b) On April 10, 1943, Sumner Welles cabled our Legation in Bern and requested them to get in touch with the World Jewish Congress representative in Switzerland, whom Welles had been informed was in possession of important information regarding the situation of the Jews.

(c) On April 20, 1943, a cable was received from Bern relating to the proposed financial arrangements in connection with the evacuation of the Jews from Rumania and France.

(d) On May 25, 1943, State Department cabled for a clarification of these proposed financial arrangements. This matter was not called to the attention of the Treasury Department at this time.

(e) This whole question of financing the evacuation of the Jews from Rumania and France was first called to the attention of the Treasury Department on June 25, 1943.

(f) A conference was held with the State Department relating to this matter on July 15, 1943.

(g) One day after this conference, on July 16, 1943, the Treasury Department advised the State Department that it was prepared to issue a license in this matter.

(h) The license was not issued until December 18, 1943.

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During this five months period between the time that the Treasury stated that it was prepared to issue a license and the time when the license was actually issued delays and objections of all sorts were forthcoming from officials in the State Department, our Legation in Bern, and finally the British. The real significance of these delays and objections was brought home to the State Department in letters which you sent to Secretary Hull on November 24, 1943, and December 17, 1943, which completely restated the "excuses" which State Department officials had been advancing. On December 18 you made an appointment to discuss the matter with Secretary Hull on December 20. And then an amazing but understandable thing happened. On December 18, the day after you sent your letter and the day on which you requested an appointment with Secretary Hull, the State Department sent a telegram to the British Foreign Office expressing astonishment with the British point of view and stating that the Department was unable to agree with that point of view (in simple terms, the British point of view referred to by the State Department is that they are apparently prepared to accept the possible -- even probable -- death of thousands of Jews in enemy territory because of "the difficulties of disposing of any considerable number of Jews should they be rescued"). On the same day, the State Department issued a license notwithstanding the fact that the objections of our Legation in Bern were still outstanding and that British disapproval had already been expressed. State Department officials were in such a hurry to issue this license that they not only did not ask the Treasury to draft the license (which would have been the normal procedure) but they drafted the license themselves and issued it without even consulting the Treasury as to its terms. Informal discussions with certain State Department officials have confirmed what is obvious from the above mentioned facts.

Breckinridge Long knew that his position was so indefensible that he was unwilling to even try to defend it at your pending conference with Secretary Hull on December 20. Accordingly, he took such action as he felt was necessary to "cover up" his previous position in this matter. It is, of course, clear that if we had not made the record against the State Department followed by your request to see Secretary Hull, the action which the State Department officials took on December 18 would either never have been taken at all or would have been delayed so long that any benefits which it might have had would have been lost.

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(3) State Department officials not only have failed to facilitate the obtaining of information concerning Hitler's plans to exterminate the Jews of Europe but in their official capacity have gone so far as to surreptitiously attempt to stop the obtaining of information concerning the murder of the Jewish population in Europe.

The evidence supporting this conclusion is so shocking and so tragic that it is difficult to believe.

The facts are as follows:

(a) Sumner Welles as Acting Secretary of State requests confirmation of Hitler's plan to exterminate the Jews. Having already received various reports on the plight of the Jews, on October 5, 1942 Sumner Welles as Acting Secretary of State sent a cable (2314) for the personal attention of Minister Harrison in Bern stating that leaders of the Jewish Congress had received reports from their representatives in Geneva and London to the effect that many thousands of Jews in Eastern Europe were being slaughtered pursuant to a policy embarked upon by the German Government for the complete extermination of the Jews in Europe. Welles added that he was trying to obtain further information from the Vatican but that other than this he was unable to secure confirmation of these stories. He stated that Rabbi Wise believed that information was available to his representatives in Switzerland but that they were in all likelihood fearful of dispatching any such reports through open cables or mail. He then stated that Riegner and Lichtheim were being requested by Wise to call upon Minister Harrison; and Welles requested Minister Harrison to advise him by telegram of all the evidence and facts which he might secure as a result of conferences with Riegner and Lichtheim.

(b) State Department receives confirmation and shocking evidence that the extermination was being rapidly and effectively carried out. Pursuant to Welles' cable of October 5 Minister Harrison forwarded documents from Riegner confirming the fact of extermination of the Jews (in November 1942), and in a cable of January 21, 1943 (482) relayed a message from Riegner and Lichtheim which Harrison stated was for the information of the Under Secretary of State (and was to be transmitted to Rabbi Stephen Wise if the Under Secretary should so determine). This message described a horrible situation concerning the plight of Jews in Europe. It reported mass

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executions of Jews in Poland; according to one source 6,000 Jews were being killed daily; the Jews were required before execution to strip themselves of all their clothing which was then sent to Germany; the remaining Jews in Poland were confined to ghettos, etc.; in Germany deportations were continuing; many Jews were in hiding and there had been many cases of suicide; Jews were being deprived of rationed foodstuffs; no Jews would be left in Prague or Berlin by the end of March, etc.; and in Rumania 130,000 Jews were deported to Transnistria; about 60,000 had already died and the remaining 70,000 were starving; living conditions were indescribable; Jews were deprived of all their money, foodstuffs and possessions; they were housed in deserted cellars, and occasionally twenty to thirty people slept on the floor of one unheated room; disease was prevalent, particularly fever; urgent assistance was needed.

(c) Sumner Welles furnishes this information to the Jewish organizations. Sumner Welles furnished the documents received in November to the Jewish organizations in the United States and authorized them to make the facts public. On February 9, 1943 Welles forwarded the horrible message contained in cable 482 of January 21 to Rabbi Stephen Wise. In his letter of February 9 Welles stated that he was pleased to be of assistance in this matter.

Immediately upon the receipt of this message, the Jewish organizations arranged for a public mass meeting in Madison Square Garden in a further effort to obtain effective action.

(d) Certain State Department officials surreptitiously attempt to stop this Government from obtaining further information from the very source from which the above evidence was received. On February 10, the day after Welles forwarded the message contained in cable 482 of January 21 to Rabbi Wise, and in direct response to this cable, a most highly significant cable was dispatched. This cable, 354 of February 10, read as follows:

"Your 482, January 21

"In the future we would suggest that you do not accept reports submitted to you to be transmitted to private persons in the United States unless such action is advisable because of extraordinary circumstances. Such private messages circumvent neutral countries' censorship and it is felt that by sending them

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we risk the possibility that steps would necessarily be taken by the neutral countries to curtail or forbid our means of communication for confidential official matter.

Hull (SW)"

Although this cable on its face is most innocent and innocuous, when read together with the previous cables I am forced to conclude it is nothing less than an attempted suppression of information requested by this Government concerning the murder of Jews by Hitler.

Although this cable was signed for Hull by "SW" (Sumner Welles) it is significant that there is not a word in the cable that would even suggest to the person signing it that it was designed to countermand the Department's specific requests for information on Hitler's plans to exterminate the Jews. The cable appeared to be a normal routine message which a busy official would sign without question.

I have been informed that the initialled file copy of the cable bears the initials of Atherton and Dunn as well as of Darbow and Hickerson.

(e) Thereafter Sumner Welles again requested our Legation on April 10, 1943 (cable 877) for information, apparently not realizing that in cable 354 (to which he did not refer) Harrison had been instructed to cease forwarding reports of this character. Harrison replied on April 20 (cable 2460) and indicated that he was in a most confused state of mind as a result of the conflicting instructions he had received. Among other things he stated: "May I suggest that messages of this character should not (repeat not) be subjected to the restriction imposed by your 354, February 10, and that I be permitted to transmit messages from R more particularly in view of the helpful information which they may frequently contain?"

The fact that cable 354 is not the innocent and routine cable that it appears to be on its face is further highlighted by the efforts of State Department officials to prevent this Department from obtaining the cable and learning its true significance.

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The facts relating to this attempted concealment are as follows:

(i) Several men in our Department had requested State Department officials for a copy of the cable of February 10 (354). We had been advised that it was a Department communication; a strictly political communication, which had nothing to do with economic matters; that it had only had a very limited distribution within the Department, the only ones having anything to do with it being the European Division, the Political Adviser and Sumner Welles; and that a copy could not be furnished to the Treasury.

(ii) At the conference in Secretary Hull's office on December 20 in the presence of Breckinridge Long you asked Secretary Hull for a copy of cable 354, which you were told would be furnished to you.

(iii) By note to you of December 20, Breckinridge Long enclosed a paraphrase of cable 354. This paraphrase of cable 354 specifically omitted any reference to cable 482 of January 21 -- thus destroying the only tangible clue to the true meaning of the message.

(iv) You would never have learned the true meaning of cable 354 had it not been for the fact that one of the men in my office whom I had asked to obtain all the facts on this matter for me had previously called one of the men in another Division of the State Department and requested permission to see the cable. In view of the Treasury interest in this matter this State Department representative obtained cable 354 and the cable of January 21 to which it referred and showed these cables to my man.

(4) The State Department officials have tried to cover up their guilt by:

(a) concealment and misrepresentation

In addition to concealing the true facts from and misrepresenting these facts to the public, State Department officials have even attempted concealment and misrepresentation within the Government. The most striking example of this is

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the above mentioned action taken by State Department officials to prevent this Department from obtaining a copy of cable 354 of February 10 (which stopped the obtaining of information concerning the murder of Jews); and the fact that after you had requested a copy of this cable, State Department officials forwarded the cable to us with its most significant part omitted, thus destroying the whole meaning of the cable.

(b) the giving of false and misleading explanations for their failures to act and their attempts to prevent action.

The outstanding explanation of a false and misleading nature which the State Department officials have given for their failures to work out programs to rescue Jews, and their attempts to prevent action, are the following:

(i) The nice sounding but vicious theory that the whole refugee problem must be explored and consideration given to working out programs for the relief of all refugees -- thus failing to distinguish between those refugees whose lives are in imminent danger and those whose lives are not in imminent danger.

(ii) The argument that various proposals cannot be acted upon promptly by this Government but must be submitted to the Executive Committee of the Intergovernmental Committee on Refugees. This Committee has taken no effective action to actually evacuate refugees from enemy territory and it is at least open to doubt whether it has the necessary authority to deal with the matter.

(iii) The argument that the extreme restrictions which the State Department has placed on the granting of visas to refugees is necessary for "security reasons." The falsity of this argument has already been dealt with in this memorandum.

The false and misleading explanations, which the State Department officials gave for delaying for over six months the program of the World Jewish Congress for the evacuation of thousands of Jews from Rumania and France, are dealt with in your letter to Secretary Hull of December 17, 1948.

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A striking example is the argument of the State Department officials that the proposed financial arrangements might benefit the enemy. It is of course not surprising that the same State Department officials who usually argue that economic warfare considerations are not important should in this particular case attempt to rely on economic warfare considerations to kill the proposed program.

In this particular case, the State Department officials attempted to argue that the relief plan might benefit the enemy by facilitating the acquisition of funds by the enemy. In addition to the fact that this contention had no merit whatsoever by virtue of the conditions under which the local funds were to be acquired, it is significant that this consideration had not been regarded as controlling in the past by the State Department officials, even where no such conditions had been imposed.

Thus, in cases involving the purchase, by branches of United States concerns in Switzerland, of substantial amounts of material in enemy territory, State Department officials have argued that in view of the generous credit supplied by the Swiss to the Germans "transactions of this type cannot be regarded as actually increasing the enemy's purchasing power in Switzerland which is already believed to be at a maximum". It is only when these State Department officials really desire to prevent a transaction that they advance economic warfare considerations as a bar.

(c) the issuance of false and misleading statements concerning the "action" which they have taken to date.

It is unnecessary to go beyond Long's testimony to find many examples of misstatements. His general pious remarks concerning what this Government has done for the Jews of Europe; his statement concerning the powers and functions of the Intergovernmental Committee on Refugees; his reference to the "screening process" set up to insure wartime security, etc., have already been publicly criticized as misrepresentations.

A statement which is typical of the way Long twists facts is his remarks concerning the plan of a Jewish agency to send money to Switzerland to be used through the International Red Cross to buy food to take care of Jews in parts of Czechoslovakia and Poland. Long indicates that the Jewish agency requested that



- 17 -

the money be sent through the instrumentality of the Intergovernmental Committee. I am informed that the Jewish agency wished to send the money immediately to the International Red Cross and it was Long who took the position that the matter would have to go through the Intergovernmental Committee, thereby delaying the matter indefinitely. Long speaks of an application having been filed with the Treasury to send some of this money and that the State Department was supporting this application to the Treasury. The facts are that no application has ever been filed with the Treasury and the State Department has at no time indicated to the Treasury that it would support any such application.

The most patent instance of a false and misleading statement is that part of Breckinridge Long's testimony before the Committee on Foreign Affairs of the House (November 26, 1943) relating to the admittance of refugees into this country. Thus, he stated:

"\* \* \* We have taken into this country since the beginning of the Hitler regime and the persecution of the Jews, until today, approximately 580,000 refugees. The whole thing has been under the quota, during the period of 10 years -- all under the quota -- except the generous gesture we made with visitors' and transit visas during an awful period."

Congressman Emanuel Celler in commenting upon Long's statement in the House on December 20, 1943, stated:

"\* \* \* In the first place these 580,000 refugees were in the main ordinary quota immigrants coming in from all countries. The majority were not Jews. His statement drips with sympathy for the persecuted Jews, but the tears he sheds are crocodile. I would like to ask him how many Jews were admitted during the last 3 years in comparison with the number seeking entrance to preserve life and dignity. \* \* \* One gets the impression from Long's statement that the United States has gone out of its way to help refugees fleeing death at the hands of the Nazis. I deny this. On the contrary, the State Department has turned its back on the time-honored principle of granting havens to refugees. The tempest-tossed get little comfort from men like Breckinridge Long. \* \* \* Long says

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that the door to the oppressed is open but that it 'has been carefully screened.' What he should have said is 'barlocked and bolted.' By the act of 1924, we are permitted to admit approximately 150,000 immigrants each year. During the last fiscal year only 23,725 came as immigrants. Of these only 4,705 were Jews fleeing Nazi persecution.

\* \* \*

"If men of the temperament and philosophy of Long continue in control of immigration administration, we may as well take down that plaque from the Statue of Liberty and black out the 'lamp beside the golden door.'"



THE WHITE HOUSE  
WASHINGTON

*Not mail*  
1/13/47  
230

FOR IMMEDIATE RELEASE

President Roosevelt announced today that he had requested Cordell Hull, Secretary of State; Henry Morgenthau, Jr., Secretary of the Treasury; and Henry L. Stimson, Secretary of War, to take action for the immediate rescue and relief of the Jews of Europe and other victims of enemy persecution.

The President issued an Executive Order declaring "it is the policy of this Government to take all measures within its power to rescue the victims of enemy oppression who are in imminent danger of death and otherwise to afford such victims all possible relief and assistance consistent with the successful prosecution of the war." The Order establishes special Government machinery for executing this policy. It creates a War Refugee Board consisting of the Secretary of State, the Secretary of the Treasury, and the Secretary of War. The President indicated that Secretary Hull had named Under Secretary of State Stettinius to represent him on this Board.

The Board is charged with direct responsibility to the President in seeing that the announced policy is carried out. The President indicated that while he would look directly to the Board for the successful

- 2 -

execution of this policy, the Board, of course, would cooperate fully with the Intergovernmental Committee, the United Nations Relief and Rehabilitation Administration, and other interested international organizations.

The President stated that he expected the cooperation of all members of the United Nations and other foreign governments in carrying out this difficult but important task. He stated that the existing facilities of the State, Treasury and War Departments would be employed to furnish aid to Axis victims to the fullest extent possible. He stressed that it was urgent that action be taken to forestall the plot of the Nazis to exterminate the Jews and other persecuted minorities in Europe.

Simultaneously, the White House announced that the Board was appointing John W. Pehle, Assistant to the Secretary of the Treasury, as its Executive Director. It will be the duty of the Executive Director to arrange for the prompt execution of the plans and programs developed and the measures inaugurated by the Board.

1/13/44

TO: MRS. KLOTZ

MEMORANDUM FOR THE FILES

In connection with Shulman's statement in the attached memorandum that Long advised that there were no funds available or that the President's fund was exhausted, I checked with Mr. Heffelfinger this morning and he advised me that there is at present unallocated in the President's Defense fund the sum of eighty million dollars; that in addition, on November 30th, State Department had an allocation of thirty-five and one-half million dollars from such fund with a total of twenty-seven and one-half million dollars thereof obligated.

He further stated that if the State Department allocation were low there would not be the slightest difficulty in their obtaining further sums from the President's fund.

A.F.L.

STRICTLY CONFIDENTIAL

January 12, 1944

To Mr. Luxford

From Miss Hodel

At your request, Mr. Moskowitz and I talked this afternoon with Mr. Harry Shulman, New York attorney (39 Broadway), who stated that he was calling as a representative of the American Jewish Conference. He explained that he is a member of the Administrative Committee of the Conference and that he has been conducting negotiations in Washington concerning the \$10,000,000 Goldman Plan. These negotiations have involved recent conferences with Marc Peter, Delegate of the International Red Cross in the United States, Breckinridge Long and Congressman Bloom, certain aspects of which he desired to report to you. In addition, he had three requests to make of Treasury.

1. Meeting with Marc Peter.

Mr. Peter informed Mr. Shulman that he recently received a letter from the International Red Cross headquarters in Geneva stating that it was possible to carry on relief work in Rumania if adequate funds were made available. This letter (which was read to Shulman in French) seemed to imply that the International Red Cross could assist in evacuation as well as relief activities. Mr. Peter also advised Shulman that the International Red Cross man who is most familiar with these activities has recently left Geneva for London and, after conferences in London, will come to Washington.

2. Meeting with Breckinridge Long.

(a) Hungary. Long advised Shulman that the Hungarian Government is now prepared to facilitate the escape of Jews from Poland into Hungary and that 2,000 Jews have escaped already from Poland. Apparently, there is a committee of Poles operating in Hungary with the cooperation of certain sympathetic Hungarian officials

- 2 -

on the job of smuggling Jews across the Hungarian borders. In order to expand these activities, Shulman's group feels that it will be necessary to (a) organize the present movement in Hungary, and (b) supply such a group with adequate funds. With respect to organizing the movement, Shulman, on behalf of the American Jewish Conference, asked Long if this Government would permit the necessary communication with persons in Hungary through (a) the Vatican or (b) through citizens of Hungary presently in this country who would communicate with certain of their countrymen known to be interested in the work of rescuing the Jews, or (c) through Reigner in Switzerland. Shulman requested that State Department facilities be made available for such communications and Long said that State's facilities were available for communications involving these "humanitarian" programs.

(b) Transnistria. With respect to Transnistria, Long advised Shulman that State had approached the Rumanian Government on the question of permitting Jews in Transnistria to be removed back into Rumanian territory in order to escape from the retreating Germans. Long advised that 4,000 Jews had actually been moved from Transnistria but that the Rumanian Government was unable to cooperate further because of German interference. Mr. Shulman commented to us that four or five underground sources have indicated to his organization that, if funds were made available, many of the people in Transnistria could still be saved in spite of the Rumanian Government's attitude.

(c) Goldman Plan. Long advised Shulman that the Intergovernmental Committee had approved certain specific projects to be undertaken as a part of the so-called Goldman Plan, but he did not explain what projects they involved. When questioned by Mr. Shulman as to the financing of such projects, Mr. Long stated that there were no government funds available at the present time and that new legislation appropriating an additional \$15,000,000 for special relief work to be undertaken at the direction of the President would be required. In this connection, it should be noted that the Goldman Plan involved expenditures of a total of \$10,000,000, \$8,000,000 of which would be contributed

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by the British and American Governments and \$2,000,000 by private Jewish organizations in this country. Shulman's group strongly feels that the entire \$10,000,000 should be made available at once to the International Red Cross, while the State Department has taken the view that the program should be handled on a special project basis for which funds will be provided as the need arises. (It is not clear that the Goldman Plan specifically involved evacuation - but it is clear that it is designed to bring relief to the remaining Jews of Europe).

### 3. Meeting with Congressman Bloom.

In view of Long's statement that funds were not presently available for the projects said to have been approved by the Intergovernmental Committee, Shulman called on Congressman Bloom to discuss the legislative problem. Bloom explained that, with respect to the Jewish refugee problem, the attention of Congress would be directed first to the pending Gillette-Rogers resolutions and that, following action on these, consideration could be given to the appropriation action mentioned by Long. The length of time involved in getting such legislation is extremely distressing to Shulman and he stated that, pending governmental action on such an appropriation, his group would approach the JDC for \$2,000,000.

Shulman and Bloom apparently discussed in some detail the Rogers-Gillette resolutions and the nature of the commission which is proposed to be set up by the President. Shulman stated that his group did not oppose the Gillette-Rogers bill but they felt strongly that it did not provide for the proper type of commission. He pointed out that Dr. Stephen Wise, Dr. Goldman and himself had recommended that the President appoint a committee composed of representatives from State, Treasury and FEA, which committee would act in conjunction with the British and would implement the decisions of the Intergovernmental Committee. It is the feeling of the American Jewish Conference that this Government and Great Britain are already committed to operations through the Intergovernmental Committee and that any work on this problem should be within the framework already agreed to. The Gillette-Rogers commission would be wholly independent of the Intergovernmental Committee



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and would deal only with the Jewish refugees which the Shulman group feels is too narrow a field. They feel strongly that a Committee such as they favor would bring strength to the now ineffective Intergovernmental Committee on Refugees. (Bloom told Shulman that he had an executive order in his pocket which would set up such a committee.)

4. Shulman's requests to the Treasury.

(a) Does the Treasury know of any available Government funds that could be used immediately for the purpose of financing the projects which Long stated had been approved by the Intergovernmental Committee?

(b) What will the Treasury do to facilitate legislation to appropriate Government funds needed for the carrying out of the Goldman Plan?

(c) Would the Secretary of the Treasury be willing to take a definitive stand supporting the type of committee proposed by Wise, Goldman and Saulman and would he press for such a committee?

Mr. Shulman was advised that these questions would be presented to you for consideration. He expects to be in Washington again on January 19th and will probably try to arrange for a meeting with you.

(Initialed) F.H.

CC - Mr. Pehle

COPY

January 13, 1944

TO: Mr. Luxford  
FROM: Miss Model

I have not had time to do a complete memorandum on the Goldman Plan. The following is an excerpt from our report for November which gives a brief outline of the plan. I am also attaching the cable State sent to London on the plan.

"Program for the relief of surviving Jews in Central Europe. In September Dr. Nachum Goldman of the World Jewish Congress had proposed a \$10,000,000 program to the Department of State designed to provide food, clothing and medicine to groups of Jews in Poland, Czechoslovakia and other parts of central Europe. Dr. Goldman stated that the Jewish people in this country would raise privately approximately \$2,000,000 and he asked if the American Government could make some contribution in money to buy medicines and concentrated foods for the program. The International Red Cross would handle the distribution of the supplies. State advised Dr. Goldman that it would present his proposal to the Executive Committee of the Intergovernmental Committee on Refugees which was established to handle proposals of this character. He also was advised that we would be prepared to share with Great Britain the cost of specific projects approved by the Executive Committee of the Intergovernmental Committee on Refugees. An appropriate cable was sent to London by State and, in response, London advised that in studying the proposal the Intergovernmental Committee desired certain information concerning help which is presently being given to Jews in occupied territory. Specifically, they requested information regarding licenses now in force with respect to the purchase of food in neutral countries for distribution to groups in occupied territory. A study was made of all outstanding Treasury licenses relating to this subject and State was appropriately advised. This information was transmitted to London for the information of the Intergovernmental Committee."

(Initialed) F.H.

COPY

## TELEGRAM SENT

PLAIN

JG

September 29, 1943

AMBASSY

LONDON

6009, Twenty-ninth

Dr. Nachum Goldman of the World Jewish Congress has approached the Department with a proposal to provide food, clothing, and medicine to remnant groups of surviving Jews who may be specifically located in Poland, Czechoslovakia, and other parts of central Europe.

Dr. Goldman proposed that the International Red Cross be the agent to reach these groups and gave the impression that the International Red Cross had expressed willingness to do so. He asked if the American Government could make some contribution in money to allow the International Red Cross to buy in Europe medicines and concentrated foods which it could use as opportunities developed. He stated that the Jewish people in this country could raise privately approximately \$2,000,000. He thought the total program depending on developments might run to perhaps \$10,000,000. Dr. Goldman was informed that the Executive Committee in London of the Intergovernmental Committee on Refugees had been established by this Government and the other member Governments of the Intergovernmental Committee as the agency to act upon proposals of this character. We had agreed with the British Government that we would jointly underwrite the cost of specific projects to help refugees in Europe in a situation such as he described. We would be very glad to bring his proposal to the attention of the Executive Committee and the British Government through our London Embassy and would under our particular arrangement with the British Government be prepared to share with Great Britain the cost of specific projects approved by the Executive Committee (procedure, of course, would follow the understanding we and the British

- 2 -

have reached with the Executive Committee relative to prior consultation with us before a project is sanctioned or an expenditure incurred thereon). We would also be glad to recommend to the consideration of the Executive Committee the possibility of accepting the International Red Cross as the agency (in territories occupied by the enemy) to be employed to carry out approved projects and that the Committee favorably consider such particular projects as the International Red Cross might recommend as practical for the assistance of the remnant groups in question.

You are requested to bring this matter appropriately to the attention of the Executive Committee on or before its next meeting and advise the Department of any action taken by the Committee regarding it.

You may bear in mind for possible use in discussing this proposal that the adoption of the program on a project basis would obviate the necessity of seeking large overall sums of official funds.

The foregoing is subject to the general promise that the German Government obtain no repeat no benefit from the execution of any project.

BERLE  
(Acting)  
(HET)

VD:HKT

A-L/BGLB:MSL    EU    BSD    FD    CI/L    OFR

(Copied by VD:RU:GF)

CC - Messrs. Pehle, Schmidt, Fox, DuBois, Luxford,  
E.M. Bernstein, Miss Hodel.

240  
January 13, 1944  
11:57 a.m.

HMJr: Hello.

John  
Sullivan: Hello, Mr. Secretary.

HMJr: What luck did you have?

S: Complete. The problem is one of getting Clayton to stay on. He submitted his resignation some time ago. The President accepted it.

HMJr: Stay on?

S: Here in Washington.

HMJr: Oh.

S: We had a -- we just this minute got back from our 10:30 meeting. Baruch was with us most of the time. They are completely sold. They said that last night Byrnes finally came around to agree that it should be divided up between us and R.F.C.

HMJr: I see.

S: And Hancock completely dispelled any doubts I had in my mind as to his good faith in this thing.

HMJr: I see.

S: And Hancock -- I mean Baruch was -- was swell.

HMJr: Baruch was swell?

S: They both were.

HMJr: You didn't have to....

S: Oh, no. We never intimated anything like that.

HMJr: Yeah.

S: Because it was -- it was on the best possible footing.

HMJr: Good. Well, I'm delighted. Will you tell  
McConnell that you talked to me?

S: Yes, sir. I will.

HMJr: Thank you.

S: All right.

January 13, 1944  
2:02 p.m.

HMJr: ....yesterday with Phil Murray.  
Fred Smith: I saw him leaving.  
HMJr: And I asked him at the end about where I could talk -- you see? -- where there was good labor relation.  
S: Yeah.  
HMJr: Well, he said, "Why don't you go to Pittsburgh?" He said, "What's more important than steel?"  
S: Yeah.  
HMJr: Now, of course, he says they've got this Masonic Temple hall there.  
S: Yeah.  
HMJr: And out of that I got this, because as my son, Henry, pointed out, I don't want to do just C.I.O.  
S: Yeah.  
HMJr: But I don't know whether they have A.F. of L. there or not, but this was the thought: if I could sit down with a good labor-management committee.  
S: Yeah.  
HMJr: See?  
S: Yeah.  
HMJr: I've had this in my mind a long time.  
S: Yeah.  
HMJr: And particularly a company that had both C.I.O. and A.F. of L. Now, General Electric I think you'd find that, in Schenectady.  
S: Yeah.  
HMJr: And they have very good labor relations.

S: Or Westinghouse.

HMJr: Or Westing -- I don't know West -- but General Electric do. And then have labor and management around a table and make that the "We, The People" -- the unity.

S: Uh huh.

HMJr: Now, to give you a minute -- Phil Murray has two letters he wrote to Marshall -- what did he mean? And he turned it over to Somervell and Somervell has come back and told him that wherever they've called on labor, labor has exceeded the request.

S: Yeah.

HMJr: He asked -- he's got a letter from the Labor Department and Labor has come through 99.4%.

S: Uh huh.

HMJr: He's gone right after this thing and he's got one from Nelson, too.

S: Yeah.

HMJr: But, I've had this idea and I think that -- he told me, for instance, that this is the -- Byrnes calls him up this morning -- Jimmy Byrnes...

S: Yeah.

HMJr: He said, "I just wanted you to know I never saw this message and had nothing to do with it. The first I knew about it was when I read about it in the paper." That's almost unbelievable.

S: Huh.

HMJr: But I don't see how Byrnes would dare do that. And he said, Baruch -- I mean Byrnes said he never knew a thing about it until he read it in the newspapers.

S: Uh huh.

HMJr: Now, I think the President has got off to a wrong foot.



S: Yeah.

HMJr: And it's unity is going to win this war and we could go to Donald Nelson or his group.

S: Quinn is the fellow's name.

HMJr: And get a labor-management group with a Company that's got a big war contract.

S: Yep.

HMJr: And let them and their families -- I mean they can talk about their families -- now, take Phil Murray....

S: Yep.

HMJr: His son is in Italy. He hasn't heard from him for two months.

S: Huh.

HMJr: See?

S: Yeah.

HMJr: And out of the labor-management committee you'll get enough color.

S: Yeah.

HMJr: And I think that we need it.

S: Yeah. All right. Well, let's -- first of all....

HMJr: The one thing about Pittsburgh, if you could get both Unions, it's the home of Gulf and they're -- Phil Murray says labor relations at Gulf are excellent.

S: Is that right?

HMJr: Excellent.

S: Uh huh.

HMJr: I said, "This is Gulf sponsored." And he said, "Fine. Our relations with them are swell."

S: Yeah.

HMJr: And I wonder if they ever put one on in their own home town.

S: I don't know.

HMJr: Now, he says the biggest steel plant in the world is the U.S. Steel Plant in Pittsburgh.

S: Uh huh.

HMJr: Continuous strip steel.

S: How about steel and labor? United States Steel and labor?

HMJr: This is United States Steel.

S: I say, how about them and labor? Do they get along, do you think?

HMJr: Oh, yeah. Tops.

S: Uh huh.

HMJr: But that would all be C.I.O. which -- and if you could get a company that had more than one Union which many of them do, of course.

S: Yeah. Well, the reason Houghteling picked Bridgeport was because of the split in Union operations.

HMJr: Well, Pittsburgh....

S: He says....

HMJr: ....I don't know what it would be -- I don't object to Pittsburgh. Look.

S: Yeah.

HMJr: I'm not arguing so much about the city....

S: Yeah.

HMJr: ....as I am to make the round table group a labor-management group.

S: That's right.

HMJr: And from them and their families, let's get the color.

S: That's right.

HMJr: And show that management and labor....

S: Uh huh.

HMJr: ....and Government -- take a plant that's got 100% War Bond record.

S: Yeah.

HMJr: And what they're doing -- the labor-management group -- to sell War Bonds.

S: Uh huh.

HMJr: And the -- our old thing -- where you've got good labor relationship, you've got good production and where you've got those two things, you sell War Bonds.

S: Yeah. Well, do you think that it would be a good idea to take one company though, or would it be better to go someplace and get representatives from several labor-management committees from several Companies?

HMJr: That I don't care.

S: You don't care?

HMJr: That I don't. No.

S: All right. We'll work that out then.

HMJr: But I think I've got an idea.

S: Yeah, I think you have.

HMJr: Are you sparking?

S: I certainly am. I'm all ready. I'm going to call Quinn and have him checking with Bridgeport first of all and see what's there.

HMJr: Now, of course, they might have an over-all City Council where the various representatives from these labor-management committees meet in an over-all City....

- S: Maybe I'm making this up as I go along, but I have a vague recollection that they have something very similar to that in Bridgeport under that Mayor they've got there.
- HMJr: Bless you. I'm not arguing about....
- S: Yeah.
- HMJr: ....but....
- S: That's right. I'm not arguing for Bridgeport except that just occurred to me, just then.
- HMJr: And I'm not arguing against it but I want to make it a labor-management, production, War Bond meeting.
- S: It will be.
- HMJr: That is, if you can get as enthusiastic as I can.
- S: I can.
- HMJr: It's a damn sight better than doing Valley Forge.
- S: Yep.
- HMJr: What do you think?
- S: I think it's fine. I think that's good.
- HMJr: And, well, you try it.
- S: We'll work it out. We'll get something good.
- HMJr: And....
- S: I called -- I called Dave today and told him that it was going to be a city and that the city was probably going to be Bridgeport and he said he would talk to his people and call me back. He hasn't called yet, but I'm expecting a call.
- HMJr: Now, anything more on the New Yorker?
- S: Yep. I talked to the managing editor on these three or four other suggestions and he didn't complain in the slightest.

HMJr: Yeah.

S: As a matter of fact, he was -- he sounded more cooperative even than Hellman.

HMJr: What about this second installment?

S: He said he would try to -- immediately would try to get the thing shaped up so it could come to us Monday. Said he couldn't guarantee that, but he would make every effort to do it; that he was just as anxious to have it here Monday as we were to have it.

HMJr: Well, now, do you mind sending him a -- a telegram impressing on him the importance of getting it Monday -- here Monday?

S: Yep. All right.

HMJr: Because we're going out of town.

S: Yep.

HMJr: We needn't tell him that I'll be here Tuesday, but we'll aim for -- I would send him a telegram....

S: Yep.

HMJr: ....impressing on him on that.

S: Yep.

HMJr: Ever so much obliged.

S: Okay.

HMJr: Now, don't "yep" me. I'll "yep" you.

S: (Laughs) All right. All right.

HMJr: You can have the last "yep".

S: All right. Yep.

January 13, 1944  
4:19 p.m.

HMJr: Hello.

Robert  
Hannegan: Hello.

HMJr: Bob?

H: Yes, sir.

HMJr: What's the news from the Hannegan front?

H: The news is bad.

HMJr: (Laughs) What's happened?

H: I just came back from there.

HMJr: Oh.

H: Just five -- ten minutes ago.

HMJr: I see.

H: And I was there an hour and a half.

HMJr: With him?

H: Yes.

HMJr: Good gosh!

H: And he -- he talked for an hour and fifteen minutes. He had to get a couple of drinks of water.

HMJr: I see.

H: So, he just -- he disposed of it the first sentence.

HMJr: I see.

H: I mean, that just ended it right there. He just got it over with.

HMJr: Well, I'd love to hear about it when you have some time.

H: All right. Well, I -- any time you say.

HMJr: Well, let me just take a look. But you're "it," are you?

H: Yeah.

HMJr: How about 10:30 tomorrow?

H: 10:30 tomorrow. Yes, sir. I'll be there.

HMJr: How rapid is this going to be?

H: Well, it's -- of course, the meeting is on the 22nd.

HMJr: Oh.

H: And he said -- he said, "Well, you wouldn't have to get out of your work here immediately." He says, "You could just agree to do no work, although you might be elected, you would agree not to do any work in connection with the National Committee for a couple of weeks or whatever it takes."

HMJr: Uh-uh. Uh-uh. The minute you're elected, you resign.

H: Uh huh.

HMJr: The minute you're elected, you resign.

H: Uh huh.

HMJr: That will have to be.

H: Uh huh.

HMJr: No.

H: Well, I didn't -- I didn't even bring that up. He....

HMJr: No.

H: The meeting was all -- he was the one that....

HMJr: No. Well, if you don't mind, I'll have to set those rules and I am sure....

H: No, I don't mind. I -- I made -- I mentioned that myself. I mean, I didn't wait for him to. He was talking about....

HMJr: Well....

H: ....the -- the work that you might do. I said, "Well, I think it is proper for me to resign." And he said, "Of course, you wouldn't have to do that immediately as long as you didn't do any work in...."

HMJr: No.

H: "...connection with the National Committee but...."

HMJr: No. Well, you're right.

H: Yeah.

HMJr: You're right. But may I, for the Party's sake, be amongst the first to congratulate you?

H: Yes, sir.

HMJr: I think for the Party's sake it's wonderful.

H: That's swell. Thanks.

HMJr: And I'm delighted.

H: I -- I don't -- he don't want me -- he didn't want me to -- I was strictly incogni...he says, "Incog".

HMJr: Yes.

H: That I wasn't to say anything about it.

HMJr: Well, I won't say anything.

H: By golly, these damn newspaper men are driving me crazy anyway.

HMJr: Well, somebody's talking, but I, naturally....

H: Well, they had a -- you know they had a little party for Sam Rayburn. I mentioned that to you.

HMJr: Yeah.



H: On his birthday.

HMJr: Yeah.

H: And apparently, at that dinner was....

HMJr: Yeah.

H: ....Jim Byrne and Michelson and McIntire....

HMJr: Yeah.

H: ....and a group of people....

HMJr: Yes.

H: ....and some of his secretaries and they had all discussed it over there.

HMJr: I see.

H: Because I heard it from several sources the following morning from there.

HMJr: Yeah.

H: So, some of the newspaper men got it and then they've been speculating from that time on.

HMJr: Well, I think it's the best news for the Democratic Party that I've heard in a couple of years.

H: Well, I -- really I'm just sitting here dejected. Really, I am. I'm kind of let down, you know.

HMJr: Well....

H: I'll recover from it in a day or two but you just have a lot of things in your mind. I've got a lot of ideas.

HMJr: Well, come over tomorrow and I'll hold your hand.

H: (Laughs) All right. Thanks a lot.

HMJr: All right.

H: Thank you, sir.

JAN 13 1944

My dear Mr. Mitton:

Through my Massachusetts State Chairman, Mr. F. W. Denio, I have learned of the splendid promotion which you arranged for The Unconquerables.

I am sure that your outstanding dinner on Saturday night, for which each person attending purchased at least a one thousand dollar war bond, was most helpful to the Treasury Department in stimulating interest in the Fourth War Loan.

I wish to express to you and your associates my personal appreciation for the outstanding cooperation you are giving the Fourth War Loan Campaign.

Sincerely yours,

(Signed) H. Morgenthau, Jr

Mr. Edward Mitton,  
President,  
Jordan Marsh Company,  
Boston, Massachusetts.

MSG:vlb

January 13, 1944

My dear Mr. Secretary:

It would please me very much if you would find it possible to assign Ronald W. Reagan, Captain, U. S. Cavalry, Serial No. 357403, at present attached to the 1st Motion Picture Unit, Culver City, California, 7999th Service Command Unit, Army Service Forces, for duty in the Office of the Secretary of the Treasury for the period January 13 to 17, 1944, inclusive.

Captain Reagan's assignment is desired in connection with the opening of the Fourth War Loan Drive on Monday, January 17. Needless to say, his services would be a great asset to the Treasury Department at this time.

With best regards,

Sincerely,

(Signed) H. Morgenthau, Jr

The Honorable

The Secretary of War

1-13-44  
JDL:mld

254

JAN 13 1944

Dear Klesner,

I have received your letter in regard to Mrs. Frances D. Braxton, an employee of the Treasury.

I find that Mrs. Braxton had called upon Mrs. Henry Gratton Doyle of our Employee Relations Section this week and that Mrs. Doyle is now engaged in looking into the matter. I shall write you again when I have received her report.

Affectionately,

(Signed) Henry

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

HW:amp  
1/13/44

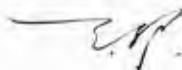
THE WHITE HOUSE  
WASHINGTON

January 10, 1944.

Dear Henry:

I am enclosing a letter from Mrs. Frances D. Braxton. I hope she can be helped but also hope writing in her behalf will not annoy her superior.

Affectionately,

A handwritten signature in dark ink, appearing to be 'E. A. Tamm', written in a cursive style.

257  
1620-Vermont Ave. n.w.,  
Washington, D.C.  
Jan. 1944

To The Honorable Mrs. Franklin D. Roosevelt;

My dear Mrs. Roosevelt :-

This letter, I know is unexpected, but I beg of you, to please read it carefully and give it a favorable consideration. If I could only speak with you five minutes, I would not have to write, but since that is impossible, I must write. I will be as brief as possible.

Mrs. Roosevelt, until Nov. 11th, I was one of a section of clerks in the Office of The Register of The Treasury. I am a woman 53 years old, and have spent the best years of my life in the government service, 23 of them in the Register's Office. That office has always been a source of trouble on account of its segregation and unfairness to its colored clerks. It has been the cause of colored organizations threatening to march on the Capitol and The White House. In all of my 23 years in that office, I have never been given an opportunity for advancement. I say "I", because I am speaking for myself; there are only two others in the same category, and they are using their angle to help themselves. Being from South Carolina, I have no influence, and influence is the only thing that counts in that office. When I went to that office, I was getting a salary of \$1380 a year. Now, I get \$1440 a year, only \$60 more in 23 years. I am so discouraged, I just had to let you know. I received the \$1440 last April, 1943. I will explain how this happened. In 1926, sixteen of us who were getting \$1380 and \$1440, were turned off, then sent to the Bureau of Engraving, with a drop in salary to \$1140. The unfairness of our dismissal and later transfer, was so evident, that the colored organizations took the case to Mr. Cuddeback, who was then President. He ordered us restored to our jobs. In 1928 we went back to our jobs in The Register's Office, but our

salaries were not restored. All except three of us  
 have succeeded in getting jobs or retired. The clerks who  
 had influence enough to keep them from being let out  
 along with us, are now receiving \$1620 a year, while  
 the three of us just went to \$1440. We are all doing the  
 same work. We stayed at \$1140 until the Welch Act  
 gave us \$1260. We stayed at ~~\$1140~~ \$1260 until the  
 1/8 month raise came about. That is what brought  
 us to \$1440. Even now, every strategy is used to keep  
 us from getting that raise, such as lowering a clerk's ef-  
 ficiency rating. Everyone who knows of our case is  
 surprised to know that there is anyone who has been  
 in the service 25 years and only getting \$1440.

About two months ago, our supervisor,  
 Mrs. Malcolm, announced to us that there was no future  
 in the Register's Office for us. At this, the clerks  
 revolted, and began to rush to the main Treasury to  
 get transferred. Two of us received transfers, one girl  
 who has been in ten years and myself. This girl  
 is at Bonds and Currency now on grade 3 work  
 and will get \$1620 in three months. I went to  
 The Accounting Division of the Treasury, in the Liberty  
 Loan Building. This office is different from the Bonds and  
 Currency Office. Here, I am only a new clerk; all of  
 their clerks come in at \$1470, and of course I get  
 my same \$1440. No credit is given me for my longevity,  
 although both offices come under the Treasury Dept. My  
 present supervisor told me that I could not get a rating  
 in March of more than "Fair" because I would  
 have to be there a month or a year to get a higher  
 rating. Now, Mrs. Roosevelt, in all my life, I have  
 never received a rating of "fair" on anything  
 and this would be a great set back to me. That  
 is one reason I am writing you. I am in grade  
 2 at this office, but it does not help, because I am  
 already getting the minimum salary in that grade.  
 The only thing that would help me would be to go

grade 3 where the minimum salary is \$1620. I can't see the word, but there is very little chance of my getting it, so they don't count my longevity. Then, too, I am now working at night 4 to 12. I have a little grand-daughter and son whose mother is dead, and whose father, my son is mentally ill. The girl is 13 just at the age where I should be with her at night. I feel ~~that~~ that I deserve a little better break from the government than I am getting. After my last year or two spent in the service, I have military preference also, all of my efficiency ratings have been "Very good" except two which was "good", that's why I don't want to drop down to "Fair" simply because I have not been in an office 6 months or more.

Since I left the Register's office, the word has been put in grade 2, that is ~~the~~ <sup>the</sup> word we were doing. Now, Mrs. Roosevelt, please help me out of this dilemma, only influence can do it, and this I know this is not me ~~it is not me~~.

to strike and what to do. If I cannot get grade 3 where I am now, so I can go to \$1000 a year, and I can't do more, I would prefer being sent back to the Register's office ~~now~~ on my same day, with no pay in ~~my~~ grade 2, you see, I transferred with the hope of getting a raise, so as to increase my ~~amount~~ <sup>amount</sup> when I retire. I have only five years longer, ~~so I will be~~ <sup>it is a raise so I will be</sup> the minimum of that grade. If only something could be done to bring my salary to \$1620 as it would have been, had it not been for the 17th affair. My reason for asking you to have me sent back in my old job if nothing else can be done is, that they know all of us wanted to leave on account of unfair treatment and they may not want to give back the way I am now left. Please heed my plea, and do something for me. I will appreciate it so much, so my present situation has me very upset and worried. The heads of these bureaus do anything they want to do, all a person needs is influence. I hope you



and family had a merry X'mas, and will have  
a happy new year. Thanking you for reading my  
letter, I am,

Yours truly,

(ms.) Frances D. Braxton

Treasurer, U. S. - Head of this office is  
Accounting Division.

*Chief of night work - Mr. Finamore.*  
*Mr. Starrett 61*

DAILY WORK REPORT, STATING SECTION

OPERATION	HOURS
1. Stating .....	
2. Proving Statements .....	
3. Typing Statements .....	
4. Verifying Statements .....	
5. Relisting Amts. on Adding Machine .....	<i>grade 2 - 1440</i> <i>my present work</i>
6. Verifying Amounts on Comptometer ..	<i>\$ 1620</i>
7. Adjusting .....	<i>grade 3</i>
8. Verifying Check Numbers .....	
9. Outstanding Check Work .....	
10. Inspection Reports .....	
11. Pension Section .....	
12. Examining Section .....	
13. Assorting Section .....	
14. Proving Section .....	
15. City Bank Section .....	
16. Miscellaneous Work .....	
17. Absent .....	

TOTAL .....

....., 194..... Name .....

AS-32



OFFICE OF  
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO  
COMMISSIONER OF INTERNAL REVENUE  
AND REFER TO

## TREASURY DEPARTMENT

WASHINGTON

January 13, 1944. *M*

## Memorandum for the Secretary:

This is with further reference to our recent telephone conversation relative to the investigation of black market cases being made in the State of Georgia, and your suggestion that a similar drive be undertaken in Florida and other states as soon as the situation in Georgia is under control.

Reports received from the District Supervisor in Atlanta, Georgia, indicate that nine cases involving wholesalers are under investigation in Florida, and sufficient evidence has already been developed to indicate that these investigations will be successfully concluded.

A case of special interest was initiated in this State involving the Wathen Distillery, Nelson County, Kentucky. The stock in this distillery was purchased several months ago by five individuals, three of whom were associated with the Southern Liquor Distributors, a wholesale liquor dealer operating branches in five different cities in the State of Florida. Since this distillery was acquired by this group, more than 30,000 cases of whisky have been disposed of in the States of Florida, Georgia, South Carolina, and Louisiana under circumstances indicating black market transactions.

Black market investigations are proceeding simultaneously in all sections of the country on an extensive scale, with particular emphasis being placed on transactions in the monopoly states and



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in the southern states where, due to the acute liquor shortage, violations are more flagrant than in other sections of the country.

*Robert E. Hannegan*

Commissioner.

25

January 13, 1944.

My dear General Strong:

It was with real regret that I learned of your retirement as head of Military Intelligence. I want to take this opportunity to thank you for the very fine cooperation which you gave the Treasury on various fronts, and I sincerely hope that the War Department will continue to find use for your valuable services.

With cordial regards and best wishes for the future,

Sincerely,

Major General George V. Strong,  
Assistant Chief of Staff, G-2,  
War Department,  
Washington, D. C.

GMF/dbs

My dear General Strong:

It was with real regret that I learned of your retirement as head of Military Intelligence. I want to take this opportunity to thank you for the very fine cooperation which you gave the Treasury on various fronts. I sincerely hope that the War Department will continue to find use for your valuable services.

Sincerely yours,

Major General George V. Strong,  
Assistant Chief of Staff, G-2,  
War Department,  
Washington, D.C.

25

January 13, 1944.

My dear Harry:

It was with real regret that I learned of the retirement of General Strong as head of Military Intelligence.

I think you will be pleased to know that on a number of occasions General Strong rendered great service to the Treasury in connection with various fronts. We all of us appreciated his very fine cooperation, and wish him the best of success in going on to whatever new and important assignment he may receive.

With cordial personal regards,

Sincerely,

(Signed) Henry

Honorable Henry L. Stimson,  
Secretary of War,  
Washington, D. C.

GHF/dbs

My dear Harry:

It was with real regret that I learned of the retirement of General Strong as head of Military Intelligence.

I think you will be pleased to know that General Strong on a number of occasions rendered real service to the Treasury on any fronts -----

Sincerely yours,

Honorable Henry L. Stimson,  
Secretary of War,  
Washington, D.C.



1/18/44

Photostats to:

Mr. Bell  
Mr. Gaston  
Mr. Paul  
Dr. Haas  
Dr. White

OFFICE OF ECONOMIC STABILIZATION  
WASHINGTON, D. C.



DIRECTOR

January 13, 1944

MEMORANDUM

TO: Members of the Board of Economic Stabilization

FROM: Fred M. Vinson, Chairman

SUBJECT: Livestock Feed Situation

At the last meeting of the Board, some interest was expressed in the steps taken by the Government to meet the critical livestock feed situation, particularly in the northeast. I reported to you at the time that it was not generally recognized that the Government had done an effective job in meeting this particular emergency. For your further information, it is desired to amplify the statements which I made at the Board meeting.

We entered this war with the greatest stockpile of grain in the history of the country. However, very favorable feeding margins, a substantial increase in demand, and a desire on the part of producers to supply the food requirements of our country and our allies, insofar as possible, has resulted in livestock and poultry production outrunning current feed production, even though the latter has been at record levels, thus creating increasing pressure on the remaining feed supplies.

The need for adjusting livestock production to available feed supplies has been recognized for some time and steps have been taken to encourage such an adjustment. For example, it was announced early last September that the support price for hogs would be changed from \$13.75 to \$12.50 a hundredweight, Chicago basis, as soon as the present commitment expires. At the same time, farmers were encouraged to market hogs at normal weights rather than at the heavy weights of the last year. Livestock and poultry goals for 1944 call for adjustments, particularly hogs and broilers, and a leveling off of egg production so as to bring our over-all livestock and poultry production into line with our available supplies of feed.

END TWB 18 VM 3 40

Generally, the feed requirements of livestock and poultry producers during the present feeding season will be met, if this production is in line with our 1944 production goals for livestock and poultry and if the available supplies of feed are used with a reasonable degree of efficiency. For the nation as a whole, there appears to be available for livestock feed about 140 million tons of grain and con-

-2-

concentrate feeds as compared to 147 million tons consumed last year. The goal for the production of livestock and livestock products this feeding year is about the same as that for the last feeding year, while, at the same time, livestock and poultry numbers will be adjusted to about the level of that of 1942. Livestock production in 1943 was almost 15 percent larger than in 1942, while feed consumption was about 25 percent greater.

It must be recognized that while the total supply of feed appears to be reasonably adequate to meet livestock and poultry goals, the location of this supply is such as to make unusually difficult the problem of getting it satisfactorily distributed. Feed grain production in the deficit areas — the Northeast, the South and the Far West — is 10 to 20 percent below that of a year ago. Feed grain production in the Northwestern part of the Corn Belt and in the spring wheat area is about equal to that of a year ago. With the transportation system taxed to capacity by the requirements of the war, it will be no easy matter to obtain the necessary additional movement of feed from surplus to deficit areas.

One factor of paramount importance in balancing livestock and feed production is the size of the hog crop. Livestock goals for 1944 were based upon the assumption that producers would have to feed out to average market weights a 1943 fall pig crop of 54 million head. This assumption was based upon farmers' breeding intentions, as reported by the June 1 Pig Survey. The December 1 Pig Crop Report of the Department of Agriculture, published December 23, indicates that the fall pig crop was about 47.8 million head, 6 million less than anticipated earlier. As a result the feed supply situation should be less difficult than had previously been anticipated. This decline of 6 million head in the fall pig crop would reduce the demand for feed by the equivalent of about 120 million bushels of corn.

Feeders will not in all cases be able to obtain the same kind of ingredients as they have been feeding but, in general, the ingredients obtainable will give just as satisfactory feeding results. For example, corn has been difficult to obtain for six months and feeders have had to use wheat, barley and grain sorghum in its place. These other grains are just as nutritious as corn and the only reason they have not always been used instead of corn is because corn has consistently been cheaper pound for pound. These substitutions have been made in the past when there was a price advantage in doing so.

The War Food Administration recently requested oilseed processors to set aside 20 percent of their January production for direct distribution. While the setting aside of this quantity of oilseed meals will not increase the total supply, it should enable improvement in distribution sufficiently so that areas now having particular difficulty in getting even their minimum requirements through regular channels may be somewhat better served. It may also enable farmers to obtain a somewhat larger proportion of the available supplies in the form they would prefer.

With the possible exception of hay, it is probable that from now on there will be no further substantial increase in feed costs. One reason why feed costs rose steadily throughout 1943 was that a number of feed ingredients were not under price control because their prices had not yet reached parity. Recently, the Office of Price Administration was able to place temporary ceilings on oats, barley and grain sorghums — the three principal feed grains not previously under price control. With the exception of rye, all feed grains, protein feeds and other feed ingredients, are now under price control, as well as the margin feed manufacturers may charge for mixing and handling.

The price ceiling on corn was recently increased about 10 cents a bushel in order to meet the increase in parity for corn since the ceiling was first put into effect. It is hoped that with the price for 1943 corn crop now settled, there will be a larger movement of corn into commercial channels, at least after the first of the year. If this does result, there might even be some decline in mixed feed prices since corn, even at the new level, is less expensive than some of the other ingredients now being used in mixed feeds.

The War Food Administration had taken a number of steps to provide producers of the northeast with their fair share of available feed ingredients. The government was successful in obtaining the movement of 100 million bushels of feed grains over the Great Lakes during the 1943 navigation season, as compared with 30 million bushels in 1942. Unusually large stocks of feed grain are on hand in Eastern warehouses and in boats tied up for the winter at lower lake ports. On December 14, 1943, commercial stocks of feed grains, including feed wheat, on hand in the Northeast were double those of a year ago. The exact figures are as follows:

	<u>December 12, 1942</u>	<u>December 14, 1943</u>
Corn	8,319,931	711,595
Oats	6,161,629	7,171,569
Barley	<u>1,470,729</u>	<u>2,736,296</u>
	15,952,289	10,619,460
Feed Wheat (Including wheat in boats)	-	28,000,000
	<u>15,952,289</u>	38,619,460

The markets covered by this report include Buffalo, Baltimore, Boston, New York, Philadelphia, Portland, Erie and Oswego. Of this total, about 25 million bushels are at Buffalo either in storage, in boats tied up there for the winter or enroute to that port.

It is estimated that the Northeastern States served by the Buffalo Gateway will require about 17 million bushels of feed grain a month during the winter months. Stocks in store in the area will

-4-

provide about 7 million bushels a month, leaving 10 million bushels a month to be received by rail. A rail movement of this magnitude would not be as large as the rail movement last winter and should be feasible even though the transportation situation is somewhat tighter than it was last winter.

A rail movement of 10 million bushels a month, plus the 100 million bushels moved over the Lakes during the navigation season, would result in total shipments of over 200 million bushels of feed grain into the Northeastern States. This quantity is nearly three times as much as was shipped into the area in the 1939-40 season, and, when added to local feed production in the area, will provide a supply about 40 percent larger than during that period.

Since the number of livestock and poultry on farms in the Northeast is only about 15 percent larger, the total supply of feed, if properly distributed, should reasonably meet the feed requirements of farmers as well as take care of legitimate demands from backyard livestock and poultry producers.

All of this does not mean that every farmer in the Northeast will be able at all times to buy all the feed he would like or be able to purchase now and obtain immediate delivery of the entire quantity of feed he will need between now and next spring. To the extent that some farmers are able to obtain immediate delivery of all their requirements, other farmers will find it that much more difficult to buy their immediate needs.

NOT TO BE RE-TRANSMITTEDCOPY NO 12U.S. SECRETBRITISH MOST SECRETOPTAL No. 15

Information received up to 10 A.M. 13th January, 1944.

1. NAVAL

Mediterranean 9th/10th. Two of H.M. Destroyers bombarded SAN BENEDETTO, shelled three trains and drove a schooner ashore. On 10th/11th they shelled targets at CIVITANOVA and PEDASO.

East Indies 11th. One of H.M. Submarines torpedoed and sank a Japanese Cruiser off PENANG.

2. MILITARY

Russia Russians have advanced 10 miles on 20 mile front north of MOZYK. They captured SARNY and repulsed German counter attacks east of VIKHITSA.

3. AIR OPERATIONS

Western Front 11th. In attacks on targets near MAGDEBURG 150 U.S. Aircraft attacked OSCHERSLEBEN fighter assembly factory and airfield dropping 285 tons with excellent results and 52 attacked HALBERSTADT Bomber aircraft components factory dropping 112 tons with fair results. In these operations and those against BRUNSWICK and other targets in N.W. GERMANY, enemy casualties now reported as 154: 53:58 for the loss of 59 Bombers and 5 Fighters.

Italy 11th. 42 Mitchells effectively attacked railway centres at FALCONARA (7 miles W. of ANCONA) and FABRIANO (40 miles N.E. of ANCONA). 115 Warhawks bombed gun positions and strong points in CASSINO Area.

Greece 11th. escorted Fortresses dropped 120 tons on PIRAEUS. Enemy casualties 8:3:0 for 3 Fortresses and 2 Fighters missing.

Yugoslavia 11th. 2 schooners set on fire and an E-boat damaged during attacks by 72 Fighters on shipping in coastal waters.

Bulgaria 10th. Attack on SOFIA was made by 143 Fortresses escorted by 32 Fighters: Results reported excellent. 10th/11th. 24 Wellingtons (2 missing) dropped 73 tons in successful attacks on railway centre SOFIA.