

**Diary**

**Book 696**

**January 22-26, 1944**

- A -

Book Page

Argentina  
See Foreign Funds Control  
Armstrong, Hamilton Fish  
See War Refugee Board

- B -

Baerwald, Paul  
See War Refugee Board  
Bolivia  
See Foreign Funds Control: Argentina  
Bridgeport, Connecticut  
See Financing, Government: War Savings Bonds  
(4th War Loan Drive)  
Bruere, Henry  
See War Refugee Board  
Bullitt, William C.  
See War Refugee Board  
Business Conditions  
Haas memorandum on situation, week ending  
January 22, 1944 - 1/24/44..... 696 42

- C -

China  
Adler letter - 1/26/44..... 280  
(See also Book 697, page 118-A)  
a) Memorandum prepared for General Stilwell by one  
of his staff..... 286  
b) Kung report on building of air bases, etc..... 288  
Connecticut, Bridgeport  
See Financing, Government: War Savings Bonds  
(4th War Loan Drive)

- D -

Dakar  
See France

- E -

Ernst, Morris  
See War Refugee Board

- F -

Financing, Government  
War Savings Bonds  
4th War Loan Drive  
Bridgeport, Connecticut: Houghtaling reports on  
labor conditions - 1/25/44..... 117  
Progress report on sales by Bell - 1/26/44..... 258

- F - (Continued)

Book Page

Foreign Funds Control

Argentina

First and second meetings of State and Treasury on freezing reported by Orvis Schmidt - 1/22/44.....	696	4,7
Executive Order and Press Release: Schmidt memorandum.....		11
a) Copies.....		14
Possible break with Axis reported by Stettinius to HMJr - 1/24/44.....		21,22
a) Churchill's message to FDR reported by Stettinius.....		22
Argentine-Bolivian progress report - 1/25/44.....		99
a) Mann (formerly with Foreign Funds Control, now with American Embassy in Argentina) report attached.....		102

France

Dakar: Improved conditions reported to HMJr by the Army - 1/26/44.....		277
--	--	-----

- J -

Jeffers, William  
See War Refugee Board

- L -

Latin America

-Argentina: See Foreign Funds Control	
Bolivia: See Foreign Funds Control (Argentina)	

Lend-Lease

U. S. S. R.

Third Russian Protocol: Reports for December 1943 and June-December 1943 - 1/24/44.....	55
Exports to Russia for November 1943 - 1/25/44.....	112
United Kingdom: Federal Reserve Bank of New York statement showing dollar disbursements, week ending January 19, 1944 - 1/26/44.....	272

- M -

Mann, James  
See Foreign Funds Control: Argentina

Murray, Philip  
See War Refugee Board

- N -

National Gallery of Art  
Widener Art Collection: Tax (Pennsylvania) discussed in Paul memorandum - 1/25/44.....

116

- P -

Pehle, John W.  
See War Refugee Board

Book Page

- R -

Refugees  
See War Refugee Board

Revenue Revision  
Pre-March 15 publicity - Sullivan memorandum -  
1/26/44..... 696 264

- T -

Taxation

See Revenue Revision  
Tollaksen, Leslie B. - Lieutenant Commander, USCGR  
Recovery and assignment to duty at sea reported to  
HMJr - 1/24/44..... 40  
a) HMJr-Admiral Chalker conversation - 1/31/44:  
See Book 698, page 178

- U -

U.S.S.R.  
See Lend-Lease

- W -

War Refugee Board  
Established by Executive Order January 22, 1944..... 2  
a) Cable to United States Missions, etc. - 1/24/44.. 91  
b) Washington Post editorial..... 96  
c) Frankfurter-HMJr conversation..... 122  
Jeffers, William, suggested by Rosenman as Executive  
Director of War Refugee Board  
Frankfurter-HMJr conversation - 1/26/44..... 123  
9:30 group conference - 1/26/44..... 127  
a) "Relief to Jews in Roumania, Slovakia,  
Croatia, and Theresienstadt through  
International Committee of Red Cross" -  
memorandum..... 150  
b) "Evacuation of Jews from Poland to Hungary" -  
memorandum..... 156  
c) "Evacuation of Jews from Transnistria to  
Roumania" - memorandum..... 158  
d) "Evacuation of Abandoned Children from  
France to Switzerland" - memorandum..... 159  
e) "Evacuation of Yugoslav Refugees on the  
Island Rab to Italy" - memorandum..... 161  
f) Cable explaining War Refugee Board sent to  
United States Missions at Lisbon, Madrid,  
Stockholm, Bern, and Ankara..... 164  
(See also Book 697, page 178)  
1) War Department cooperation with  
representatives abroad offered:  
See Book 697, pages 168, 191  
2) British Foreign Office may be asked to  
send similar message to its Missions:  
book 697, page 176

- W - (Continued)

	Book	Page
War Refugee Board (Continued)		
Board's first meeting reported by HMJr to White, Pehle, Luxford, and DuBois - 1/26/44.....	696	168
a) State Department wants Board entirely separate from State		
b) Alternates: Stettinius for Hull; Gaston for HMJr; Bundy or McCloy for Stimson		
c) Pehle: HMJr advocates as Executive Director...		168
d) Hull's agenda.....		178
Conference of Treasury group - 1/26/44.....		183
a) FDR-HMJr conversation reported		
b) Bruere, Murray, Bullitt, Willkie, Hamilton Fish Armstrong discussed		
c) Baerwald (Paul)-HMJr conversation.....	202, 221	
1) Dodge, Cleveland H., suggested.....	221	
2 { Hoffman, Paul Johnston, Eric (See also Book 699, page 37)		
d) Ernst (Morris)-HMJr conversation.....	211	
1) Stassen (of Minnesota) suggested (See also Book 699, page 39)		
e) Wise (Stephen S.)-HMJr conversation.....	218	
1) McDonald (James G.) suggested (See also Book 699, page 38)		
Widener Art Collection		
See National Gallery of Art		
Willkie, Wendell L.		
See War Refugee Board		
Wise, Rabbi Stephen S.		
See War Refugee Board		

\* Executive Director suggestions

Stimson letter - 1/26/44 (See also Book 699, page 86-A)  
Irving Lehman " "

229-A  
229-B

TREASURY DEPARTMENT  
INTER OFFICE COMMUNICATION

DATE 1-22-44

TO: Miss Chauncey  
FROM: Mr. Gamble

The Secretary wired me as follows:

"PLEASE HAVE ON MY DESK WEDNESDAY MORNING STENOGRAPHIC REPORT OF MY CINCINNATI TALK. COPY TO MRS. KLOTZ".

PLEASE SEE THAT ONE OF THESE IS PLACED ON HIS DESK ON WEDNESDAY MORNING AND ALSO ONE ON MRS. KLOTZ'S DESK.

THNNK YOU.

Answered and filed 1/20/44

TRG

Copy sent to James Per Gamble's request  
to Mr. Fitzgerald - 1/24/44 - MC4

HOLD FOR RELEASE

HOLD FOR RELEASE

HOLD FOR RELEASE

January 22, 1944

CAUTION: The following MUST BE HELD IN CONFIDENCE until released.

NOTE: Release is for ALL REGULAR EDITIONS of MORNING NEWSPAPERS of Sunday, January twenty-third, 1944.

Release by radio commentators, newscasters, etc., NOT EARLIER THAN 9:00 P.M., E.W.T., Saturday, January 22, 1944.

STEPHEN EARLY  
Secretary to the President

-----

The President today, by Executive Order, set up a War Refugee Board consisting of the Secretary of State, the Secretary of the Treasury and the Secretary of War, to take action for the immediate rescue from the Nazis of as many as possible of the persecuted minorities of Europe -- racial, religious or political -- all civilian victims of enemy savagery.

The Executive Order declares that "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 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 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 to obtain 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 aid Axis victims to the fullest extent possible. He stressed that it was urgent that action be taken at once to forestall the plan of the Nazis to exterminate all the Jews and other persecuted minorities in Europe.

It will be the duty of a full-time Executive Director of the Board to arrange for the prompt execution of the plans and programs developed and the measures inaugurated by the Board.

The Executive Order follows:

(OVER)

Regraded Unclassified

EXECUTIVE ORDER

ESTABLISHING A WAR REFUGEE BOARD

WHEREAS 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;

NOW, THEREFORE, by virtue of the authority vested in me by the Constitution and the statutes of the United States, as President of the United States and as Commander in Chief of the Army and Navy, and in order to effectuate with all possible speed the rescue and relief of such victims of enemy oppression, it is hereby ordered as follows:

1. There is established in the Executive Office of the President a War Refugee Board (hereinafter referred to as the Board). The Board shall consist of the Secretary of State, the Secretary of the Treasury and the Secretary of War. The Board may request the heads of other agencies or departments to participate in its deliberations whenever matters specially affecting such agencies or departments are under consideration.

2. The Board shall be charged with the responsibility for seeing that the policy of the Government, as stated in the Preamble, is carried out. The functions of the Board shall include without limitation the development of plans and programs and the inauguration of effective measures for (a) the rescue, transportation, maintenance and relief of the victims of enemy oppression, and (b) the establishment of havens of temporary refuge for such victims. To this end the Board, through appropriate channels, shall take the necessary steps to enlist the cooperation of foreign governments and obtain their participation in the execution of such plans and programs.

3. It shall be the duty of the State, Treasury and War Departments, within their respective spheres, to execute at the request of the Board, the plans and programs so developed and the measures so inaugurated. It shall be the duty of the heads of all agencies and departments to supply or obtain for the Board such information and to extend to the Board such supplies, shipping and other specified assistance and facilities as the Board may require in carrying out the provisions of this Order. The State Department shall appoint special attaches with diplomatic status, on the recommendation of the Board, to be stationed abroad in places where it is likely that assistance can be rendered to war refugees, the duties and responsibilities of such attaches to be defined by the Board in consultation with the State Department.

4. The Board and the State, Treasury and War Departments are authorized to accept the services or contributions of any private persons, private organizations, State agencies, or agencies of foreign governments in carrying out the purposes of this Order. The Board shall cooperate with all existing and future international organizations concerned with the problems of refugee rescue, maintenance, transportation, relief, rehabilitation, and resettlement.

5. To the extent possible the Board shall utilize the personnel supplies, facilities and services of the State, Treasury and War Departments. In addition the Board, within the limits of funds which may be made available, may employ necessary personnel without regard for the Civil Service laws and regulations and the Classification Act of 1925, as amended, and make provisions for supplies, facilities and services necessary to discharge its responsibilities. The Board shall appoint an Executive Director who shall serve as its principal executive officer. It shall be the duty of the Executive Director to or-

- 3 -

range for the prompt execution of the plans and programs developed and the measures inaugurated by the Board, to supervise the activities of the special attaches and to submit frequent reports to the Board on the steps taken for the rescue and relief of war refugees.

6. The Board shall be directly responsible to the President in carrying out the policy of this Government, as stated in the Preamble, and the Board shall report to him at frequent intervals concerning the steps taken for the rescue and relief of war refugees and shall make such recommendations as the Board may deem appropriate for further action to overcome any difficulties encountered in the rescue and relief of war refugees.

FRANKLIN D. ROOSEVELT

THE WHITE HOUSE,

January 22, 1944.

- \* -

**SECRET**

4

MEMORANDUM FOR THE FILES:

January 22, 1944.

First meeting today with State Department  
concerning the freezing of Argentina.

State Department members present:      Treasury Representatives:

Mr. Bonsal	Mr. Randolph Paul
Mr. Swihart	Mr. Pehle
Mr. Hiss	Mr. Luxford
Mr. Baker	Mr. DuBois
Mr. Hooker	Mr. Schmidt

Bonsal informed the group that the Secretary of State would issue a strong statement about noon on Monday indicating that this Government is not going to recognize the new Bolivian Government. The statement would tie up Argentina with the Bolivian revolution and would indicate the necessity for preventing similar developments elsewhere in this hemisphere. Hull would also announce that Armour and Boal will be recalled and that this Government is freezing the assets of Argentina.

Bonsal indicated that it had definitely been decided that we would not freeze Bolivia but just Argentina and, so far as he could see, the only points that needed to be discussed were the form and the time of the freezing.

With respect to the timing, Treasury representatives indicated that we could put the freeze into effect at the time the Secretary of State made his announcement, thus hitting them with everything at the same time. It was agreed that the press conference would be held Monday about noon and the general release on the freeze would be made at 12:30 p.m.

- 2 -

Bonsal then asked when State might be in a position to see the Executive Order, whereupon a copy of the Executive Order was given to him. He indicated that the Order appeared satisfactory. A memorandum to the President was drafted by Treasury representatives to be signed jointly by the Secretary of State and the Secretary of the Treasury, indicating that the Executive Order had been cleared with the Attorney General and was ready for signature.

Bonsal then inquired as to what sort of a public statement should be made with respect to the freezing. Treasury representatives submitted a draft press release, commenting that it was not very satisfactory since it had been drafted sometime ago and was not as strong as was called for by the present situation. Possibly influenced by this comment, Bonsal and other members of the State Department were quite favorably impressed with the press release. Accordingly, after the assembled group had redrafted the last sentence, it was agreed that the release should be adopted. The question was discussed as to whether the release should be made by the White House and it was agreed that it should be a White House release but that the Secretary of State might read from it at his press conference.

Bonsal then suggested that a general license should be issued covering trade. The Treasury representatives pointed out that the real question was not whether there is to be a general license, but rather the manner in which commercial transactions are to be handled. By way of illustration it was pointed out that general licenses had been issued to Spain, Portugal, Sweden and Switzerland, but these licenses were designed to force the governments of these countries to assume responsibility for the transactions effected thereunder and that clearly this technique was not applicable in the case of Argentina. Attention was directed to the fact that licensing of commercial transactions by blanket licenses gave the Treasury and State greater freedom to alter its policies in the light of ensuing developments. It was pointed out that general licenses such as Nos. 32, 1, 2, 4, and 5 would all apply

- 3 -

to Argentine transactions but that General License 53 could not be applied without, in effect, negating the freeze. The primary question raised by Bonsal was whether we would be in a position to release our controls over trade without later issuing a general license which might lead the general public to feel that we were softening up on Argentina. He was assured that any desired relaxation could be satisfactorily accomplished.

Accordingly, it was agreed that Bonsal would clear the Executive Order, Press Release and the Memorandum to the President with the Secretary of State.

*Orris A. Schmidt*

**SECRET**

January 22, 1944

MEMORANDUM FOR THE FILES

Subject: Second meeting today with the State Department concerning the freezing of Argentina.

State representatives  
present:

Mr. Acheson  
Mr. Swihart  
Mr. Baker  
Mr. Hiss  
and later,  
Mr. Bonsal  
Mr. Duggan

Treasury representatives  
present:

Mr. Paul  
Mr. Pehle  
Mr. Luxford  
Mr. DuBois  
Mr. Schmidt

Mr. Acheson opened the meeting by stating that the Food Board, the Shipping Board, and several other high Governmental authorities had carefully considered the extent to which Argentine trade could be restricted. The Food Board was of the opinion that Argentina must be permitted to continue to furnish supplies to the United States and the United Nations. The Shipping Board was of the opinion that no change could be made in our trade with Argentina which would substantially reduce Argentina's ability to furnish wheat to Brazil and to England and other materials which are important in feeding the United Nations. Acheson indicated that our trade policy with respect to Argentina would be reexamined after the freeze in order to determine

- 2 -

whether any reduction could be made but that until such determination is made, there must be no substantial interference with Argentinian trade. Accordingly, the State Department felt that it was important that a general license be issued authorizing all Argentina trade transactions.

Acheson's attention was directed to the statement in the press release to the effect that transactions in the interest of the United Nations would be licensed and pointed out that it was not necessary to have a general license in order to accomplish his stated objective. Treasury representatives cited the fact that we had on several occasions licensed large amounts of trade transactions with facility by the process of giving full authority to the Federal Reserve banks and broad licenses to some of the large banks covering trade transactions. We also pointed out that a general license publicly announces our trade policy and, accordingly, cannot be changed with the same facility as blanket licenses to the banks, which are of a fairly confidential nature. Hence, should the Food Board and the Shipping Board, after re-examining the Argentine picture, determine that various categories of goods need no longer be allowed to move, the adjustment could be made more easily if no general license were outstanding.

Mr. Acheson countered by stating that the effectiveness of our action would depend in large measure on what the British will do and we could not really change our trade policy unless the British were willing to do likewise. In reply, Pehle and Luxford pointed out that it would be much easier to get the British Government to take effective action if there were no outstanding public document licensing all trade between the United States and Argentina.

- 5 -

After some discussion, Mr. Paul indicated that the Secretary of the Treasury felt very strongly that no public general license should be issued authorizing trade with Argentina. The issue was then put squarely to Mr. Acheson; namely, that, inasmuch as trade could be handled without a public general license, we could not agree to the issuance of such a general license unless State told us that it was not otherwise prepared to freeze Argentina.

At this point Mr. Acheson left the room, saying that he preferred a general license but that he would consult Stettinius about it. After an absence of about 30 minutes Acheson returned, saying that he had talked with Stettinius and Hull and that the Secretary of State preferred a public general license but would agree to the freezing without a general license on the assumption that the Treasury Department would assume the responsibility for handling trade without a general license. In the event the latter course were followed, however, the Secretary of State felt that we should clear with Crowley, since both FEA and Treasury would then have a veto power over trade transactions. Acheson said he was assuming that we would not handle trade on a specific-license basis but would give blanket licenses to the important banks.

This matter having been settled, attention turned to the press release, and after some discussion it was agreed that the press release announcing the freezing should be issued by the White House and that the Secretary of State would focus attention on the White House release when he made his public statement about our non-recognition of Bolivia. State would clear with Stephen Early as to whether Hull would hand out the White House release or would refer the press to the White House for the handout.

It was agreed that the memorandum presenting the Executive Order to the President should be the short form originally suggested by Treasury and should not

- 14 -

have a statement about licensing trade which had been inserted by State after this morning's meeting.

*Orvis A. Schmidt*

January 24, 1944

MEMORANDUM FOR THE FILES

~~SECRET~~

Subject: Developments of this morning concerning  
the freezing of Argentina.

Shortly after 9 o'clock an envelope was received from Secret Service containing the Executive Order signed by the President and the press release initialed by the President, the Secretary of the Treasury, and the Secretary of State. Mr. Pehle took the press release to Stephen Early at the White House after Mr. Gaston had talked to Mr. Early about it. Mr. Pehle also delivered the signed Executive Order to Mr. Maurice Latta, chief clerk of the White House, and made arrangements to coordinate during the day the actions of the State Department, the Treasury Department, and the White House. Mr. Early made several minor changes in the press release.

In view of the receipt of the signed Executive Order and in accordance with a previous decision, a telegram was dispatched at 10:07 a.m. to all of the Federal Reserve banks giving them the text of the Executive Order and the press release, advising them that the Order was to be issued about noon but cautioning them to take no action pending further notice.

Shortly after 10 o'clock Messrs. Pehle, Luxford, DuBois, and Schmidt met with Mr. Paul, who signed the public documents to be issued by the Treasury Department in connection with the freezing of Argentina. While the meeting in Mr. Paul's office was in progress, Stephen Early called Mr. Gaston and reported that he had received instructions to hold up the Executive Order and the press release since it was possible that no action might be taken.

- 2 -

Word of Mr. Early's call to Mr. Gaston had just been received by Mr. Paul when Mr. Bacon of the Secretary of State's office telephoned Mr. Paul to advise him that it was not clear that the Argentine freezing order would be released at noon, as had been planned, and that there might be a delay. When pressed for an explanation Mr. Bacon said that he could not give one but would call back within a half hour. Mr. Paul immediately advised Secretary Morgenthau of Mr. Bacon's call. A telegram was immediately dispatched to all Federal Reserve banks advising them that the release of the Executive Order might be delayed and stating: "Pending further notice, it is imperative that no advice be given and that no action be taken which would inform any of the banks or other institutions of the impending action." This wire was signed about 11 a.m. and sent immediately.

Shortly after 11 o'clock, Secretary Morgenthau called Mr. Paul and informed him: that he had talked with Stettinius; that Stettinius had been in touch with Armour, who had reported that Argentina was about to break with the Axis; that Stettinius had asked Secretary Morgenthau for his views as to whether to freeze anyway; and that in reply he had told Stettinius that he could not give a "horseback" opinion and he did not know the facts.

In the light of this additional information the matter was discussed by a Treasury group, including Mr. Paul, Mr. Gaston, and Mr. Bell.

Mr. Paul then (about 11:30) telephoned Secretary Morgenthau and advised him that, while we realized the political nature of the decision, it was the consensus of the Treasury group that any Argentine break with the Axis would be only token in character and would be done for the purpose of strengthening the position of the present Argentine Government. Mr. Paul called the Secretary's attention to the fact that Jim Mann, in a report written in late September, had discussed the possibility that the Ramirez Government would make such a maneuver and had stated: "I seriously doubt that there will be any break. But if there is -- and it is possible -- I predict that it will be a hollow break with no attempt to curb the Axis financially.

- 3 -

Furthermore, I feel that with such a hollow break, we would be worse off than without it."

Just before 12 o'clock Secretary Morgenthau called back and informed Mr. Paul that he had discussed the matter further with Stettinius, that Stettinius had discussed the problem with the President, and that it had been decided that freezing action was not to be taken at this time.

A telegram was immediately sent to all the Federal Reserve banks advising them that the Executive Order would not be issued.

*Orvis A. Schmidt*  
Orvis A. Schmidt

January 22, 1944

MEMORANDUM FOR THE SECRETARY

Attached is the Executive Order, press release, and Memorandum for the President. You should sign the Memorandum for the President and initial the press release.

It is expected that the press release will be referred to by Hull in his statement on the Argentine-Bolivian situation Monday.

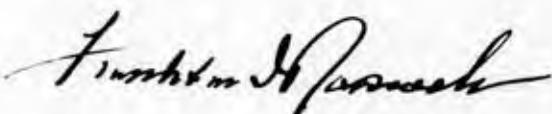
R.E.P.

Signed at 10. A.M.  
Sunday Jan 23, 1944  
at Fishkill Farms

## EXECUTIVE ORDER

AMENDMENT OF EXECUTIVE ORDER NO. 8389 OF  
APRIL 10, 1940, AS AMENDED

By virtue of the authority vested in me by Sections 3(a) and 5(b) of the Trading with enemy Act of October 6, 1917 (40 Stat. 415), as amended by Title III of the First War Powers Act, 1941 (55 Stat. 338), and by virtue of all other authority vested in me, I, FRANKLIN D. ROOSEVELT, PRESIDENT of the UNITED STATES OF AMERICA, do hereby amend Executive Order No. 8389 of April 10, 1940, as amended, by adding Argentina to the list of foreign countries designated in subdivision (j) of section 3 of such Order.



THE WHITE HOUSE,

January 24, 1944.

THE WHITE HOUSE  
Washington

FOR IMMEDIATE RELEASE

The White House today announced the freezing of Argentina, the only country in this hemisphere which has not broken diplomatic and commercial relations with the enemy. In taking this action the President stated:

"The Executive Order freezing Argentine assets within this country has been issued for the reasons of continental security set forth by the Secretary of State in his statement. This move results from the fact that the present Argentine Government is permitting Argentina to be used as a base from which the Axis conducts its financial operations throughout the Western Hemisphere. Through this channel the Axis is able to finance espionage, sabotage and other subversive activities detrimental to our interests and the interests of the other American republics who have joined sides with us in this great struggle against our common enemy.

The Order is aimed at those transactions which are detrimental to the interests of the United Nations. It will be administered by the Treasury in such a way as to permit transactions in the interests of the United Nations."

*J.W. M.L.C. K.*

G  
O  
P  
Y

January 22, 1944

MEMORANDUM FOR THE PRESIDENT

We recommend that the attached order freezing Argentine assets be signed by you at once. This order has been cleared as to form and legality with the Attorney General.

(i) C.H.

Secretary of State

Secretary of the Treasury

## TRANSLATION

MINISTRY OF THE TREASURY AND PUBLIC CREDIT  
MEXICO

January 22, 1944.

Excellency:

I have had the pleasure of receiving, with your kind note of last November 22, a rough draft copy of the preliminary project of the United Nations Reconstruction and Development Bank, prepared by a group of experts in the Department of the Treasury of the United States.

In accordance with the recommendation made in the aforementioned note and after personally examining the rough draft, which contains general outlines, I have submitted it for study to a group of experts in this Ministry.

I shall be glad to advise Your Excellency, after conscientious study, of any comments or suggestions that I may think pertinent or to submit to you any alternative proposition to provide for long-range international credit intended for reconstruction and development.

I have taken note that in case any one of the experts of this Ministry may go to Washington, the experts of that government will discuss with him the aforementioned proposition.

I await the receipt of the material referred to by Your Excellency relative to enlargement upon and possible discussion of the provisions of the aforementioned proposition.

I renew to you the assurances of my most distinguished consideration.

Eduardo Suarez

To His Excellency Henry Morgenthau,  
Secretary of the Treasury of the United States  
of America,  
Washington, D.C.

U. S. A.

copy  
ERS 2/3/44

OPTEL NO. 25

Information received up to 10 a.m. 22nd January, 1944.

1. NAVAL.

On 20th/21st 2 Albacores off Le Touquet bombed and set on fire one of the 2 German destroyers which had passed through Dover Strait.

2. MILITARY

Italy. To noon 21st. 5th Army. French troops cleared Monte Croce. U.S. troops have established a bridgehead across the River Rapido after heavy fighting. In British sector enemy counter-attacks against Castelforte and Minturno repulsed and further progress reported. Troops of 5th Division captured Trimenuoli. Fighting continues.

Burma. Arakan. West of Mayu range several small Japanese counter-attacks have been repulsed. East of range four miles North East of Buthidaung a heavy Japanese counter-attack was beaten off during 16th/17th and on 20th our troops successfully attacked enemy positions in this area.

Chindwin. 18th. Our troops after heavy air attack previous day attacked enemy positions 15 miles SE east of Tamu. Part of the Japanese main position has been occupied.

3. AIR OPERATIONS.

Western Front.

20th/21st. Berlin. 1111 tons HE and 1188 tons incendiaries dropped including 392 4,000 pound bombs. Most crews bombed on sky markers, bombing believed concentrated. Glow of fires seen on clouds and towards end of attack smoke rose to great height; 2 particularly large explosions rose to great height; 2 particularly large explosions reported. Heavy A/A, slight to moderate over Berlin, considerable in Kiel and Magdeburg areas. Searchlights ineffective and fighter activity over objective only slight.

21st. 370 escorted Fortresses and Liberators attacked military constructions in Northern France dropping 965 tons with poor to good results. 288 medium light and fighter bombers also attacked similar objectives dropping 265 tons. Enemy casualties claimed 20:3:6, ours 6 heavy bombers and 4 fighters missing.

21st/22nd. 886 aircraft despatched. Magdeburg 702 (54 missing), Berlin 33, Northern France 110, Oberhausen 9, Mosquitoes, Duisburg 5 Mosquitoes, Sea-Mining 8, leaflets 19. About 100 enemy aircraft in all operated over South East England in 2 phases of which 27 penetrated the greater London area. Enemy casualties by night fighters 7:3:1, by A/A 0:4:0. Bombs including many incendiaries fell at several places in East and South East England including London area. Preliminary reports indicate little serious damage though minor damage, including large proportion by A/A shells, is fairly extensive. Fatal casualties so far reported 14, of which 2 in London area.

Italy.

20th. 129 medium bombers attacked railway communications near Rome and Gaeta; 1 bomber missing. 161 light bombers and fighters made a successful attack on Regoli railway station.

Note: Correction to OPTEL No. 1. T.O. 3 Air Ops.  
Correct page should read " ".

NOT TO BE RE-TRANSMITTEDCOPY NO. 12

BRITISH MORT SACHEL  
U.S. SACHEL

O.F.I.L No. 26

Information received up to 10 A.M., 23rd January, 1944.

1. ALLIED LANDING SOUTH OF ROME.

Early 22nd a strong force of British and U.S. infantry landed in the NETTUNOANZIO area. Weather was favourable. Landing virtually unopposed though some beaches heavily mined. Our troops disembarked rapidly and pushed on to their initial objectives about 4 miles inland. Harbour of ANZIO in our hands intact by 2 p.m. Allied Naval forces escorted the convoys and covered the assaults. Air cover provided from advanced landing grounds in main 5th Army area. Enemy completely surprised and when he began to move towards landing area both from North and Southeast, Allied air forces heavily bombed his transport columns. One of R.M. Fighter Direction Ships was mined and is returning to port in tow. The coast road from FORMIA to FAIRACINA is being shelled by allied warships.

2. MILITARY

ITALY. To noon 22nd. 5th Army. Fierce German resistance on whole front. The attack by French troops towards AFINA continued with heavy artillery action on both sides. U.S. forces strengthened their bridgehead over the RA'IDO south of CASSINO in face of strong machine-gun opposition. In the coastal sector British troops repulsed several counter-attacks.

3. AIR OPERATIONS

WESTERN FRONT. 21st/22nd. MAGDEBURG. 945 tons H.S., 1079 tons incendiaries dropped including 352 4,000 pound bombs. Thin cloud over city. Marker bombs scattered at first but improved later and good bombing concentration resulted. Glow of substantial fires seen and much smoke. Considerable fighter activity over MAGDEBURG and on way home especially between HAMBURG and BREMEN, also intense A/A en route. 127 H.S.A.F., 64 R.A.F. and 20 New Zealand aircraft took part. 14 Canadian and 3 Australian missing.

ITALY. 20th. 141 escorted Fortresses bombed airfield near ROME and destroyed 2 enemy aircraft for loss of 1 bomber and 1 fighter.

20th/21st. Wellingtons dropped 71 tons on railway communications at CAVICINA, southeast of LEGHORN, hitting a railway bridge.

EGYPT. 21st. Beaufighters destroyed 2 and damaged 5 aircraft off western Greece.

4. HOME SECURITY

21st/22nd. During second raid incidents widely scattered over home counties, London area and South East England. No serious damage incurred fatalities - 21 killed, 93 seriously wounded.

1944 JAN 24 PM 4 04

SECRETARY OF TREASURY  
 OFFICE

Mr. Paul talked with Mr. Morgenthau 11:00 A.M. Jan. 24, 1944

H.M., jr....All right. What Stettinius told me he hasn't yet told the President or Mr. Hull. It only happened 20 minutes ago. He had a telephone call from Mr. Armour in which he said he had the word of the President of Argentina that they will break with the Axis but they don't want to do it as though they are under pressure. He has 1/2 dozen fellows sitting around and talking about it. I couldn't give a horseback opinion. He spoke about freezing Bolivia.

Paul:..... Of course, that is a small operation compared with the other.

Secry..... He said that they are now convinced that they have a spy ring in their midst and they want to act on it. I can see if they are going to do this thing they wouldn't want to do it with a gun at their heads. He promised me as soon as he talked to the President and Mr. Hull he is going to call back. I have also promised him to keep this very secret. I can see that something like that is going to break. My own opinion is I would give them a chance to break with the Axis, because once they break ....

Paul:.....We can begin to organize our thinking now.

Secry.....He certainly couldn't be any franker with me.  
If and when I know anything, I will let you know.

52

Secretary Morgenthau called Mr. Paul 11:40 Jan. 24, 1944

H.M. jr:..... Stettinius called me back. He talked to Hull and the President and the President was very emphatic that we give them a couple of days. And also, triple confidential, he had a very strong cable from Churchill yesterday asking him to do absolutely nothing in regard to the ARGENTINE. So I told him - well, I hope it will all be for the best, but I was very skeptical. After all, it was a fascist government, and I was skeptical of the results and what would be the chance if they did break and they would have to freeze afterwards. Well, he said he didn't know but this is the President's wish and the President was very emphatic about it.

Paul:..... We have done everything we can do and your record is entirely clear.

H.M. jr:..... Don't think I don't agree with you and the rest of your men, but I have been doing this for a year and a half, but when I told you we didn't know all the facts, I didn't know how right I was. What I meant was we are up against the plea of Churchill. After all it is the same thing. I have been that way right straight along on lots of those things.

Paul:..... Please don't misunderstand me. I did not intend to criticise, but I was just trying to be helpful giving the views of the boys to you.

H.M. jr:..... That was your responsibility and I am glad you did. Stettinius has been franker with me than any other person in the State Department, but on the other hand, in a case like this I weighed my words very carefully, and first thought what should I say. Suppose I said "put me down for going ahead and freezing" and after all, Armour has been in our corner and this was a strong plea from him that we wait and he has been just as emphatic as we have. A week later they could say

- 2 -

we would have done it if it hadn't been for Morgenthau. All I am saying is if you don't have all the cards, it is awfully hard.

Paul..... We are in the middle and this is a political decision.

H.M.jr..... Remember when I came back I said on a political basis they should tell us what they wanted to do. I followed the advice and it wouldn't have made a dam bit of difference. On the other hand the only thing we could get on this if we had done it any time in the last year and a half, this would not have come to pass and these fellows would not have been in control there. A year ago these men never would have had the chance. And when you are up against him and Churchill it is kind of tough going. Anyway, the President felt emphatic. I told him to put me down on the record as being very skeptical on the whole thing. I think our record for what it is worth is 100%. You tell the boys I always want their advice and no matter how aggressive they are, they can't be too aggressive for me.

I have asked Hull for a meeting Wednesday afternoon for the Relief Committee. I have asked either the Secretary or the Acting Secretary of War for lunch. I tried to get Stimson, but he was out of town.

Paul..... Did you talk to Patterson?

H.M.jr..... I have talked to Patterson twice. Stettinius and he couldn't help. I have to do it all. I asked them about freezing Bolivia and he said that was not in the cards.

Paul..... I shouldn't think it would be.

H.M. jr.... He said if they don't do something between now and Saturday it is another story.

- 3 -

Paul ..... I personally hope they do nothing.

H.M. jr..... I think the English record on this is terrible.  
They are more interested in getting their beef  
out of the Argentine than they are anything else.

MEMORANDUM FOR THE FILE

January 26, 1944

Meeting in Mr. D. W. Bell's office  
January 26, 1944  
3100 P. M.

Present for War Dept:	General Clay
Present for State:	Mr. Ballantine Mr. Collier Mr. Hise Mr. McGuire
Present for Treasury:	Mr. D. W. Bell Mr. White Mr. Prickett

Meeting had been called at the suggestion of General Clay to discuss cable which had been received that morning from Ambassador Gauze through the War Department in which Ambassador Gauze had suggested revision in the last paragraph of the President's message to the Generalissimo. The Ambassador had made the point that the Chinese would say that there was a contradiction between that part of the message which spoke in terms of the United States recognizing the validity of the Chinese claim that it was not in a position to bear the financial burden of contributing to the maintenance of American troops in China and that part which said that this Government was fully prepared to bear all costs of its war efforts in China under general arrangements that would be suggested by General Stilwell and the Ambassador. The Ambassador said that the Chinese would consider anything above the rate of 20 to 1 as a contribution or aid to the United States. (See appended paraphrase of cable marked A.)

After some discussion it was agreed that no change in the fundamental meaning of the paragraph should be made but that it would be desirable to change the wording in such a way as to facilitate the Ambassador's task. After considerable discussion a substitute paragraph was agreed to by all present. (This substitute is appended hereto and marked B)

- 2 -

In reply to query from State Department representatives, Mr. Bell indicated that since all present felt that the new paragraph did not represent any fundamental change in meaning, he did not feel it would be necessary to clear it with the President, particularly since the President was at Hyde Park and getting his clearance would necessitate delay. Mr. Bell said, however, that he would give the substitute paragraph to Miss Tully with a note explaining why the substitution was being made.

It was agreed by all present that the substitute paragraph should be cabled out immediately to the Ambassador and that he should not be given any option as to whether or not the new paragraph should be presented to the Chinese. The point was also made that the new substitute paragraph should not be paraphrased by the State Department.

General Clay indicated that a cable had been received from General Hearn which stressed the military implications of the matter under discussion but which added nothing new to what had already been discussed.

I. S. Friedman

ISF/efs 1/27/44

"A"

Paraphrase of cable from Ambassador Gauss, dated January 22, 1944, as read over the telephone by Mr. Hiss:

"Last paragraph of message from President as drafted may readily be misunderstood by the Chinese who undoubtedly would view the furnishing of Chinese dollars above the amount obtained at the official rate of exchange whether outright under the Clay-Somervell proposal or under reverse Lend-Lease as a major contribution by them to cost of our war effort. Chinese may well contend that we ignore the last paragraph of the message to the effect that we will pay all of our Army's expenses because of the inability of the Chinese to contribute financially to those expenses. Consequently, I suggest you consider either clarifying or eliminating the last paragraph. Edward Acheson agrees."

"B"

Paragraph 4. Furthermore, since you say that your Government is not in a position to continue any direct maintenance of American troops in China, this Government, in order to cover all of its military expenditures in China, including such maintenance as well as construction, is prepared to place to your account the U. S. dollar equivalent of any Chinese funds made available under general arrangements that will be suggested by General Stilwell and the Ambassador.

January 24, 1944

Will you please<sup>29</sup>  
send to Miss  
Tully via Sec'y's  
spec. messenger so  
record can be kept?  
Also first thing.

Del. by F. S. Agent  
at 9:10 a.m. 1/25/44

(U)

January 24, 1944

SECURITY CONTROL

TO MISS TULLY:

The State Department received a cable from Ambassador Gauss asking for a clarification of the last paragraph in the President's cable of last Thursday. Ambassador Gauss thought that the Chinese might misinterpret that last paragraph because of what he feels is an inconsistency between the last paragraph and the immediately preceding paragraph.

The State, War and Treasury representatives have considered the matter and, while we do not feel there is any inconsistency, we have drafted the attached substitute for the last paragraph of that cable and sent it to Ambassador Gauss. We thought, in view of the fact that there is no change in the sense of the paragraph, that you were out of town, and that speed was important, it was not necessary to bother the President with this slight change. —

This is merely for your records.

*(Signed) D. W. SELL*

DWB:NLE

The following paragraph is to be cabled by the State Department to Ambassador Gauss to be substituted for the last paragraph of the President's cable that was sent out on January 20, 1944.

Furthermore, since you say that your Government is not in a position to continue any direct maintenance of American troops in China, this Government, in order to cover all of its military expenditures in China, including such maintenance as well as construction, is prepared to place to your account the U. S. dollar equivalent of any Chinese funds made available under general arrangements that will be suggested by General Stilwell and the Ambassador.

Despatched January 24, 1944.

SECRET

To: Secretary Hull  
From: Secretary Morgenthau

Please transmit the following cable to the American Embassy, Chungking, China.

FOR ADLER FROM THE SECRETARY OF THE TREASURY

Reference your cable of January 13, 1944, No. 87.

Please transmit the following message to Dr. Kung.

1. It has been brought to my attention that progress is being made in the work on only a portion of the bases which China and the United States agreed to construct and that our common war effort will be seriously impeded if work does not proceed on these bases. Furthermore, I understand that construction has not begun at all on some bases.

2. In view of the long history of close collaboration between your Ministry and my Department, I am taking the liberty of expressing my personal views to you on this matter. I feel that nothing could be more conducive to lowering the prestige of China in the United States and the loss of the good will of the American people than the knowledge that China was not cooperating fully with the United States in the building of these air bases. It is needless for me to say

SECRET

- 2 -

that the assistance which has been given in the past to the Chinese people and their Government by the United States was only possible because of the good will which the American people have felt for China due in part to China's great contribution to our common effort. I firmly believe that I speak in the best interests of China when I recommend that immediate action be taken for the construction of the remaining bases.

3. I fully appreciate the economic difficulties which the Chinese Government now faces but I am sure that you fully appreciate that the question of the amount of United States currency which the Chinese Government is to obtain for the building of these airports for which payment is to be made by the United States bears no relation whatever to the economic effect of the expenditures in Chinese national currency which are made for the building of these airports. If there is any question as to the amount of United States currency which is to be paid for such local currency, there would not seem to be any reason why immediate allocation of the necessary local currency should not be made and work proceed on these bases, under an interim procedure being proposed by the State and War Department representation, leaving for future determination the final question of the United States currency equivalent.

You are instructed to show copy of this cable to the Commanding General.

SECRET

**TREASURY DEPARTMENT****INTER OFFICE COMMUNICATION**

**TO** Mrs. Klotz  
and  
Mr. FitzGerald

**FROM** Fred Smith 

**DATE**

January 24, 1944

I think I have notified you previously, but in case I haven't, the Secretary goes on "We The People" Sunday night, January 30.

He intends to fly up Sunday morning, and should be in Bridgeport not later than noon in order to have time for rehearsals. He also expects to fly back Sunday night.

He should have a room while he is there.

# TREASURY DEPARTMENT

35

## INTER OFFICE COMMUNICATION

**DATE**

January 24, 1944

**TO** Secretary Morgenthau

**FROM** Fred Smith 

Dave Levy would like to have Charles Wilson of the War Production Board on the labor management spot in the Sunday night program. Wilson has a General Electric plant at Bridgeport, which provides an excuse for getting him there. The OWI has already contacted Wilson, but no answer has been given.

It is possible that he will want to ride up with you Sunday morning and come back Sunday night. Admiral King definitely would like to go with you, and this would be much better than picking him up in Washington, which was the ~~the~~ original plan.

If you don't object to passengers, I should like to have the scheduled time of departure as soon as possible, since Naval Operations seem to require it.

TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Monday, January 24, 1944.

Press Service  
No. 40-37

The Secretary of the Treasury today announced an offering, through the Federal Reserve Banks, of 0.90 percent Treasury Notes of Series D-1945, open on an exchange basis, par for par, to all holders of Treasury Certificates of Indebtedness of Series A-1944, maturing February 1, 1944. The subscription books will remain open through Wednesday, January 26. This exchange operation will be conducted outside of the Fourth War Loan Drive, which started last Tuesday, and the subscriptions received will not be a part of any quotas.

The notes will be dated February 1, 1944, and will bear interest from that date at the rate of 0.90 percent per annum, payable on a semiannual basis on September 1, 1944, and March 1, 1945. They will mature March 1, 1945. They will not be subject to call for redemption prior to maturity. They will be issued in bearer form only, with two interest coupons attached, in denominations of \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000.

Pursuant to the provisions of the Public Debt Act of 1941, interest upon the notes now offered shall not have any exemption, as such, under Federal tax Acts now or hereafter enacted. The full provisions relating to taxability are set forth in the official circular released today.

Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington, and should be accompanied by a like face amount of the maturing certificates. Subject to the usual reservations, all subscriptions will be allotted in full.

There are now outstanding \$2,211,161,000 of the Series A-1944 certificates.

The text of the official circular follows:

UNITED STATES OF AMERICA

0.90 PERCENT TREASURY NOTES OF SERIES D-1945

Dated and bearing interest from February 1, 1944

Due March 1, 1945

1944  
Department Circular No. 732

TREASURY DEPARTMENT,  
Office of the Secretary,  
Washington, January 24, 1944.

Fiscal Service  
Bureau of the Public Debt

I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par, from the people of the United States for notes of the United States, designated 0.90 percent Treasury Notes of Series D-1945, in exchange for Treasury Certificates of Indebtedness of Series A-1944, maturing February 1, 1944. The amount of the offering will be limited to the amount of such maturing certificates tendered and accepted.

II. DESCRIPTION OF NOTES

1. The notes will be dated February 1, 1944, and will bear interest from that date at the rate of 0.90 percent per annum, payable on a semiannual basis on September 1, 1944, and March 1, 1945. They will mature March 1, 1945, and will not be subject to call for redemption prior to maturity.

2. The income derived from the notes shall be subject to all Federal taxes, now or hereafter imposed. The notes shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The notes will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

4. Bearer notes with interest coupons attached will be issued in denominations of \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000. The notes will not be issued in registered form.

5. The notes will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States notes.

### III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

### IV. PAYMENT

1. Payment at par for notes allotted hereunder must be made on or before February 1, 1944, or on later allotment, and may be made only in Treasury Certificates of Indebtedness of Series A-1944, maturity February 1, 1944, which will be accepted at par, and should accompany the subscription.

### V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts, to issue allotment notices, to receive payment for notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

D. W. BELL,  
Acting Secretary of the Treasury.

# UNITED STATES OF AMERICA

## 0.90 PERCENT TREASURY NOTES OF SERIES D-1945

Dated and bearing interest from February 1, 1944

Due March 1, 1945

1944  
Department Circular No. 732  

---

Fiscal Service  
Bureau of the Public Debt

TREASURY DEPARTMENT,  
OFFICE OF THE SECRETARY,  
Washington, January 24, 1944.

### I. OFFERING OF NOTES

1. The Secretary of the Treasury, pursuant to the authority of the Second Liberty Bond Act, as amended, invites subscriptions, at par, from the people of the United States for notes of the United States, designated 0.90 percent Treasury Notes of Series D-1945, in exchange for Treasury Certificates of Indebtedness of Series A-1944, maturing February 1, 1944. The amount of the offering will be limited to the amount of such maturing certificates tendered and accepted.

### II. DESCRIPTION OF NOTES

1. The notes will be dated February 1, 1944, and will bear interest from that date at the rate of 0.90 percent per annum, payable on a semiannual basis on September 1, 1944, and March 1, 1945. They will mature March 1, 1945, and will not be subject to call for redemption prior to maturity.

2. The income derived from the notes shall be subject to all Federal taxes, now or hereafter imposed. The notes shall be subject to estate, inheritance, gift or other excise taxes, whether Federal or State, but shall be exempt from all taxation now or hereafter imposed on the principal or interest thereof by any State, or any of the possessions of the United States, or by any local taxing authority.

3. The notes will be acceptable to secure deposits of public moneys. They will not be acceptable in payment of taxes.

4. Bearer notes with interest coupons attached will be issued in denominations of \$1,000, \$5,000, \$10,000, \$100,000 and \$1,000,000. The notes will not be issued in registered form.

5. The notes will be subject to the general regulations of the Treasury Department, now or hereafter prescribed, governing United States notes.

### III. SUBSCRIPTION AND ALLOTMENT

1. Subscriptions will be received at the Federal Reserve Banks and Branches and at the Treasury Department, Washington. Banking institutions generally may submit subscriptions for account of customers, but only the Federal Reserve Banks and the Treasury Department are authorized to act as official agencies. Others than banking institutions will not be permitted to enter subscriptions except for their own account.

2. The Secretary of the Treasury reserves the right to reject any subscription, in whole or in part, to allot less than the amount of notes applied for, and to close the books as to any or all subscriptions at any time without notice; and any action he may take in these respects shall be final. Subject to these reservations, all subscriptions will be allotted in full. Allotment notices will be sent out promptly upon allotment.

#### IV. PAYMENT

1. Payment at par for notes allotted hereunder must be made on or before February 1, 1944, or on later allotment, and may be made only in Treasury Certificates of Indebtedness of Series A-1944, maturing February 1, 1944, which will be accepted at par, and should accompany the subscription.

#### V. GENERAL PROVISIONS

1. As fiscal agents of the United States, Federal Reserve Banks are authorized and requested to receive subscriptions, to make allotments on the basis and up to the amounts indicated by the Secretary of the Treasury to the Federal Reserve Banks of the respective districts, to issue allotment notices, to receive payment for notes allotted, to make delivery of notes on full-paid subscriptions allotted, and they may issue interim receipts pending delivery of the definitive notes.

2. The Secretary of the Treasury may at any time, or from time to time, prescribe supplemental or amendatory rules and regulations governing the offering, which will be communicated promptly to the Federal Reserve Banks.

**D. W. BELL,**  
*Acting Secretary of the Treasury*

(FILED WITH THE DIVISION OF THE FEDERAL REGISTER, JANUARY 24, 1944)

U. S. GOVERNMENT PRINTING OFFICE 870562

January 24, 1944.

My dear General Smith:

It was with a great deal of pleasure that I learned of the promotion which the President has recommended for you. I want to congratulate you on this honor, which I feel is a richly deserved one, and wish you all success in carrying out the great responsibilities which rest upon you in connection with the conduct of the war.

With cordial regards,

Sincerely,

(Signed) H. Morgenthau, Jr.

P.S. Next time you come to  
Washington, please and drop  
in to see me.

Major General Walter B. Smith,  
Chief-of-Staff to General Eisenhower,  
Headquarters, North African Theater of Operations,  
A.P.O. #834,  
c/o Postmaster,  
New York, New York.

GEF/dba

air mail

ROUTINE REPLY TO  
THE COMMANDANT  
REFER TO FILE

UNITED STATES COAST GUARD

WASHINGTON 25, D. C.

24 January, 1944

My dear Mr. Secretary:

You will, I am sure, be interested in the inclosed report on the physical condition of Lieutenant Commander Leslie B. Tollaksen. At the request of the Public Health Service Tollaksen was permitted to continue treatment with Dr. Silberman until January 15. It was therefore decided to delay issuing him any orders until after a report had been received from the Public Health Service, giving a final statement of the physical condition of Tollaksen.

We are very much pleased at Tollaksen's recovery, and the Personnel Officer advises me that he will now take prompt action in the assignment of Tollaksen to duty on a vessel. This, I understand, is what he desires, and it will, of course, be to his advantage in future selections for promotion.

Sincerely yours,

*L. T. Chalker*.

L. T. CHALKER  
Rear Admiral, USCG  
Assistant Commandant

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

Inclosure

1

Copy

Federal Security Agency  
U. S. Public Health Service

January 20, 1944

Commandant  
U. S. Coast Guard  
Headquarters  
Washington, D. C.

Sir: Att. Carl Michel, Asst. Surgeon General

Reference is made to Lieut. Commander Leslie B. Tollaksen, who was admitted to our hospital on September 17, 1943, and discharged on January 19, 1944. We found him to be suffering from a mixed psychoneurosis, and deafness, partial, due to degeneration of acoustic nerve, of unknown cause.

As per your letter of December 8, 1943, arrangements were made for Mr. Tollaksen to secure further treatment from Dr. Maximilian Silberman of 893 Park Avenue, New York City on October 1, 1943. Since this latter date Mr. Tollaksen has been under the care of Dr. Silberman, and has shown definite improvement in both his physical and mental condition. The symptoms for which he was admitted to the hospital, namely those of gastric complaints, have all subsided and disappeared into the background. In addition he has been given some insight and understanding into the fundamental psychological disturbances, which he has found acceptable, and which apparently have relieved him of his anxiety and tension and the resultant physical complaints. The only physical findings that exist are those of a partial deafness which is not of sufficient severity to prohibit him from performing his duties satisfactorily.

At this time we are of the opinion that Mr. Tollaksen is physically qualified to perform sea duty in a combat area or other duty of unqualified nature.

It is suggested that in the event that Mr. Tollaksen have a recurrence of his condition, that he be returned to this hospital for further treatment and disposition, inasmuch as all members of the staff are conversant with all the underlying problems that exist within the present disability found in Commander Tollaksen.

Respectfully,

(Signed) F. M. Faget, Medical Director  
Chief Medical Officer

SDV/ss

## TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DEPARTMENTAL

DATE JAN. 24, 1944

**TO** Secretary [Signature]  
**FROM** Mr. [Signature]

**Subject:** The Business Situation,  
Week ending January 22, 1944.

SUMMARY

Cost of living: The FLS cost-of-living index rose slightly in December, with advances in all other components largely offset by a slight decline in food prices. Although the index now stands 0.6 percent below the peak reached last May, it is 3.3 percent above that of a year ago and is over 24 percent above the pre-war level of June 1939.

Commodity prices: Commodity prices moved slightly higher last week, with noticeable advances in beef and cotton. The FLS index of 56 basic commodities reached a new high, 78.3 percent above the August 1939 average.

Hog situation: No slaughtering in the week ended January 15 attained the highest level on record. Prices of hogs have declined sharply in the past few months and are now considerably below the levels of a year ago. Although cold storage holdings of pork increased considerably in December, stocks on January 1 were only slightly above average, hence an increase in the ration point values of meats will doubtless be required when hog marketing taper off in the next few months.

Civilian production: Recent optimism over prospects for civilian goods production received a set-back last week when NPP Chairman Nelson indicated that large scale conversion cannot take place until the war outlook is a great deal clearer. However, a NPP plan for using small plants to produce civilian goods is tentatively slated to get under way in 3 regional areas at the beginning of February.

Metals supplies: In sharp contrast to the acute shortages earlier in the war, the supply situations for most non-ferrous metals has eased greatly by the end of 1943. Smelter stocks of slab zinc in December rose to the highest level on record. An over-supply of aluminum has developed, and by the early part of this month 11 aluminum reduction plants had been closed, with further curtailment expected.

- - - -

Cost of living up slightly in December

Although living costs rose slightly in December, the cost-of-living index has moved in a relatively narrow range during the past seven months. Noticeable increases in clothing costs, and a gradual rise in the cost of household furnishings and miscellaneous items, have been offset by the market-induced decline in retail food prices. (See Chart 1.) The index is now 0.5 percent below the peak reached last May, although it is 3.3 percent above that of a year ago and is over 20 percent above the pre-war level of June 1939.

All components of the index except foods advanced last month. Retail food prices registered a slight decline, due largely to a 5 percent drop in egg prices and to lower prices for pork, lard, peanut butter and oranges. The decline in egg prices was larger than usual at this time of year, and the prices in some stores were below the CPA ceilings. With the extremely heavy hog marketings last month resulting in increased civilian pork rations, pork prices in most cities showed declines. Peanut butter prices were lower as a result of the subsidy instituted in November. Prices of fresh fish and flour, however, were higher, and prices of most fresh vegetables were up seasonally.

Clothing costs advanced 0.5 percent in December, making a total rise for the year of almost 7 percent. This increase largely reflects the disappearance of low-priced clothing and its replacement by more expensive lines. Extremely limited supplies of children's clothing, men's work clothing, cotton pajamas, and shorts were reported in most cities, but larger supplies of woolen clothing, particularly men's suits and women's coats were noted.

Rent, light and heat costs registered the first noticeable change in a year and a half--rising 0.5 percent. The upward revision in coal price ceilings to compensate for higher labor costs involved in the mine wage settlement largely accounted for the advance. The disappearance of cheaper furniture and other household articles resulted in higher costs for these items. Moreover, barber and beauty shop rates, admission prices, and charges for some other services (items not covered by price ceilings) continued to rise.

Canadian and British indexes continue stable

The cost-of-living indexes of Canada and the United Kingdom have shown little or no change in recent months. (See Chart 2.) Moreover, the indexes of both countries have registered

- 3 -

much smaller advances during the past year than has the index in this country. As compared with a 3.3 percent rise in the living costs index in this country, the Canadian cost-of-living index rose only 0.4 percent in 1947, and the British index actually declined 0.5 percent. Food costs have remained quite stable in both Canada and the United Kingdom in recent months.

#### Senate committee approves subsidy ban

The subsidy question came to the fore again last week when the Senate Banking and Currency Committee voted 10 to 9 to approve the Bankhead bill banning all food subsidies after June 30. The bill extends the life of the CCC and permits the continuation of the soil conservation and sugar payment programs, but it provides that the CCC shall start liquidating its food subsidy operations immediately. Thus the bill is substantially similar to the bill passed by the House in November, which extends the CCC until June 30, 1945, but bans the use of food subsidies. Unless action is taken within the next few weeks, the CCC will expire on February 17 under the terms of the resolution passed just before the Christmas recess.

Despite Congressional opposition to food subsidies, the WPA announced last week a subsidy to grapefruit juice processors. This subsidy is intended to cover the rise in canners' raw material costs, and thus enable maintenance of existing price ceilings. Fresh grapefruit prices are expected to run as much as \$0 per ton above last season's levels. While no figures were released regarding the annual cost of the program, it was indicated earlier that a \$7 to \$9 million program was contemplated.

#### Commodity prices move higher

Commodity prices moved slightly higher last week, with the BLS index of 23 basic commodities reaching a new high, 72.3 percent above the August 1939 average. (See Chart 3.) Meat prices held up to near ceiling levels under the influence of continued dry weather in large sections of the winter meat belt, together with news of resumed Government buying of cash meat. Steer prices rose sharply.

Cotton prices advanced 1 percent as the Food Distribution Administration disclosed that it was requesting offers on 332 thousand bales of raw cotton for lend-lease shipment. Acceptance of the bids will be made by February 15. Although cotton prices have shown an upward trend during the past 7 weeks, prices are now 2 percent below the levels of the corresponding week last year. In fact the prices of most of the lower grades of cotton are below the Government loan values.

- 1 -

The BIS all-commodity index in the week ended January 15 advanced 0.1 percent to 103.0 (1926=100). Higher prices for fruits and vegetables, particularly apples, citrus fruits and potatoes, largely accounted for the rise. The index has fluctuated within a relatively narrow range during the past year and is now only 1.4 percent higher than a year ago, although it is 37.3 percent above the pre-war level of August 1939.

Ceiling prices for seven fresh vegetables at all levels since retail were announced by the CPA last week in a move to prevent a repetition of last winter's sharp rise in fresh vegetable prices. The maximum price schedules, which become effective at the country shipper level on January 31 and at terminal markets on February 15, cover the following vegetables: carrots, spinach, peas, snap beans, eggplant, peppers, and cucumbers.

Dollar-and-cent retail prices in each community will be announced later by the regional and district offices of the CPA. Prices for peppers, eggplant, and cucumbers will show sharp reductions under 1943 prices as a result of the ceilings, and prices of other vegetables will be lower than the highs of last winter but in some instances above the prices of last summer. The price schedules allow for seasonal variations. It was indicated that price ceilings on additional fresh vegetables could be issued in the near future. The rise in fresh vegetable prices was largely responsible for the sharp advance in the cost-of-living index last winter and spring.

#### Hog marketings near record proportions

Hog receipts continued near record proportions last week at many markets congested and holdovers very large. Saleable receipts at twelve Midwestern markets totaled 60<sup>1</sup>/<sub>2</sub> thousand head for the first four days of last week as compared with only 251 thousand a year ago. In a move to promote more orderly marketings, the Chicago Hog Marketing Committee announced the adoption of a permission-to-market plan for hogs coming into that market. Similar plans have been adopted by several other leading livestock markets.

Hog prices have fallen sharply during the past three months and are now considerably below last year's levels. Wholesale prices of 180-200 pound good to choice hogs in the Chicago market in the week ended January 15 averaged only \$15.15 per hundredweight as compared with \$18.75 in the corresponding week last year. (See Chart 4, upper section.) The price of this particular weight of hog, however, has fallen more sharply

- 5 -

from the 200-300 pound weights which are covered by the government support program. Hog prices are now at the latest levels since February 1942.

Hog slaughtering has expanded greatly, attaining the greatest level on record in the week ended January 15. (See Chart 4, lower section.) Slaughtering is expected to continue at extremely high levels throughout this month. Government purchases of pork have been stepped up in the past two months, although limited freezer space for storing has undoubtedly tended to limit purchases. While cold storage holdings of pork increased 126 million pounds in December, stocks on January 1 were only 4 percent above a year ago and were only 1 percent above the 1939-43 average for that date.

Since pork stocks are but little above average, the tapering off of hog marketings, which WFA officials anticipate in February, is expected to necessitate the raising of the ration values of meats. The OPA reported recently that February supplies of all meats are estimated at 10 percent under the January level.

#### Egg prices continue to decline

Egg prices continued to show noticeable declines during the first two weeks of January. Wholesale prices of fresh standard eggs at Chicago in the week ended January 15 averaged 2½ cents per dozen below the levels of a year ago. (See Chart 5, upper section.) Moreover, in many sections eggs were removed from the community price ceiling lists and placed on a mark-up basis in order to give the consumer the benefit of the lower wholesale prices.

Over-supplies of eggs were noted at several markets, although receipts at the four leading markets (New York, Philadelphia, Boston, and Chicago) leveled out during the first part of January. (See Chart 5, lower section.) Egg production in December, the latest data available, was 6 percent above that of a year ago and the number of pullets of laying age on farms at the beginning of this year was almost 15 percent larger than last year. While eggs in cold storage declined sharply during December, stocks on January 1 amounted to 667 thousand cases, 47 percent above the 1939-43 average for that date.

Greater stability in the egg marketing situation is expected by some poultry experts in the Food Distribution Administration. Not only is the FDA supporting the egg market in the Eastern states, but offers have been accepted on

- 6 -

10 million pounds of dried eggs during the first two weeks of this month. This quantity is equivalent to approximately four weeks' receipts at the four leading egg markets. As egg supplies decrease in the next few months, a resulting increase in egg consumption is expected to help relieve the egg surplus.

Post-war agricultural program offered

An expansion of food production in the post-war period even beyond the current peak levels should be a major peace-time goal for American farmers, Secretary of Agriculture Claude Wickard indicated last week. A post-war agricultural program, drafted with the aid of Department inter-bureau and regional committees, was offered as a basis for discussion of the national agricultural policy after the war. The program calls for:

1. Nutritionally adequate diet and ample fiber supplies for all, requiring substantially more food than the nation has ever produced before.
2. Parity income for farmers, based on a new and improved parity formula for farm prices.
3. More equitable public services and facilities for rural areas--such as schools, hospitals, roads, electricity, medical services, sanitation facilities, vocational training and recreational opportunities.
4. A more efficient farm product marketing system at a lower cost.
5. National policies which would encourage family-size farms.
6. Better land-tenure conditions, and the diffusion of property among more owner-operators.
7. Reclamation and settlement of 40 million acres of land through drainage, irrigation and clearing.
8. Greater employment of present part-time farmers living on subsistence tracts near urban areas.
9. Greater conservation of soil and forestry resources.
10. Maintenance of a high level of industrial activity as "an indispensable means" of providing a market for abundant farm production.
11. A "freer" international trade policy, involving a decrease in domestic production of agricultural commodities that cannot meet world competition without tariffs or subsidies.

Large-scale civilian output must await clearer war outlook

"asier supply situations in numerous raw materials, particularly metals, together with reclamation of some MTC

- 7 -

restrictions on production and cutbacks in certain war contracts, have generated considerable optimism recently over the prospects for resumption of civilian goods output. Last week, however, WPB Chairman Nelson deflated some of the more ambitious expectations by affirming that there can be no return to volume production of less essential goods until the war outlook is much clearer. This was followed by an OWI statement which indicated that no extensive resumption of civilian goods production is possible at this time. The OWI also called for a more careful discussion of cutbacks and conversion in order to avoid misleading impressions.

Although large-scale conversion plans are apparently ruled out for the near future, some progress is being made in gradually relaxing numerous materials controls. Moreover, the WPB has just approved a plan whereby small plants may obtain surplus materials for civilian goods output without regard to existing limitation orders. The plan is expected to be tried out initially in 3 regional areas and the starting date is tentatively set for February 1. Plants engaged in war production will not be allowed to participate in the plan, and in no case may the plants employ as many as 50 persons. In fact, in the most critical labor shortage areas, participation will be limited to plants having less than 10 employees. It is believed that the plan will provide valuable experience for subsequent conversion measures.

#### Non-ferrous metals supply improved

In addition to the easier supply situation which developed near the end of 1943 in steel ingots and pig iron, the supply situations for most non-ferrous metals were greatly improved at the end of the year. Smelter stocks of slab zinc rose 15,000 tons in December to a record high of nearly 174,000 short tons, and the American Zinc Institute is consequently urging the relaxation of restrictions on zinc use for some of the more essential civilian needs. The increase in zinc stocks last month was accompanied by a 16 percent decrease in copper consumption from November levels. These developments chiefly reflected a sharp cutback in the demand for brass strips for small arms ammunition.

U. S. production of primary aluminum increased more than 75 percent in 1943, and by the last quarter of the year an over-supply of the metal was in evidence. As a result of this situation, and in order to conserve coal supplies, 11 aluminum reduction plants located in Tennessee, New York, New Jersey and North Carolina had been closed by the early part

— this month, and further production curtailment was reported to be under consideration. Further evidence of the improving trend of non-ferrous metal supplies is seen in the recent action of the WPB in removing restrictions, with minor exceptions, on the sale and delivery of tungsten, zirconium, molybdenum and cobalt.

#### Tight supply situation in cotton textiles expected

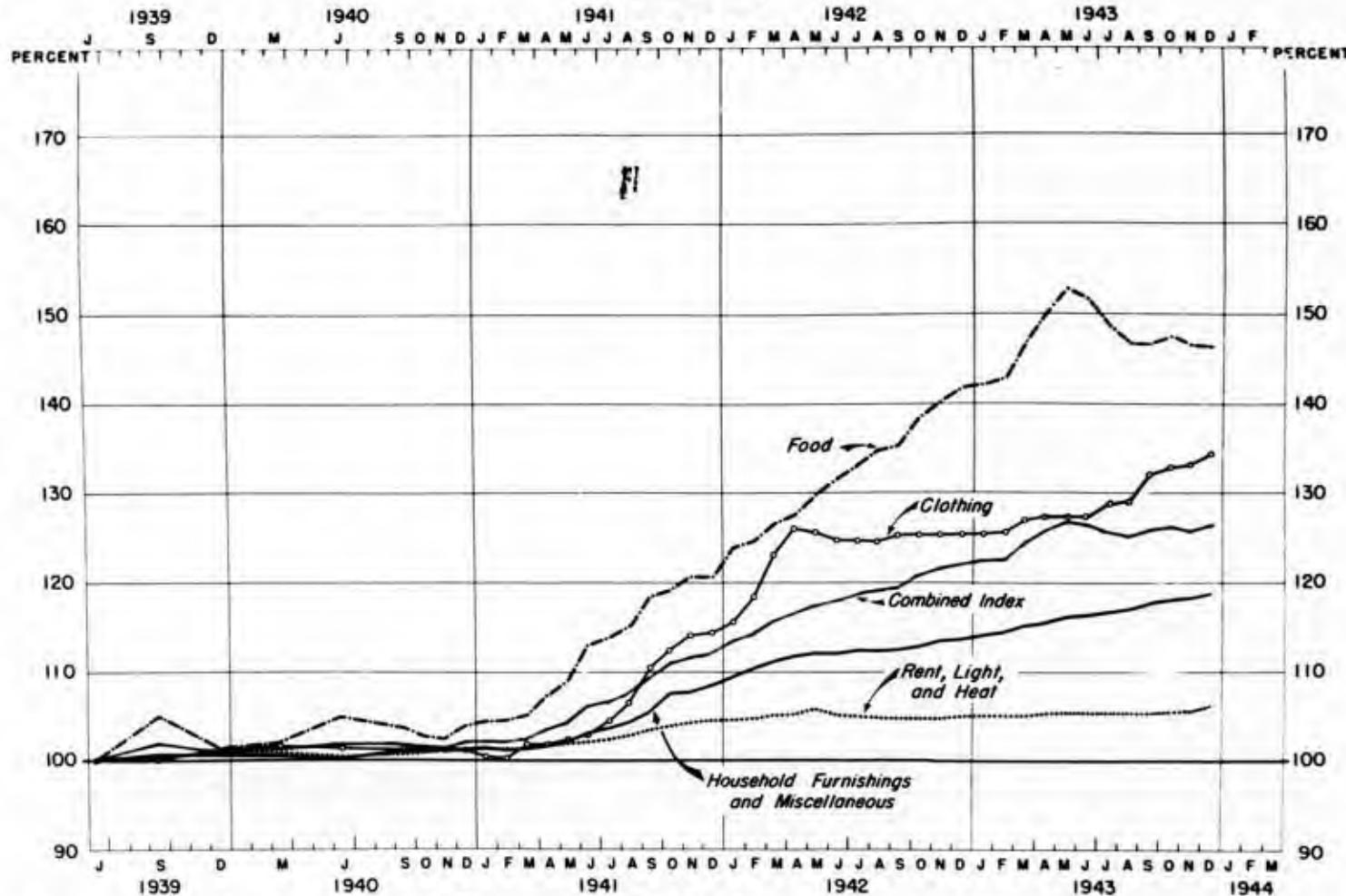
As a result of the improvement in metal supplies, the outlook for production of consumer durable goods has improved somewhat in recent months, but trade circles are expecting cotton textile supplies for civilians to be very tight in 1944. Cotton consumption, after allowance for seasonal factors, by last November was running about 14 percent below the war-time peak reached in April 1942. Manpower shortages, and price ceilings which tend to discourage overtime operations in the mills, have been cited as leading factors in the decline.

Government textile purchases, including those for lend-lease and foreign rehabilitation, are expected to be heavy in 1944. While it is reported that mills have not yet been able to estimate the full effect of a recent WPB order establishing government priorities on production, Frank L. Walton, former head of the WPB textile, clothing and leather division, last week predicted that the civilian supply of cotton textiles in 1944 would decline about 15 percent.

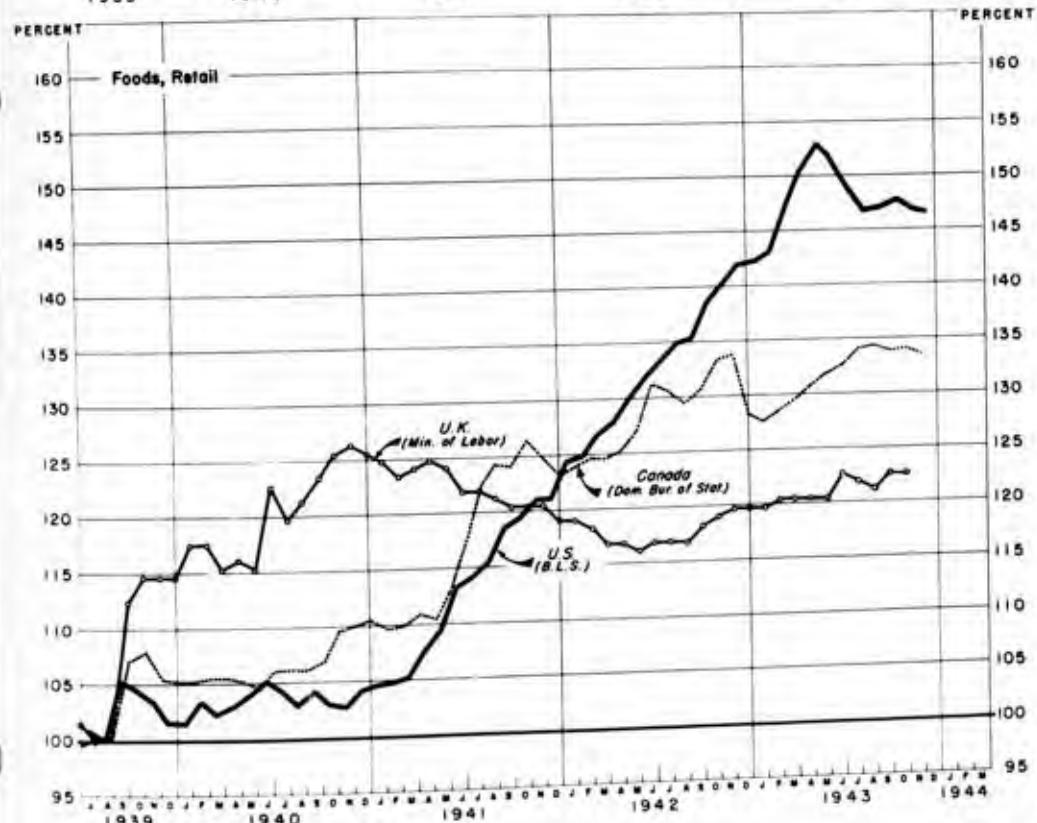
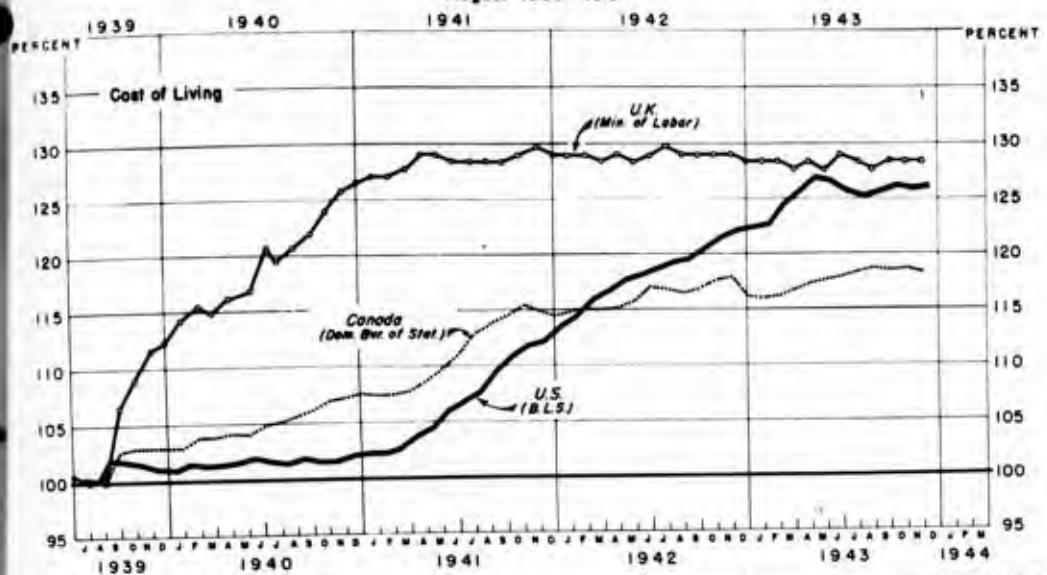
The outlook for woolen textile production and supplies at present is more favorable than for cotton. As a result of the improved supply situation, the WPB last November lifted all restrictions on the use of wool for clothing, linneries and upholstery. Last week the Defense Supply Corporation sold 5.5 million pounds of Government stockpile wool at auction in Boston as a result of recommendations of the WPB. Considerable trade interest was shown in the sale, as it was believed to be a forerunner of further releases of stockpile accumulations. Although Army procurement of cotton textiles declined in 1943, purchases of wool textiles showed a larger decrease. In this connection it was recently reported from the Philadelphia Quartermaster Depot that troops in the field were wearing cotton twill uniforms to a greater extent than anticipated, with a consequent upsetting of the Army procurement program for cotton and wool textiles.

# COST OF LIVING AND SELECTED ITEMS

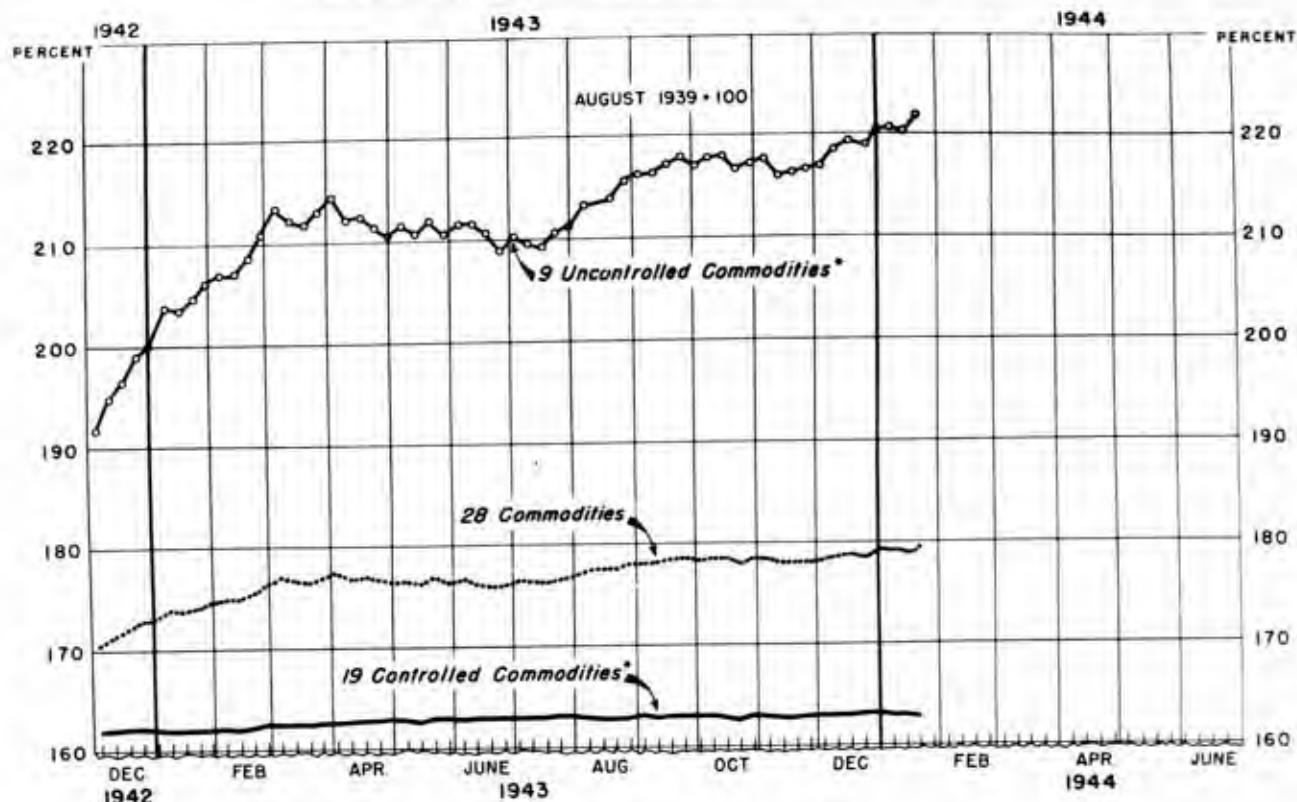
June 1939 = 100



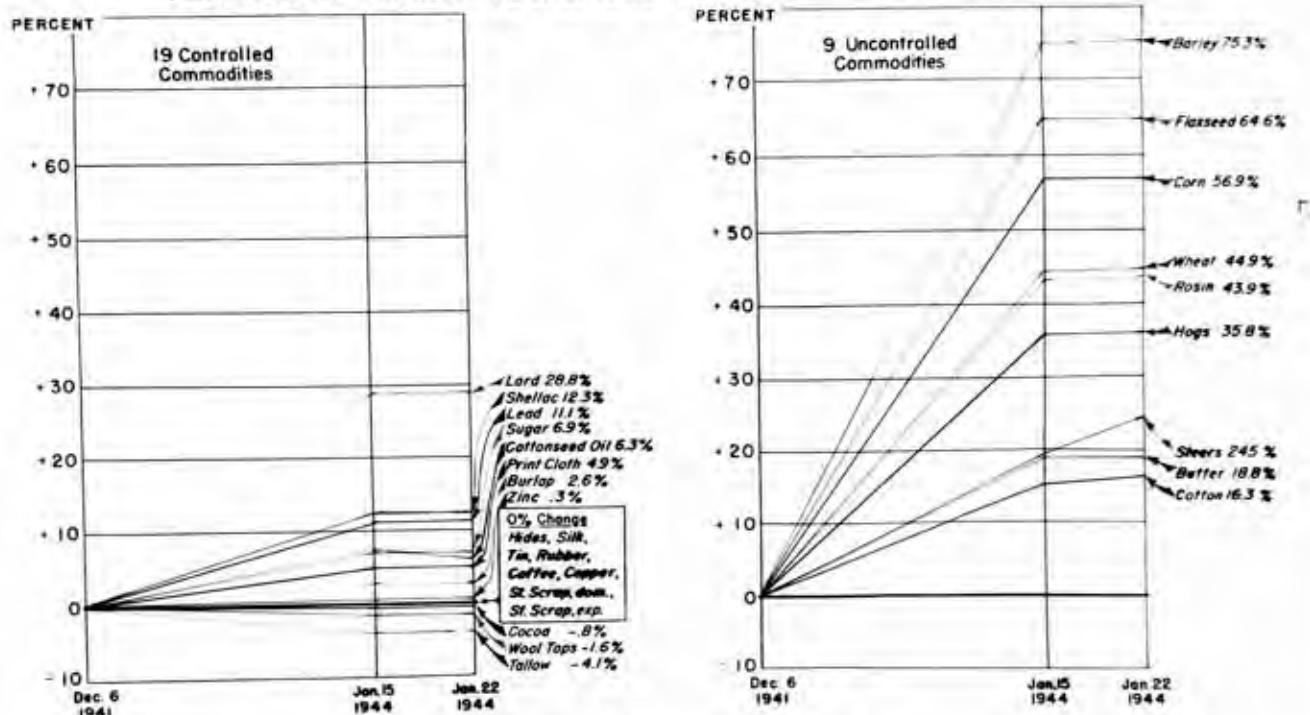
**COST OF LIVING, U.S., U.K. AND CANADA**  
August 1939 = 100



# MOVEMENT OF BASIC COMMODITY PRICES

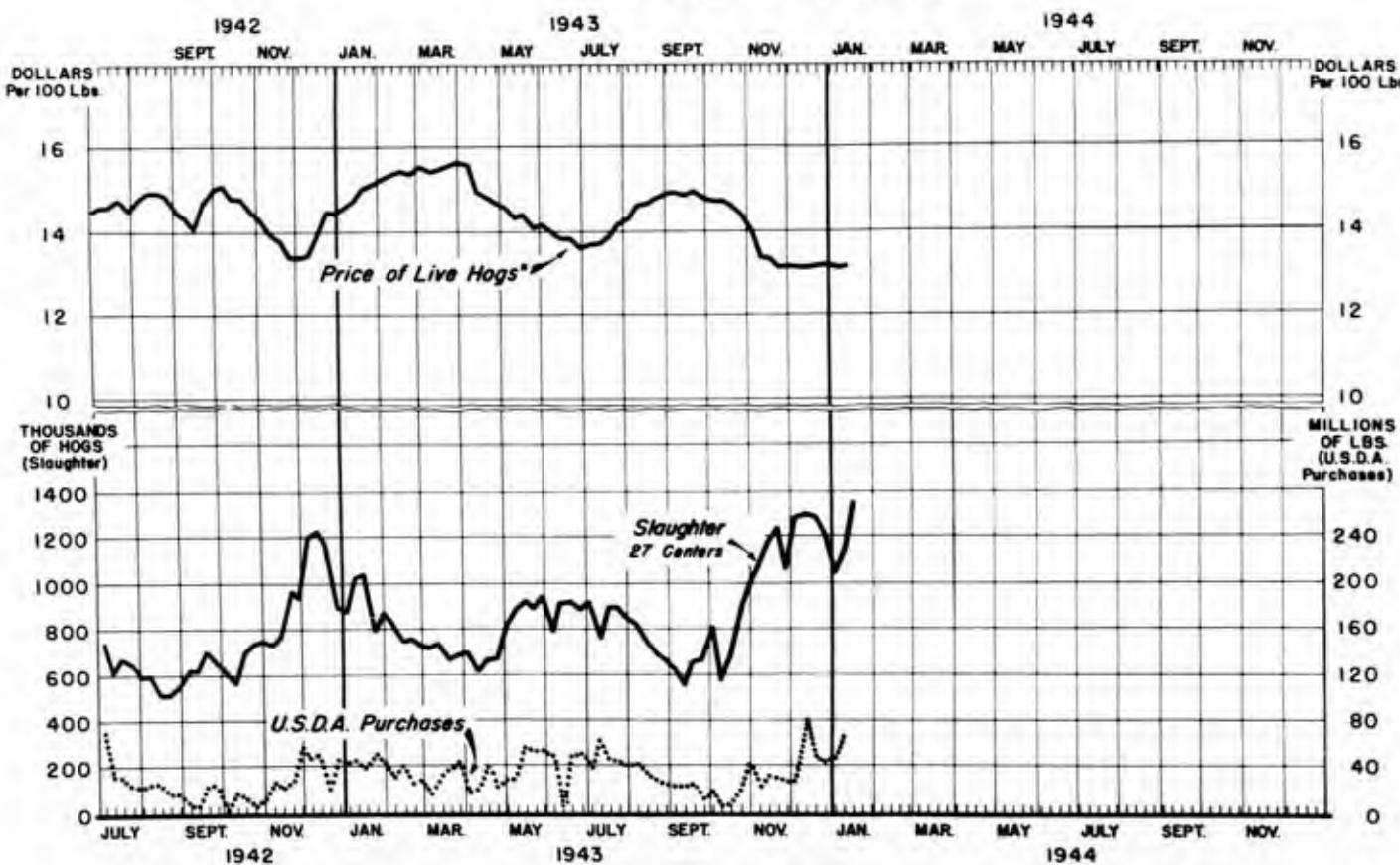


PERCENTAGE CHANGE DEC. 6, 1942 TO JAN. 15 AND JAN. 22, 1944



\*20 Controlled & Uncontrolled previous to June 26, 1942

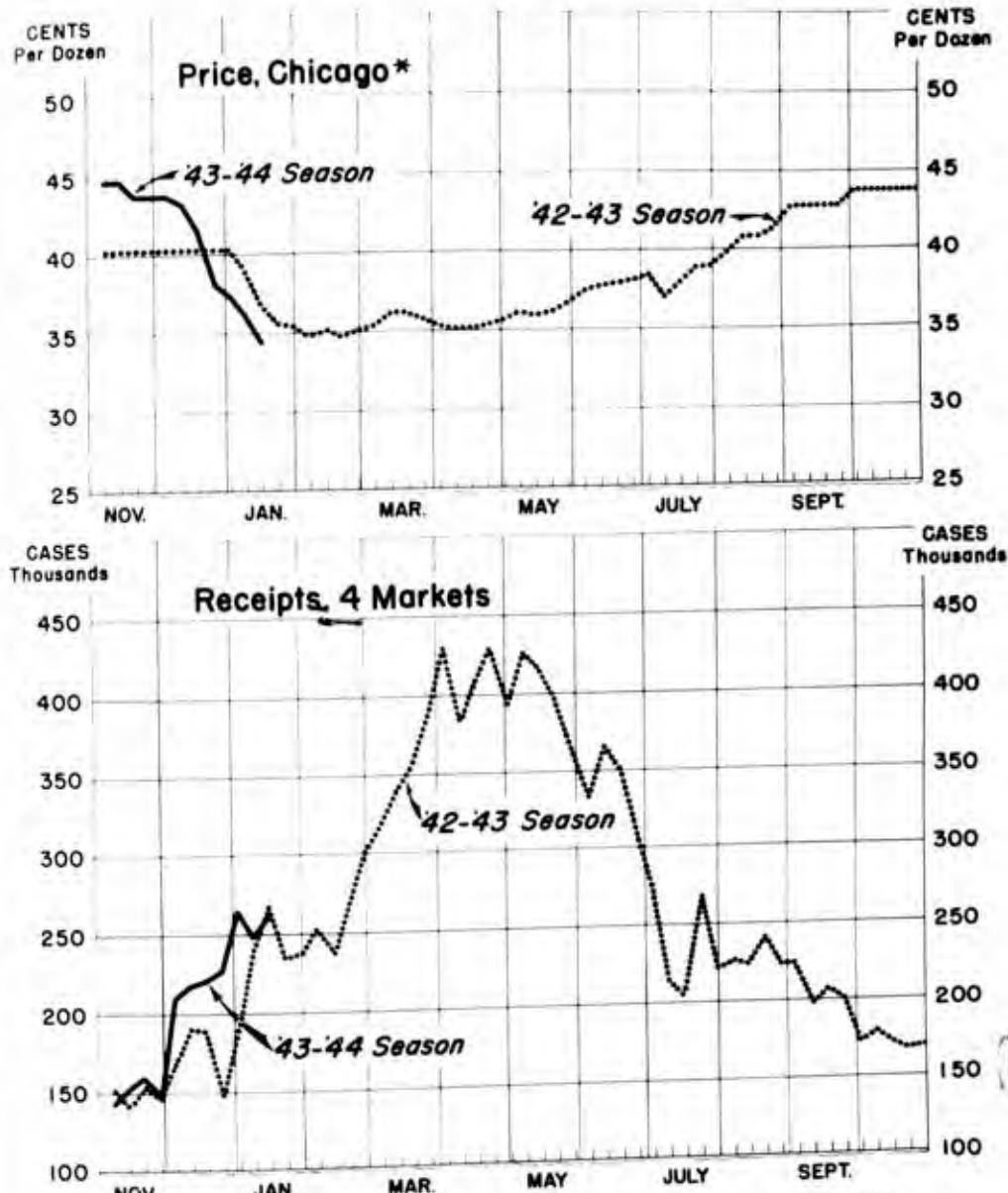
## HOG PRICES COMPARED WITH HOG SLAUGHTER AND U.S.D.A. PURCHASES



\*Chicago good to choice, 180-200 pounds  
Source: Department of Agriculture

## EGG PRICES AND RECEIPTS

Year Beginning in November



\* Weekly average fresh standards. Previous to July 17, 1943 certain comparable grades used.

Source: U.S. Department of the Treasury  
U.S. Bureau of the Budget

P-277

25

January 24, 1944.

Dear Mr. Turner:

For the Secretary, I am acknowledging your letter of January 20, which transmitted a copy of Mr. Donald M. Nelson's regular monthly report to the President on production performance against materials and equipment commitments of the Third Russian Protocol. Thank you very much for bringing this current information to Mr. Morgenthau's attention.

Sincerely yours,

(Signed) H. S. Klotz

H. S. Klotz,  
Private Secretary.

Mr. Robert C. Turner,  
Acting Director, Foreign Division,  
War Production Board,  
Washington, D. C.

GEF/dbs

WAR PRODUCTION BOARD  
WASHINGTON, D. C.

IN REPLY REFER TO

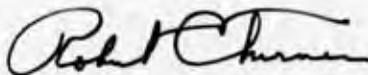
January 20, 1944

Mr. Henry Morgenthau  
Room 280  
Treasury Department  
Washington, D. C.

Dear Mr. Morgenthau:

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

Sincerely yours,



Robert C. Turner  
Acting Director  
Foreign Division

Attachment



## WAR PRODUCTION BOARD

WASHINGTON, D. C.

January 17, 1944

IN REPLY REFER TO

My dear Mr. President:

Attached hereto is a tabulation showing progress made during December, and during the six months ending December 31, 1943, towards fulfillment of Third Protocol materials and equipment production programs for the Union of Soviet Socialist Republics. There is also attached a summary of the major problems and developments which have marked production aspects of the program during the first half of the new Protocol period.

You will note that, with a very few exceptions, the program is not only progressing in a manner which promises to insure complete fulfillment of obligations undertaken by this Government, but is also being adjusted and expanded so as to take care of changes in Russian requirements arising from military developments in the USSR.

Respectfully yours,

/S/

Donald M. Nelson

The President  
The White House  
Washington, D. C.

Attachments



2-8676

**SECRET**

Violations Punishable Under Espionage Act

58

SUMMARY OF PRODUCTION DEVELOPMENTS IN THE  
SOVIET MATERIALS AND EQUIPMENT PROGRAM  
DURING THE FIRST HALF OF THE  
THIRD PROTOCOL PERIOD

I. MATERIALS

A general improvement in the domestic materials situation has greatly simplified the problem of meeting Soviet requirements. Since the opening of the Third Protocol period, the War Production Board has been in a position not only to carry out, without appreciable difficulty, Third Protocol materials commitments, but to provide any reasonable additional quantities which could be fitted into the Soviet shipping program.

A. Non-Ferrous Metals

In the case of aluminum, there have been repeated increases above the original allotment of 4,480 S.T. per month from the US and Canada jointly. During the half year period, July 1, 1943 through December 31, 1943, the US alone has made available a total of 45,858 S.T. of fabricated and ingot aluminum. Canada has supplied an additional 13,500 S.T. Thus, shipments from North America have totaled 59,358 S.T., an average of almost 10,000 S.T. per month.

Information from the USSR, as well as independent investigations carried on in this country, indicates that this increase in aluminum deliveries has had a direct bearing on Russian plane production.

Except for one or two fabricated shapes, supply of the larger quantity has produced no ill effects on US war programs. Domestic stocks of aluminum have grown steadily since the beginning of the third quarter, 1943. The situation at present is such that it is felt that aluminum shipments can not only be continued at the rate so far maintained, but can even be stepped up if larger requirements are substantiated by the USSR and if shipping space is available.

Allotments of copper base alloys -- the second most important non-ferrous metal in the Soviet program -- have also been increased above the original Third Protocol rate. So far, however, deliveries have not reflected the increase. The reason for this is that during the first months of the Third Protocol period mill orders were not placed to the extent called for by the Protocol because of concern that stocks, already appreciable, would get out of hand. When stockpiles were reduced through augmented liftings, additional orders were placed and for the last three months of the year, mill shipments were above the Protocol rate.

**SECRET**

Violations Punishable Under Espionage Act

2-35226

**SECRET**Disclosed Pursuant to Espionage Act

- 3 -

They were not, however, sufficiently large to offset the under-deliveries of the third quarter. It will probably be the end of January, 1944, therefore, before actual deliveries are up to Protocol requirements. From February 1st to June 30th, however, shipments considerably in excess of the Protocol rate are scheduled. The effect will be total shipments over the whole Protocol period appreciably in excess of the commitment. (According to tentative schedules, the total shipped will be approximately 133,000 S.T. against a commitment for 107,000 S.T.)

Of the copper base alloys being supplied the USSR, cartridge brass strip and cartridge discs account for by far the greater part (more than 100,000 tons out of the total of 133,000 tons). Since these materials are used principally in the production of small arms ammunition, expenditure of which is very great in operations such as the Red Army is now carrying on, it is felt that their supply is of the utmost importance to the Russian war effort. Other copper base alloys being furnished are brass rod, brass tubing, and brass wire.

With reference to other materials containing copper, deliveries of pure copper products (primarily copper strip and copper tubing) were below the Protocol rate for the first half of the period because of deliberate under-scheduling in view of the stocks situation. Schedules for the second half, however, are such that this deficit should be wiped out and the full commitment met.

Cable schedules for the entire Protocol year have been cut drastically under proposals originally agreed to in the Protocol. Third Protocol cable offers totaled approximately 130,000 S.T. gross weight, or about 42,000 S.T. copper content. Stocks (warehouse and docksides) as of June 30th amounted to some 60,000 S.T. Thus, a total of roughly 190,000 S.T. were scheduled to be made available for export during the Protocol year, or an average of more than 15,000 S.T. per month. Against this, Soviet liftings of cable had never exceeded 4,000 to 5,000 S.T. per month. It consequently seemed inevitable that if the full new production program offered were carried out, the already very large stocks would greatly increase. It was decided, therefore, to reduce the proposed program by eliminating such items as were already on hand in considerable quantities. The FEA, Treasury Procurement, and the WPP reviewed old and new Soviet requisitions against the background of specific inventory data. A new schedule was worked out which called for only about one-half the amount of cable, in terms of both copper content and gross weight, originally scheduled. Soviet representatives agreed to this modification.

Despite the reduction in the cable production program, no improvement has as yet been realized in the stocks situation. As a matter of fact, since June 30th, the total on hand has mounted from about 60,000 S.T. to about 80,000 S.T. It is expected, however, that within the next three months a change will take place. If not, another modification of the production program will probably be necessary.

It should be noted that the planned over-shipment of copper base alloys will more than offset the reduction in shipments of wire and cable insofar as contained copper is concerned. With the completion of the presently established over-all copper program, the USSR will have received several thousand tons of contained copper in excess of the 121,400 promised.

Other non-ferrous metals (i.e. pig nickel, zinc, magnesium, molybdenum, nichrome wire, cobalt, etc.), are being shipped at, or in excess of, the rate called for by the Protocol, i.e. at a rate adequate to meet full Soviet requirements as they have been presented to US agencies. In addition, the US has recently taken over the cadmium commitment for the second half of the Protocol period from Canada, and is considering making available relatively large quantities of nichrome wire, cobalt, electrolytic copper, and pig nickel over and above amounts originally promised.

A minor item in the non-ferrous program which is nevertheless worthy of note is a group of special wires and alloys. Included in this group are molybdenum wire, tungsten wire, tantalum wire, pure tantalum scrap, constantan wire, alumel wire, chromel wire, beryllium bronze wire, etc. All of these are in critically short supply and serious difficulties have been raised by the relatively large requirements presented by Soviet representatives. Nevertheless, substantial deliveries were effected in the third and fourth quarters, 1943, and liberal schedules were worked out for the first and second quarters, 1944. It is understood that supply of these materials will result in a material contribution to certain special war industries in the USSR, particularly in the field of radio and electronics.

#### B. Ferro-Alloys

Third Protocol ferrasilicon and ferrochrome offers were made conditional upon reduction of the very large stocks held in this country. As this reduction was not effected during the first months of the Protocol period, the offers were considered inoperative, and no new supplies of either material were made available through December. Recent liftings

**SECRET**Disclosed Pursuant to Espionage Act**SECRET**Disclosed Pursuant to Espionage Act

Regraded Unclassified

**SECRET**

- 4 -

indicate, however, that excessive stocks will shortly be eliminated. If so, supply at the rate of 784 S.T. of ferrosilicon and 448 S.T. of ferrochrome per month will be begun.

To meet urgent requirements of the Soviet steel industry, arrangements were made for furnishing 1,120 S.T. of ferromolybdenum, 224 S.T. of ferrovanadium, and 240 S.T. of ferrotungsten in substitution for ferrosilicon and ferrochrome which had been offered but not made available. All of this quantity of ferromolybdenum and ferrovanadium was delivered in November and December. Shipment of the ferrotungsten is expected to be completed by the end of February.

#### C. Alloy Steel

The Third Protocol alloy steel program was worked out with great care in order to insure that provision would be made for essential Soviet requirements without at the same time introducing the risk of accumulating large seaboard stocks in the US.

The program as finally determined called for a total of 113,000 S.T. The greater part of this (i.e. 67,000 S.T.) was taken up with aircraft steel. However, other items included, notably tool steel, ball bearing steel, alloy tubing, and certain special wires, though relatively small in quantity, were of great importance.

With the exception of stainless steel bars, deliveries of all alloy items were maintained at a rate in excess of Protocol requirements through December. It is expected that the entire program will be completed by the end of May.

#### D. Carbon Steel

Great difficulty was experienced in the development of a carbon steel program because of shipping limitations. Stocks at the beginning of the Protocol period were completely out of hand and preliminary shipping schedules indicated that it would not be possible to reduce these stocks and at the same time move anything like the quantity of carbon items which the USSR originally requested of the US. In consequence, the new program was revised downwards several times by Soviet representatives. It was ultimately fixed at 365,000 S.T., including 40,000 S.T. of rails to be supplied by Canada on US account.

The final program was limited to rails and accessories, plain carbon tool steel and drill rods, plain carbon bullet cores, tinplate.

**SECRET**

- 5 -

and various miscellaneous carbon specialties. Pipe and tubing, barbed wire, other carbon wires, hot rolled sheets and plates, and a number of other carbon items which had loomed large in previous Soviet steel programs were reduced greatly or eliminated entirely. At present, discussions are under way as to the possibility of including 11,120 S.T. of bimetal in the schedule, but no final decision has as yet been reached.

Deliveries against the modified program have been in excess of the required Protocol rate. As in the case of alloy steel, it is expected that the entire program will be completed by the end of May.

#### E. Chemicals

The stocks situation, together with changes in Soviet requirements, has lead to the, at least temporary, elimination from the Third Protocol schedule of several chemicals originally included. Among these are phenol, ethylene glycol, methanol, and urotropins.

The chemical items on which Russian representatives have placed most emphasis are ethyl alcohol, caustic soda, acetone, and several miscellaneous chemicals desired in small quantities.

Soviet need for ethyl alcohol, which is used in the USSR primarily for manufacture of explosives and synthetic rubber, was so great during the first half of the Protocol period that shipments were stepped up to almost twice the very high monthly rate promised. (Through December a total of 94,700 S.T. was made available against a total of 107,500 S.T. offered for the entire Third Protocol year.) To achieve this acceleration, it was necessary both to curtail domestic consumption and to expand production facilities. It was also necessary to overcome serious internal transportation and storage problems.

Information recently received from Soviet representatives indicates that the USSR hopes that, despite the almost complete fulfillment of the Protocol commitment by December 31st, deliveries of ethyl alcohol can be continued during the next six months at a level comparable to that so far maintained. Specifically, a request has been submitted for an increase in the Protocol allotment by 61,500 S.T., i.e. from 107,500 S.T. to 169,000 S.T. The WFB has informed the PEA that it will probably be possible to meet this request in full. For the time being, however, the WFB has suggested that because of uncertainties in the supply situation, a firm promise should be made for only one-half the quantity.

**SECRET**

Regraded Unclassified

**SECRET**

- 6 -

Great difficulty has been experienced in meeting the Third Protocol acetone schedule. When Third Protocol commitments were formulated, the domestic situation, while not easy, was sufficiently good to justify an offer of 560 S.T. per month, the amount requested.

At the beginning of the Protocol period, however, the USSR held sizable stocks of acetone in this country. A new requisition was consequently not processed and no allocation was made in the Third Quarter, 1943, against Soviet requirements. Subsequently, the USSR eliminated its stockpile and began to press for allotments under the Third Protocol. In the meantime, requirements to meet urgent domestic war programs greatly increased and acetone came to be in critically short supply. It was therefore not possible immediately to allot a production quota to the USSR. Through diverting supplies scheduled for the Army Air Forces, shipments totaling 925 S.T. were arranged in November and December, but these were not adequate to meet Protocol quotas for those two months alone, much less were they adequate to make up the deficit accumulated during the July-October period, something which the Soviet Purchasing Commission had strongly urged.

Recently, the acetone supply-requirements situation has been re-surveyed and adjustments have been worked out which are expected to result in deliveries during the next six months at a sufficiently high level to meet the full Protocol quota for the second half and to make up the amount due but not supplied in the Fourth Quarter, 1943. The WFB does not yet feel itself in a position, however, to promises that the deficit accumulated in the Third Quarter, 1943, can be made up.

The USSR has requested, under the "Other Chemicals" category of the Protocol, a wide variety of miscellaneous chemical items. In a number of instances, these requests have led to serious difficulties. Particularly has this been true in the case of ethyl acetate, butyl acetate, butyl alcohol, chrome oxide, furfural, and carbon tetrachloride. Each of these items is in very short supply and it has been impossible to meet the relatively large requirements put forward by Soviet representatives within the time period specified. Efforts to make satisfactory arrangements are continuing, however, and it is hoped that provision to take care of the most pressing Russian needs can eventually be made.

**SECRET**

- 7 -

## II. INDUSTRIAL EQUIPMENT

From the standpoint of meeting the over-all dollar commitment for industrial equipment, production performance during the half year ending December 31st was only slightly under full Third Protocol requirements for that period. Altogether, a total of \$196,546,000 of industrial equipment was shipped from US plants, or 45% of the \$431,291,000 promised under the Third Protocol.

This production was achieved despite the fact that, because of lead factors, no deliveries against several important blocks of new orders took place. As these new orders are scheduled for completion, or near completion, during the next six months, there seems to be no doubt that the US will make available, at the least, the full dollar value promised.

This does not mean that there have not been, or that there do not still remain, difficult problems in connection with the Soviet industrial equipment program. Through cooperative efforts of the FEA and the WFB, much has been done to complete a campaign begun during the Second Protocol period to put the program on an orderly basis. Haphazard acceptance of requisitions has been stopped. Instead of taking on and attempting to carry out large numbers of new orders without regard to types of equipment involved, or capabilities of possible suppliers, careful surveys have been made of the amount of various particular items which can actually be produced for the USSR during the time available. As a result, the program has become reasonably well balanced from the standpoint of types of equipment involved and distribution of orders among suppliers, and is of such nature that it fits into realistic production possibilities.

Nevertheless, all obstacles have not been overcome. The most serious of those remaining has been the acquisition of critical components, particularly bearings, electric motors, and Diesel engines.

Bearings and motors are in very short supply. Russian equipment, like practically all other equipment being procured under the war program, is subject to delays because of the inability of manufacturers to secure adequate supplies of these items. There have been, of course, extensive efforts to improve the situation, and these efforts have not been without significant results. However, bearings and motors still tend to act as a bottleneck, particularly since the landing craft program was granted over-riding priority vis-a-vis other programs.

Of the industrial equipment being produced for the USSR, the most important single item is still machine tools. Throughout the half

**SECRET**

Unlawful Punishable Under Espionage Act

**SECRET**

Unlawful Punishable Under Espionage Act

Regraded Unclassified

- 8 -

**SECRET**  
Excluded From automatic Downgrading

year under discussion, machine tool deliveries were maintained at the rate scheduled by the Protocol, a total of \$62,251,000 being made available against a requirement for the period of \$60,000,000. (It is interesting to note that with shipment of this quantity, the total of machine tools supplied the USSR under the lend-lease program was brought close to \$200,000,000.)

Programs for the supply of auxiliary industrial equipment (including complete plants, electric motors, other electric equipment, machinery for special industries, and a wide variety of other items), forging presses and hammers, welding equipment, mining equipment, pumps, abrasive products, compressors, and small cutting tools, have also been carried on at approximately the rate called for by the Protocol.

Deliveries of power generating equipment have been only slightly under the Protocol rate, but these deliveries have been almost entirely against the balance of the Second Protocol power program which remained uncompleted as of June 30th. The new Third Protocol power program is still only in the early stages of production. Several adverse developments, largely resulting from efforts to accelerate the landing craft program, have recently led to concern as to whether schedules set up for this new program can be met. A systematic effort is being made by the Power Division to overcome these, but it is questionable whether complete success can be attained. Because of the large number of orders carried over from the Second Protocol period, however, failure to maintain the schedules established for the new orders will not result in total Third Protocol deliveries falling under the \$75,000,000 promised.

It is noteworthy that several rather long-standing projects were completed during the July-December period. Among these were the \$39,000,000 Second Protocol petroleum refinery equipment program, the Ford tire plant program, the aluminum sheet mill program, and, as indicated above, most of the Second Protocol power program. Substantial progress was made on other projects, notably the \$13,000,000 block signal system, an oil well drilling equipment program, and the Third Protocol refinery equipment program. In addition, work was begun on a rail and structural mill with a blooming mill, and extensive supplementary equipment, which is scheduled for completion after June 30, 1944. Work was also begun on a Fourth Protocol power and industrial boiler program.

The only part of the Third Protocol industrial equipment program which seems likely to fall appreciably short of the established goal is anti-friction bearings. A total of \$15,000,000 of bearings was offered

- 9 -

**SECRET**  
Excluded From automatic Downgrading

for the period July 1, 1943 to June 30, 1944. Deliveries through December total only \$4,521,000, i.e. a little more than 50% of the amount required for the six months. Schedules which have been set up for the last half year are such that it appears unlikely that any considerable improvement can be obtained. The industry has been repeatedly re-surveyed from the standpoint of whether these schedules might be revised, but due to the critical bearings situation generally, it has been possible to accomplish only little.

### III. MISCELLANEOUS MATERIALS AND EQUIPMENT ITEMS

Of other items included in the materials and equipment sections of the Protocol (i.e. abrasive grain, paper products, graphite products, metallic cloth and screen, rubber belting and hose, tires and tubes, etc.), serious difficulty is being encountered only in the case of tires and tubes.

Originally it was planned to supply the USSR with tires and tubes at the rate of 180,000 units each per month. This rate would have resulted in shipment of contained rubber considerably in excess of the 40,320 S.T. tentatively promised, but it was nevertheless set up as the goal to be attained. During the first half of the Protocol period, however, actual deliveries fell appreciably short of the planned figure, an average of only 130,000 per month being supplied.

For the second half of the Protocol period, it appears that it will not be possible to continue shipments even at the rate maintained during the first half. Total forward essential requirements for truck and bus tires, the type going to the USSR, exceed the anticipated supply by at least 20%. A tentative schedule for the USSR of 66,000 tires and tubes each per month has therefore been set up. This will mean shipment of a total of 1,299,000 during the Third Protocol period. It should be noted that this quantity is slightly greater than the quantity supplied during the Second Protocol period. It should also be noted that the contained rubber represented by these tires, when taken together with the rubber furnished in other products, will be little, if any, under the 40,320 S.T. provisionally offered in the Third Protocol.

**SECRET**  
Excluded From automatic Downgrading**SECRET**  
Excluded From automatic Downgrading

STATUS OF MATERIALS AND EQUIPMENT PRODUCTION PROGRAM UNDER THE THIRD NUCLEAR PROTOCOL AS OF JANUARY 1, 1964  
(DISCLOSURE DELAYED DATA SUBJECT TO REVISION)

**SECRET**  
REF ID: A65424

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Units Available at Mill in U.S.A. Dec. 1, 1963 - Dec. 31, 1963	Units Available at Mill in U.S.A. July 1, 1963 - Dec. 31, 1963	Percent of 3rd Prot. Program Completed as of Jan. 1, 1964	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of Jan. 1, 1964 To Complete 3rd Protocol Prod. Program	Comments
<b>SUB-FERROUS METALS</b>									
3	Aluminum (Ingot and Fabricated)	S.T.	35,760	7,392	45,856	12%	256	(10,096 Excess)	Alumina shipments to date consist of 2,036 S.T. rod; 605 S.T. hard tubing; 9,408 S.T. hard sheet; 23,727 S.T. primary ingot; and 10,080 S.T. secondary ingot.
4	Nickel	S.T.	3,600	300	2,900	81	162	700	Includes shipment on U.S. account of 800 S.T. from U.K. stocks.
5	Nickel in Metal Scrap	S.T.	274	0	50	16	36	228	The 274 S.T. shown as the Third Protocol production program is the quantity selected by the U.S.S.R. out of a total of 600 S.T. originally offered.
6	Nickel in Steel and Other Non-Ferrous Products	S.T.	2,300	225	1,240	52	104	1,160	Contained nickel deliveries to date consist of 137 S.T. in steel; 223 S.T. in nichrome wire and strip; 294 S.T. in cupro-nickel strip; and 146 S.T. in various other products, including pure nickel products.
7	Molybdenum	S.T.	4,000	272	2,695	67	134	1,305	
8	Copper, Electrolytic	S.T.	(121,400)	(7,706)	(47,788)	(39)	(76)	(73,612)	Electrolytic copper figures refer to copper contained in various materials requiring copper which are being supplied the U.S.S.R. Deliveries to date include 31,967 S.T. contained in copper base alloys; 6,280 S.T. contained in copper goods and tubes; 35 S.T. contained in bimetal; and 9,046 S.T. contained in wire mill products.
9	Copper Base Alloys	S.T.	107,580	8,224	46,598	43	86	60,926	
10	Magnesium	S.T.	4,032	336	2,016	50	100	2,016	
11	Zinc	S.T.	13,440	1,120	6,720	50	100	6,720	
12	Copper Goods and Tubes	S.T.	15,000	1,237	6,281	42	94	8,719	

**SECRET**  
REF ID: A65424

Regraded Unclassified

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Mode Available at Mill in U.S.A. Dec. 1, 1943 - Dec. 31, 1943	Mode Available at Mill in U.S.A. July 1, 1943 - Dec. 31, 1943	Percent of 3rd Prot. Program Completed as of Jan. 1, 1944	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of Jan. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
-------------------------	------	------	--	--	--	--	---	---	----------

NON-FERROUS METALS (Continued)

29	Special Non-Ferrous Alloy Wires	S.T.	75	4	58	75	158	15	{ The Third Protocol provides that up to 25% S.T. of special non-ferrous wires may be ordered. Until the present, however, only 7% S.T. have been requisitioned. The Third Protocol production schedule is, therefore, limited to this amount. Deliveries to date include .3 S.T. of tungsten alloy wire; 2.1 S.T. of constantan wire; .2 S.T. of tantalum wire; 17.4 S.T. of alumel and chromel wires; 15.9 S.T. of monel, everdur and beryllium bronze wire; 5.0 S.T. of coiled manganese wire; 15.6 S.T. of molybdenum wire; and 1.6 S.T. of round manganese wire.
30	Nichrome Wires	S.T.	536	50	279	58	104	259	{
34	Cobalt	S.T.	80.5	0	80.5	100	100	0	{ The production program shown is for the first half of the Third Protocol period; the ratio of actual deliveries to the Protocol schedule has, therefore, been adjusted to take this into account. The October shipment completed the full Protocol offer.
	Total Non-Ferrous Metals (Excluding Item 6, Copper, Electrolytic)	S.T.	186,717.5	19,160	114,771.5	61	122	71,946	

FERRO-ALLOYS

12	Ferrosilicon	S.T.	-	57	57	-	-	-	{ Because of the stocks situation, Third Protocol offers to supply up to 75% S.T. of ferrosilicon and 10% S.T. of ferrochromium per month are considered inoperative.
13	Ferrochromium	S.T.	-	0	0	-	-	-	
55A	Ferromolybdenum	S.T.	1,120	560	1,120	100	400	0	{ Ferromolybdenum, ferrovandium and ferrontungstenite have been scheduled in the quantities shown as substitutes for an equivalent tonnage of ferrochromium and/or ferrosilicon. This scheduling took place in the case of ferromolybdenum and ferrovandium in November, and in the case of ferrontungstenite in December. The ratio of actual deliveries to the Protocol schedule has, therefore, been adjusted to take this late scheduling into account.
56	Ferrovandium	S.T.	224	78	224	100	400	0	
57	Ferrontungstenite	S.T.	560	260	260	33	236	560	
	Total Ferro-Alloys	S.T.	-	975	1,081	-	-	560	

**SECRET**

Regraded Unclassified

**SECRET**

- 3 -

Pro- tocol Item No.	Item	Unit	3rd Protocol Production Program	Mode Available	Mode Available	Percent of 3rd Prot. Progress Completed as of Jan. 1, 1944	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of Jan. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
				at Mill in U.S.A. Dec. 1, 1943 - Dec. 31, 1943	at Mill in U.S.A. July 1, 1943 - Dec. 31, 1943				

ALLOY STEEL

16	Polished Drill Rods	S.T.	96	10	58	60	120	38	
B	High Speed	S.T.	45	4	30	57	13%	15	
C	Other Alloy								
17	High Speed Tool Steel	S.T.	4,460	690	3,895	87	17%	505	
18	Tool Steel	S.T.	672	87	452	67	13%	220	
B	Alloy X12	S.T.	572	52	393	55	11%	279	
C	Alloy X12W	S.T.	4,450	692	3,748	77	19%	1,102	
D	Other Alloys	S.T.							
19	Gold Finished Bars	S.T.	11,200	677	6,584	59	11%	4,616	
20	H.R. Alloy Bars and Billets	S.T.	67,267	3,857	32,710	49	98	34,557	
23	Stainless Steel	S.T.	3,007	321	1,985	66	132	1,021	
A-B	Sheets and Strip	S.T.	756	12	309	41	82	447	
C	Bars	S.T.							
25	Steel Wire	S.T.	1,354	162	1,040	77	15%	304	
A	Ball Wire	S.T.	1,354	174	716	53	106	626	
B	Alloy 232	S.T.	0	0	191	-	-	(191 excess)	
C	Other Alloy	S.T.							
27	Steel Alloy Tubes	S.T.	994	276	760	78	156	214	
A	18% Cr. - 8% Ni.	S.T.	8,625	1,084	4,809	56	112	3,816	
B	4-6% Chrome	S.T.	0	0	9	-	-	(9 excess)	
C-E	Carbon .5% Moly., Pipe Sizes	S.T.	5,376	970	3,103	58	116	2,273	
F	H.R. Ball Bearing Tubes	S.T.							
28	Stainless Steel Wire	S.T.	1,747	155	1,028	59	11%	719	
29	Special Alloy Wire	S.T.	784	129	594	76	152	190	
	Total Alloy Steel	S.T.	113,299	9,352	62,435	55	110	50,824	

**SECRET**

Regraded Unclassified

G5

- 4 -

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Mode Available at Mill in U.S.A. Dec. 1, 1943 - Dec. 31, 1943	Mode Available at Mill in U.S.A. July 1, 1943 - Dec. 31, 1943	Percent of 3rd Prot. Program Completed as of Jan. 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. = 100)	Balance to be Produced as of Jan. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
<u>CANNON STEEL</u>									
103-S Nails, Accessories and Other Railway Material	S.T.	-		21,780	133,324	-	-	-	
10 Copper Clad Strip (Bimetal)	S.T.	-		0	0	-	-	-	
16A Plain Carbon Tool Steel and & 18A Drill Rod	S.T.	-		905	4,909	-	-	-	
19D Plain Carbon Bullet Core	S.T.	-		1,953	11,414	-	-	-	
24 Timplate	S.T.	-		2,133	19,631	-	-	-	
Other Carbon Steel	S.T.	-		4,134	27,432	-	-	-	
Total Carbon Steel	S.T.	365,397		30,465	196,510	57	114	146,887	
<u>CHEMICALS</u>									
36 Phenol	S.T.	-		4,204	6,000	-	-	-	
38 Ethylene Glycol	S.T.	-		0	1,000	-	-	-	
45 Methanol	S.T.	-		500	500	-	-	-	
46 Urotropine	S.T.	-		473	2,791	-	-	-	
61A1 Glycerine	S.T.	6,720		279	7,466	111	222	(746 Excess)	
61A3 Soda Ash	S.T.	40,320		225	45,809	47	94	21,511	
36A Methyl Alcohol	S.T.	107,500		20,060	94,785	55	176	12,795	
61A5 Acetone	S.T.	5,137		330	905	18	36	4,212	

} Third Protocol production programs for phenol, ethylene glycol, methanol, and urotropine are being modified in the light of the stocks situation and realistic Soviet needs.

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Mode Available at Vill in U.S.A. Dec. 1, 1943 - Dec. 31, 1943	Mode Available at Hill in U.S.A. July 1, 1943 - Dec. 31, 1943	Percent of 3rd Prot. Program Completed as of Jan. 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. * 100)	Balance to be Produced as of Jan. 1, 1944	Comments
-------------------	------	------	---------------------------------	--	--	---	---	---	----------

CHEMICALS (Continued)

61A Other Chemicals	S.T.	12,096	Mkg	3,037	25	50	9,059	To date, Soviet representatives have submitted requisitions for only about two-thirds of the Protocol offering. Deliveries, therefore, reflect this delay in the placement of orders.
---------------------	------	--------	-----	-------	----	----	-------	---

## Total Chemicals

S.T. - 26,593 135,255

MARINE AND SUBMARINE CABLES

1 Marine Cable	KM.	706	0	170	22	44	614	Old orders for marine and submarine cable have been largely completed, whereas deliveries of new orders have not yet begun because of lead factors.
2 Submarine Cable	KM.	119	0	119	37	76	200	
Total Marine and Submarine Cable	KM.	1,105	0	289	26	50	614	

POWER AND RELATED CABLES

7B Insulated Cable and Wire (Copper Content)	S.T.	-	901	8,625	-	-	-	Old orders for power and related cable have been largely completed, whereas deliveries of new orders have not yet begun because of lead factors.
7A Bare Cable and Wire (Copper Content)	S.T.	-	3	743	-	-	-	
Total Power and Related Cable	S.T.	21,000	904	9,368	45	90	11,632	

MISCELLANEOUS MATERIALS ITEMS

80 Sheet Fiber	S.T.	1,000	98	1,319	132	204	(319 Excess)	To date, no requisitions have been submitted by Soviet representatives.
83 Parchment Paper	S.T.	1,680	0	0	0	0	1,680	
85A Lithograph Pen Paper	S.T.	-	306	306	-	-	-	

**SECRET**

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Mode Available at Mill in U.S.A. Dec. 1, 1943 - Dec. 31, 1943	Mode Available at Mill in U.S.A. July 1, 1943 - Dec. 31, 1943	Percent of 3rd Prot. Program Completed as of Jan. 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched. * 100)	Balance to be Produced as of Jan. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
-------------------------	------	------	--	--	--	--	---	---	----------

MISCELLANEOUS MATERIALS ITEMS (Continued)

63A Condenser Paper	S.T.	73	0	0	0	0	73		Because of delays in the submission of requisitions by Soviet representatives, production of condenser paper cannot be scheduled to begin before January 1, 1944. Because of a difficult supply situation, deliveries after January 1st will have to be limited to the average monthly amount originally offered in the Protocol (12.2 S.T.). The total Third Protocol program has consequently been reduced from 146 S.T. to 73 S.T.
63B Cigarette Paper	S.T.	336	0	0	0	0	336		To date, no requisitions have been submitted by Soviet representatives.

INDUSTRIAL AND RELATED EQUIPMENT

15A Cemented Carbide Tips and Blanks	\$ 3,000,000	80,743	991,975	33	66	2,008,085	
15B Small Cutting Tools	\$ 15,000,000	1,041,265	5,402,171	36	72	9,597,829	
15C Measuring Tools	\$ 3,000,000	54,241	568,355	19	38	2,431,645	
67B Abrasive Products	\$ 4,000,000	391,846	2,576,926	64	128	1,421,074	
62 Machine Tools	\$ 120,000,000	6,722,700	62,251,650	52	104	57,746,350	
63 Electric Furnaces	\$ 12,000,000	546,483	2,572,618	21	42	9,427,382	
64A Rolling Mills and Equipment	\$ 16,000,000	157,924	651,724	5	10	15,148,276	
64B Presses, Forges, Hammers and Related Equipment	\$ 30,000,000	964,700	12,309,750	41	82	17,590,250	
64C Wire Drawing Equipment	\$ 2,000,000	0	23,757	1	2	1,976,243	
65A Excavators	\$ 12,500,000	8,529	1,795,674	14	28	10,704,386	
65B Truck and Tractor Cranes	\$ 2,000,000	63,201	143,613	7	14	1,856,387	

**SECRET**

C

**SECRET**

- 7 -

Pro- tocol Item No.	Item	Unit	3rd Protocol Production Progress	Units Available at Mill in U.S.A. Dec. 1, 1947 - Dec. 31, 1947	Units Available at Mill in U.S.A. July 1, 1948 - Dec. 31, 1948	Percent of 3rd Prot. Program Completed as of Jan. 1, 1948	Ratio of Actual Deliveries to Prot.Sched. (Prot.Sched.=100)	Balance to be Produced as of Jan. 1, 1948 To Complete 3rd Protocol Prod. Program	Comments
------------------------------	------	------	---	---	---	--	---	---	----------

**INDUSTRIAL AND RELATED EQUIPMENT (Continued)**

650 Other Cranes	\$ 20,000,000	855,941	7,802,670	39	78	12,197,380	
655 Compressors, Gas Blowers, Exhausters and Fans	\$ 9,000,000	132,681	3,396,831	36	76	5,603,169	
658 Pumps	\$ 5,000,000	367,217	3,380,615	42	64	4,619,185	
659 Mining Equipment, Ore Dressing, Handling and Transporting Equipment	\$ 10,000,000	571,767	4,281,069	43	86	5,718,936	
656 Equipment for Blast, Hearth and Coke Furnaces	\$ 10,000,000	182,161	815,914	8	16	9,184,085	
658 Welding Equipment	\$ 4,000,000	229,294	2,255,502	56	112	1,743,498	See preceding page for comments.
651 Valves and Fittings	\$ 3,000,000	604,936	7,469,485	82	104	540,515	
652 Pneumatic Tools	\$ 5,000,000	149,561	1,631,790	33	66	3,358,210	
658 Auxiliary Industrial Equipment	\$ 35,500,000	3,305,980	43,355,599	119	238	(6,895,599 Excess)	
66 Control Inst. and Testing Machines	\$ 1,700,000	59,275	566,695	33	66	1,133,395	
69-70 Anti-Friction Bearings	\$ 15,000,000	351,797	4,520,896	30	60	10,479,102	
111 Block Signal Systems	\$ 14,591,500	276,064	1,581,723	11	22	13,049,777	
140 Power Equipment	\$ 75,000,000	3,204,731	30,946,171	41	82	14,053,879	
Total Industrial and Related Equipment	\$ 331,293,500	20,325,681	196,546,218	46	92	234,745,282	

**SECRET**

69

Regraded Unclassified

**SECRET**  
National Security Agency/CSS

- 5 -

Protocol Item No.	Item	Unit	3rd Protocol Production Program	Date Available at Mill in U.S.A. Dec. 1, 1943 - Dec. 31, 1943	Date Available at Mill in U.S.A. July 1, 1943 - Dec. 31, 1943	Percent of 3rd Prot. Program Completed as of Jan. 1, 1944	Ratio of Actual Deliveries to Prot. Sched. (Prot. Sched.=100)	Balance to be Produced as of Jan. 1, 1944 To Complete 3rd Protocol Prod. Program	Comments
<b>MISCELLANEOUS EQUIPMENT ITEMS</b>									
67A Abrasive Grain	S.T.	4,000		851	3,079	77	15%	921	
68A Graphite Electrodes	S.T.	5,757		580	3,156	55	110	2,599	
68B Other Graphite Goods	S.T.	1,691		65	616	36	72	1,075	
68C Graphite Powder	S.T.	1,120		195	1,112	99	196	8	
78 Tires, Tubes, Other Rubber Products (Rubber Content)	S.T.	40,320		2,566	18,540	46	92	21,760	
82 Metallic Cloth and Screen	\$	1,000,000		26,405	157,247	20	40	802,753	

War Production Board  
Foreign Division  
Review and Analysis Branch  
January 15, 1944

**SECRET**  
National Security Agency/CSS

0

Regraded Unclassified

NOT TO BE RE-DISTRIBUTED  
OFFICE  
SECRETARY OF TREASURY

COPY NO.

17

U.S. SECRETBRITISH MOST SECRET

1944 JAN 25 NM 10 36

TREASURY DEPARTMENTOptel No. 27

Information received up to 10 A.M. 24th January, 1944

1. NAVAL

Mediterranean By 4:30 P.M. 23rd most of the landing craft at the British Beach had been discharged. ANZIO is open and wrecks are being cleared. One of H.M. Cruisers and Destroyers shelled the coast road from FORMIA westward and Destroyers have shelled an area South East of ANZIO where a large amount of motor traffic was moving Westward. Yesterday one of H.M. Destroyers was sunk and another Destroyer damaged by glider bombs; 60 survivors from the former have been rescued. A U.S. mine-sweeper was sunk by mine and a landing craft infantry bombed and burned out.

2. MILITARY

Italy To noon 23rd. 6th Corps. NETTUNO and ANZIO are in our hands. In U.S. Sector landings were last reported continuing satisfactorily according to time table against light opposition. Similar situation British sector. No further details of progress available.

5th Army. U.S. Forces which attacked across the River Rapido met strong opposition and have been withdrawn to western bank. In CASTELFONTE area of British sector heavy counter attacks have been repelled with high German losses.

Dalmatia 19th/20th. Partisan garrison of British Mission withdrawn from Island of HVAR leaving a rear party which now reports Germans have invaded the Island.

3. AIR OPERATIONS

Western Front 23rd. 168 Marauders, 74 Typhoon bombers and 14 Fighters. 1th escort attacked military constructions in Northern France dropping 225 tons - with results varying from poor to good. Other Fighter bombers attacked two airfields dropping total 22 tons. Enemy casualties 5:1:2. Ours 1 Marauder, 1 Spitfire missing.

23rd/24th. aircraft despatched - North West GRANADA 37, Sea-Mining 9, Bombers 5.

France 21st. 72 Escorted Fortress. attacked 2 airfields near MULHOUSE dropping 210 tons. Enemy casualties 11:2:8. Ours 1 Fortress, 4 fighters missing.

Italy 21st. Total of 138 Medium bombers attacked railways at AVELLINO, POLIGNO and ORVIETO. 21st/22nd. 111 fighters bombed the torpedo dock at FIUME dropping 72 tons. 22nd. Fortresses and Liberators dropped about 500 tons on road and railway communications at ANNEZZO, FRAGAII, TRIESTE, RAVENNA (R.L. of LIGURIA) and in the Anzio area. Medium and light bombers and fighters operated in large numbers over the battle area.

Yugoslavia On 21st and 22nd fighter bombers attacked shipping in coastal waters; a 1,500 ton ship was sunk, a 5,000 ton ship, 2 smaller ships and 3 schooners were damaged and 3 schooners were set on fire.

January 25, 1944  
10:16 a.m.

Dan  
Bell: Yeah.

HMJr: If he doesn't know, I wish he would cable General Thing-a-my-bob out there -- whatever his name is.

B: General Stillwell?

HMJr: Stillwell. And I'd like to have a sort of summary, what is General Stillwell doing now in the way of work in China? See? And how is he paying for it?

B: Yeah.

HMJr: Now, he may be doing it one way in one place and another -- in other words, if he, let's say -- oh, since the first of January I'd -- or since the first of October, what has General Stillwell done; what has he -- how much has he paid out and what kind of exchange is he using?

B: Uh huh.

HMJr: I'd like a review.

B: ~~Review~~ -- just a summary of what he -- work he has done?

HMJr: What has he done since the first of October -- Oh, make it from the first of October to the first of January.

B: Yeah.

HMJr: How would that be?

B: Yeah, amount paid out and what basis.

HMJr: Summary of the work.

B: Huh?

HMJr: And a description of what it's for.

B: Yeah.

HMJr: What it's for.

B: All right.

HMJr: Because I'd like to know what that man is really doing.

B: All right. I -- they may have that over there.

HMJr: Well, if they have it....

B: They may have what he's doing. I doubt if they'd have the amounts.

HMJr: And then, say from now on, I'd like to have it once a month.

B: All right.

HMJr: Once a month.

B: Once a month hereafter.

HMJr: Yes.

B: Okay.

HMJr: You fix it.

B: All right. I'll do that.

Operator: Hello.

HMJr: Let me have....

Operator: FitzGerald?



## THE UNDER SECRETARY OF THE TREASURY

WASHINGTON

74

January 25, 1944

MEMORANDUM FOR THE SECRETARY'S FILES

The Secretary telephoned me this morning to ask General Somervell to cable to General Stilwell a request that he furnish us certain information concerning the army expenditures in China.

I called General Clay and told him that the Secretary would like from General Stilwell a report on the kind of work that has been done in China by the American army authorities since October 1 with a description of the work under broad general classifications, the amount paid therefor and the basis of such payment -- whether in Chinese yuan or American dollars -- and if the former, at what rates of exchange; and also that we would like to have a report along these lines each month.

General Clay said he was quite certain that they already had the information in the War Department, but if they did not he would send a cable immediately to get it.

*scut 3*

January 25, 1944  
10:20 a.m.

- Herbert Gaston: Good morning.
- HMJr: Hello, Herbert.
- G: Yes.
- HMJr: The papers that I read are these country newspapers, The New York Times and Tribune.
- G: Yes.
- HMJr: And neither of them have anything about the resignation of Mr. Hannegan.
- G: Why, the -- the Associated Press story carried it in the first paragraph. All the stories I saw said that he immediately transmitted his resignation and it was accepted by the President and the -- the Star, here, carried the text of the letters. The United Press Bulletin -- they had a -- they had a short bulletin of Hannegan's election and within five minutes they followed it with a longer bulletin giving some further details and saying that he had immediately transmitted his resignation, that the President had accepted it and that you had designated Harold Graves as Acting Commissioner.
- HMJr: Well, did the White House play ball?
- G: Absolutely.
- HMJr: Okay. That's all I wanted to know.
- G: Yeah. Yeah, they shot it right out immediately -- so fast that, as I say, it caught the original bulletins on the resignation.
- HMJr: Now, one other thing. Okay. The editions of PM that I got, both Sunday and Monday, didn't carry a word about the President's Refugee Committee.
- G: PM?
- HMJr: Yeah.
- G: Uh huh.
- HMJr: You might ask their Bureau here, "How come?"

- 2 -

G: I will do that.

HMJr: Will you?

G: Yep.

HMJr: Because of all the newspapers, you'd think that they would have carried something.

G: Yep. Yeah.

HMJr: They didn't, at lease not the papers I get up in the country.

G: Yeah. You no -- you notice how fast the Jewish Committee leaped into action with a page ad?

HMJr: I did.

G: Yeah.

HMJr: Well, God, the poor people have been hanging on, hoping and praying for something.

G: Yes. Yeah.

HMJr: All right, Herbert. I'll see you in the morning.

G: You'll be in in the morning?

HMJr: Yes.

G: Yep. All right.

HMJr: Thank you.

G: Bye.

Mrs. Klotz: Hello.

HMJr: Yes.

K: Hello? Yes. Mr. Morgenthau, I -- I asked Pehle about that, too.

HMJr: Yes.

K: Why PM didn't carry it.

HMJr: Yes.

K: And he has reasons all his own. He was going to call up Stone and then he changed his mind. He was just about to tell me when you called me.

HMJr: Yes.

K: So, you might want to speak with him before Mr. Gaston calls up. I don't know. I'm just offering that as a suggestion.

HMJr: Well....

K: He thought about it and then he changed his mind.

HMJr: I will when I get through.

K: Okay.

Operator: Hello.

HMJr: Yes.

Operator: Mr. Gamble is out of the city. He's in New York.  
He will be back this evening.

HMJr: All right.

Operator: I have Mr. Smith.

HMJr: All right.

Operator: Mr. Smith.

Fred  
Smith: Hello.

HMJr: Hello, Fred.

S: Hi.

HMJr: Did your plane get through the other day?

S: Sure.

HMJr: You weren't hung up at New Hackensack?

S: No. We were hung up there for two or three hours  
is all.

HMJr: Oh.

S: But then we got through all right and they dumped us off at New York and then came right on through. They weren't hung up at all in New York.

HMJr: Oh, good.

S: They both cleared at the same time. Both Washington and New York.

HMJr: Now, how are you coming along with Bridgeport?

S: Dave Levy was up yesterday and I talked to him for quite a while.

HMJr: Yeah.

S: And he's getting the thing lined up so that I think it's going to be all right, and pretty much the way it stands now. We're going to have the final set-up Thursday afternoon. But the way it stands now, they will probably put this Colonel on who has -- who can -- who has been all around all the battle fields seeing the equipment work.

HMJr: Yeah.

S: And he will tie it up directly with Bridgeport. See? The stuff that he saw that was made in Bridgeport. Then we will have the Labor-Management spot which will be a group consisting of -- probably of the two Labor Leaders who are in Bridgeport, who are apparently very swell guys and get along with each other as well as everybody else, and Dave wants to bring Charlie Wilson up. You know -- General Electric?

HMJr: Yeah.

S: Because he's got a plant in Bridgeport and the head of the Bridgeport Brass outfit there, which is a home-owned industry and which is -- had the first Labor-Management Committee in that area and he's the spark plug of all this Unity thing.

HMJr: Yes.

S: And some workers. That would be a whole spot there. Then they would jump from that into the "I Am An American" operation which is very strong up there. They've got thirty-five nationalities and they all get along together and they have an "I Am An American"

S:  
Cont'd. Club or something -- I don't know what it is -- it's in operation anyway. And they'd -- we'd work into that....

HMJr: Wait a minute. Wait a minute.

S: Yeah.

HMJr: If you get Charlie Wilson to come, what I want him to talk about is the need for increased production.

S: Yeah.

HMJr: And the war isn't over at home.

S: That's right. Yeah. Well, we can do that.

HMJr: All right.

S: And, but he can also be right on -- right in the middle of this Labor-Management operation.

HMJr: Fine.

S: See?

HMJr: Fine.

S: Then we go into this Unity of all the different people and then a couple of other things and that's the end. See?

HMJr: All right.

S: Now, we have been talking -- Dudley is here and we have been talking about the girl, you know, in Cincinnati?

HMJr: Yeah.

S: And I got a brainstorm yesterday, and that was that instead of putting the girl on this thing in Bridgeport, she'd be sort of an extra number anyway, but that's not the reason -- why not save her for the next one and then build another program about youth. See? Pretty much the same way that you built the one about the soldiers. Only after this thing is all over -- see? -- then the kids are going to inherit what's left.

HMJr: Yeah.

S: And I think that's an awful good thing to shoot at. And Dudley is very excited about it.

HMJr: You mean have the younger generation?

S: That's right. Doesn't that sound good?

HMJr: Yes, if those people out in Ohio won't be too disappointed.

S: Oh, no. We've already talked to her and she thinks it's better.

HMJr: It's all right with me.

S: She's coming in tomorrow and Dudley is going to try her out and see whether she can -- she can take the same position in this next broadcast that Reagan did. If she can do that, why that will be fine. If she can't, why we will give her a spot on it anyway.

HMJr: I see.

S: See?

HMJr: I see.

S: So, she will do as well and probably better.

HMJr: Now, well, it's a little bit fast for me -- you two people, but if you think it's all right, I'll have to digest it.

S: Yeah. Well, when you get to thinking about it, I think you'll come out with a -- with an awful -- we're very excited about it. We think it's wonderful.

HMJr: You can talk to me more about it tomorrow. Now, one -- one thing.

S: Yeah.

HMJr: I've got a copy of the stenotype notes which they sent out to the Press in Cincinnati.

S: Yeah.

HMJr: It's full of mistakes. It's inexcusable.

S: Yeah.

HMJr: We have all those people out there, starting with what's-his-name? He's in charge of advertising.

S: Lane.

HMJr: Lane said -- I asked him if he didn't want to go out for a sandwich and he said, no he had to go upstairs. Well, somebody should have had their corrected copy and Lane is the person that should.

S: Yeah.

HMJr: Everytime Lane goes out with me I get a bad impression of him.

S: Yeah.

HMJr: But you just read the copy which they gave out to the Press. Some of it just doesn't make sense.

S: Oh, really?

HMJr: And Lane should have been there.

S: Yeah.

HMJr: The Army deducts 50% of its pay for War Bonds.

S: The what?

HMJr: The Army deducts 50% of its pay for War Bonds....

S: Huh.

HMJr: ....instead of 15%.

S: Yeah. Oh, that's terrible. I'll check up on that.

HMJr: I mean Lane went there and he had Tickton and he had Lindow....

S: Yeah.

HMJr: ....to furnish him with statistics. And everytime Lane goes with me -- I mean, he's a nice fellow to meet....

- 8 -

- S: Yeah.
- HMJr: ....but he certainly isn't a thorough person.
- S: No, I think that's right. Unfortunately.
- HMJr: What?
- S: I think that's right, unfortunately.
- HMJr: Turning out this thing with mistakes like that is just inexcusable when you consider the talent.
- S: Yeah.
- HMJr: I mean, if they were going to get one out, Lane should have said to Lindow and Tickton to come on upstairs and go over it.
- S: Yeah.
- HMJr: But I'm confident they didn't.
- S: Yeah.
- HMJr: That was Lane's responsibility.
- S: Yeah.
- HMJr: And I wish -- I'm not talking to anybody but you about it.
- S: Yeah. Well,....
- HMJr: There are so many mistakes. I'm leaving it with you.
- S: Yeah. All right. Well, I -- I think something's going to have to be done about it because he's sort of hitting the high spots.
- HMJr: Now, the other thing. I told my office that any messages or telegrams or inquiries about Bridgeport, to send them back to you.
- S: Yeah.
- HMJr: And you please handle it because then you'll know in case people phone you up there, what has or has not been done.

- 9 -

- S: Yeah. All right.
- HMJr: And between you and those two soldier boys you ought to be able to handle it.
- S: And the two soldier boys?
- HMJr: Yes.
- S: Have you read the daily news?
- HMJr: Yeah.
- S: You have? (Laughs) All right.
- HMJr: Well, that was what you call a delayed bomb.
- S: A delayed bomb?
- HMJr: But, that's the words that John O'Donnell used in his telegram.
- S: Well, I don't think it's bad. I think that -- I think the end-result is good.
- HMJr: I think it's all to the good. I feel like writing John a letter and say, "Thank you." But then, the only trouble is he'd write something mean.
- S: That's right.
- HMJr: I'm not going to say anything.
- S: No, I wouldn't say anything to him but I think -- I think he's done us a good turn.
- HMJr: I think so.
- S: Yeah. Well, look, Gamble called this morning and asked me to clear something with you. He said that Mrs. Marshall, the -- George Marshall -- General Marshall's wife....
- HMJr: Yeah.
- S: ....wants to come in tomorrow at 10:00 o'clock and have her picture taken with you because she is starting at the instance of our women's group a "Bonds for Grandbabies" Club. (Laughs) What do you want me to do?

HMJr: My God.

S: You and me, too.

HMJr: What?

S: You and me, too.

HMJr: I thought it was enough being grandfather to your family.

S: What?

HMJr: I thought it was enough being grandfather to your family.

S: Instead of the whole world, huh? That's right.

HMJr: Just whose idea is this?

S: I think it originated with the women's group over here. I don't know.

HMJr: Okay. I'll -- tell him -- 10:00 o'clock?

S: At 10:00 o'clock tomorrow is what Gamble told me this morning. Now, I'll clear it, and you -- you have 10:00 o'clock open tomorrow. I cleared with Fitz.

HMJr: All right.

S: Okay?

HMJr: What does that make me, a near grandfather?

S: That makes you a -- I don't know.

HMJr: All right.

S: I'll take it up and find out.

HMJr: Okay.

S: Okay. See you later.

Operator: Operator.

HMJr: Pehle next.

- 11 -

Operator: All right.

(Pause)

Operator: Mr. Pehle.

John Pehle: Hello. Hello.

HMJr: John?

P: Yes, sir.

HMJr: I was telling Mr. Gaston to contact PM and find out why they hadn't written something about the President's Refugee Committee.

P: Yes.

HMJr: And Mrs. Klotz told me that you had something on that -- any reason why Gaston shouldn't talk to them?

P: Well, we had discussed that thing here among us and we had felt that PM -- two things, (1) That PM is probably holding back until they see who the Executive Director is -- to see whether this is the real thing or just something on paper to cover up inaction. And if they are, I don't see why they are not right. Secondly, PM's story on such a thing would likely to play up the fact that this was a defeat for the State Department. And it might make it more difficult to get in the kind of Director we want, so our feeling was that PM wouldn't be very helpful with this point.

HMJr: Well, I'll tell you what you do. I'll tell Gaston to contact Judge Rosenman.

P: All right.

HMJr: And see if he can give us any help.

P: All right. Mr. Secretary?

HMJr: Yeah.

P: Let me mention one thing to you on this thing. Yesterday afternoon we sent over to Stettinius a cable to be sent to the various missions about this thing -- a very strong cable.

HMJr: Yeah.

P: Gaston saw it before it went and Paul sent it over to Stettinius. Stettinius called back this morning and I just talked to him and he was very good and very strong. He said that he had given it to the people in the Department, that a cable was to go out by three o'clock and -- after it had been doctored up. And I said, in so many words, "Don't let them take the guts out of it."

HMJr: Good.

P: And he said, "That's exactly what I told them and I told them it had to be cleared with Paul and Pehle before three o'clock."

HMJr: Today?

P: And he said, "If they take any guts out of it, you scream." And I said we would. And he said, "I'm riding this thing very hard."

HMJr: Well, the only person outside of the Treasury who at all got excited, and I am ashamed to say, is Stettinius.

P: Hello.

HMJr: Hello.

P: Yes, sir.

HMJr: He's the only one that got excited.

P: Well, he sounded very good, Mr. Secretary. He sounded just as good as when he was at your house. In other words, he hasn't cooled off at all.

HMJr: Well, he said to me -- he said, "Henry," he said, "as a Christian and a believer in human beings, I want to get in on this." That's what he said to me.

P: Well, he sounds very good. I'm very hopeful that he can really do something in State. And I think if you can get him into this meeting, that he will be all right.

HMJr: Listen, young fellow.

P: Yes.

HMJr: Better let me worry about that.

P: Well, I will.

HMJr: Sam told -- Sam Rosenman told Hull twice that the President wanted him in on it and got nowhere.

P: Yeah.

HMJr: I think -- I have a plan -- I think when I sit down I'm going to look around and say, "Where is Stettinius?"

P: Yeah.

HMJr: I'll upset him. If I warn him beforehand, he'll say .... Anyway....

P: Can I mention one more thing?

HMJr: Yeah.

P: We had a long talk yesterday with Ira Hirschman. Now, I don't know if you know him.

HMJr: The name is familiar.

P: He is a Vice-President of Bloomingdale's.

HMJr: Oh, yes. He's going to Turkey.

P: Yeah, going to Turkey.

HMJr: Yeah.

P: He's going as a private citizen.

HMJr: Yeah.

P: But he sounded very, very good. He says, incidentally he's a very close friend of Governor Lehman's.

HMJr: Yes.

P: And if we could check on him through that source. Oscar says he's excellent.

HMJr: Somebody suggested him to be one of the first representatives....

P: Well, he would be very good for that.

HMJr: All right. All right. I'll see you tomorrow.

P: Right. All right.

January 25, 1944  
10:36 a.m.

Operator: Go ahead.

Herbert  
Gaston: Hello.

HMJr: Hello.

G: Yes.

HMJr: Herbert, have you done anything about PM?

G: Not yet.

HMJr: Well, talk with Pehle first. Pehle is afraid that they will run a story and that they would attack the State Department and make it more difficult for us to get....

G: Uh huh.

HMJr: He thinks we'd better leave the sleeping dog lie.

G: Well, what I thought of doing was to get Nate Robertson over here and talk to Pehle.

HMJr: Well, I -- on second thought, I think I'd let it....

G: Let it float, huh?

HMJr: I'd let it float.

G: Uh huh. Uh huh. Well, I'll talk to John about it anyway.

HMJr: Okay.

G: Right.

January 25, 1944  
10:38 a.m.

HMJr: Hello.

John  
Pehle: Yes, sir.

HMJr: That idea of sending a cable around to the various  
Missions, where did that idea originate?

P: In the Treasury.

HMJr: Treasury?

P: Yes, sir.

HMJr: I just wondered if Stettinius also got credit for  
thinking about it.

P: No, it was our cable.

HMJr: Okay.

P: Okay.

On Monday, January 24, 1944, following the issuance of the Executive Order establishing the War Refugee Board, Mr. Paul called Mr. Stettinius and said that undoubtedly the State Department would wish to send a cable to our missions advising them of the President's action. Mr. Paul said he was sending Mr. Stettinius a proposed cable to this effect. The attached is a copy of the cable sent to Mr. Stettinius by special messenger.

92

CABLE TO OUR STATIONS IN PORTUGAL, SPAIN, SWEDEN,  
NETHERLAND AND TURKEY, TO BE REPEATED TO ALL OTHER  
DIPLOMATIC AND CONSULAR OFFICES FOR THEIR INFORMATION.

The President has instructed the Secretaries of State, Treasury and War to take action for the immediate rescue and relief of the Jews of Europe and other victims of enemy persecution. In an executive order issued today the President declared that 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 ~~UNQUOTE~~. The order establishes special governmental machinery for executing this policy. It creates a War Refugee Board consisting of the Secretaries of State, Treasury and War. 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 execution of this policy, the Board would cooperate with the Intergovernmental Committee, UNRA, and other interested international organizations. The President stated that he expected the cooperation of all members of the United Nations and other 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.

You should do everything possible to effectuate this policy of this Government, bearing in mind that time is of the essence. You should cooperate closely with private organizations who are active in this field, aiding them in the development of programs and the effectuation of measures for the rescue, transportation, maintenance and relief of victims of enemy oppression and the establishment of havens of refuge and the resettlement of such victims. The communication facilities of this Government should

- 2 -

be made freely available to these private agencies in connection with the carrying out of this policy and you should give them every assistance in obtaining and verifying information.

You are requested to render an immediate report concerning the actual situation as it exists today in the country to which you are accredited. This report should include a full statement as to what is being done to rescue the Jews and other persecuted minorities from Hitler, including particularly (a) the extent to which these war refugees are permitted to enter the country to which you are accredited (b) the extent to which such country actually encourages and cooperates in their entry and (c) the extent to which such refugees are not able to enter such country because of the failure of such country to cooperate in their entry. This report should cover actual cases which have come to your attention involving refugees being turned back at the border and the reasons why such refugees were turned back. You should also report periodically on cases of this character which come to your attention in the future.

You should include in your report your recommendations as to what you feel this Government can do to effectuate with all possible speed the rescue and relief of the victims of enemy oppression, including particularly what can be done to make the government of the country to which you are accredited cooperate more fully in carrying out this policy. Your report should cover any special obstacles which you feel are interfering with the rescue and relief of these victims and your recommendations as to what can be done to remove these obstacles.

You are requested to approach the government to which you are accredited at once and to make clear to such government the policy of this Government. You should ascertain from such government the extent to which such government is prepared to cooperate.

The Department is determined to do everything in its power to carry out this Government's policy as declared by the President and you are instructed to act accordingly.

This cable is being repeated to all other diplomatic and consular missions throughout the world.

TELEGRAM SENT

RESTRICTED

This telegraph must be  
held before being  
transmitted to anyone  
other than a Governmental  
agency. (RR)

January 29, 1944

Midnight

AMBASSY  
LONDON.

654

The President has instructed the Secretaries of State, Treasury and War to take action for the immediate rescue and relief of the Jews of Europe and other victims of enemy persecution. In an executive order issued January 22 the President declared QUOTE it is the policy of the 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 UNQUOTE. The order establishes special governmental machinery for executing this policy. It creates a War Refugee Board consisting of the Secretaries of State, Treasury and War. 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 execution of this policy, the Board would cooperate with the Intergovernmental Committee, UNRRA, and other interested International organizations. The President stated that he expected the cooperation of all members of the United Nations and other 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.

You should do everything possible to effectuate this policy of this Government, bearing in mind that time is of the essence. You should cooperate closely with all public and established private agencies who are active in your area in this field, aiding them in the development of coordinated programs and in the effectuation of integrated measures for the rescue, transportation, maintenance and relief of victims of enemy oppression, etc.

The communication facilities should be made freely available to these private agencies for all appropriate messages for carrying out the policy of this Government herein stated, keeping the War Refugee Board advised through the Department. You should give them every assistance in obtaining and verifying information.

You are requested to render an immediate report concerning the actual situation as it exists today in the country to which you are accredited. This report should include a full statement as to what is being done to rescue the Jews and other persecuted minorities from Hitler, including particularly (a) the extent to which these war refugees are permitted to enter the country to which you are accredited (b) the extent to which such country actually encourages and cooperates in their entry and (c) the extent to which such refugees are not able to enter such country because of the failure of such country to cooperate in their entry. This

Report should cover actual cases which have come to your attention involving refugees being turned back at the border and the reasons why such refugees were turned back. You should also report periodically on cases of this character which come to your attention in the future.

You should include in your report your recommendations as to what you feel this Government can do to effectuate with all possible speed the rescue and relief of the victims of enemy oppression, including particularly what can be done to make the government of the country to which you are accredited cooperate more fully in carrying out this policy. Your report should cover any special obstacles which you feel are interfering with the rescue and relief of these victims and your recommendations as to what can be done to remove these obstacles.

You are requested to approach the Government to which you are accredited, in the policy expressed in the President's Executive Order referred to above, and ascertain from such Government the extent to which it is prepared to cooperate.

Diplomatic and consular officers are instructed to do everything possible to carry out the policy expressed in the President's Executive Order. This cablegram has been transmitted by telegram or airgram to all diplomatic and consular offices.

Report to consular offices under your jurisdiction.

HULL  
(ES)

NOTE RGW - Report to Missions at Lisbon as 300, Madrid as 207, Stockholm as 131, Bern as 251, and Ankara as 66.

RGW:RS Refugees.

RGW:RS 1/25/44 WEA A-3

WFO:RS  
1-1-44

## Call Of Humanity

The President has forestalled certain action in Congress in behalf of the threatened Jews in Nazi-occupied Europe. He has set up a War Refugee Board to attempt the rescue of "the victims of enemy oppression who are in imminent danger of death." This decision follows the initiative of Senator Gillette, whose resolution to the same effect had already been reported out by the Foreign Relations Committee, and was on the calendar for Senate debate this week. A similar resolution introduced by Representatives Will Rogers and Joseph C. Baldwin was on its way through the House. Passage by an overwhelming majority had been indicated. The industrious spadework done by the Emergency Committee to Save the Jewish People in Europe had contributed to this prospect, and the committee is likewise entitled to credit for the President's forehanded move. The proponents of the legislative resolutions, who are drawn impartially from both parties in Congress, will no doubt welcome presidential action without reservation. Perhaps they would have rephrased the title to exclude the word refugees, for, after all, the congressional aim was that steps should be taken before the Jews become refugees. But the purpose in establishing the new boards embraces the object of the resolutions, and that is the main thing.

The new board will be composed of Secretaries Hull, Morgenthau and Stimson. An executive director will be appointed, and this, of course, will be the key post, to be filled, presumably, by a person of both distinction and energy. He is assured in advance of maximum cooperation by the State Department. The department already has been directed on recommendation of the board to appoint special attaches with diplomatic status, to be stationed in places where aid could be given to war refugees pending the development of permanent plans. Little can be done, of course, to stop the mass killing, which, according to the Archbishop of Canterbury is going on at the rate of 10,000 Jews a day. But, as Senator Gillette has said, the murderer's hand might be stayed if the Big Three were to indicate that their recent statement on atrocities applied equally to the Jew extermination program. It should have been done immediately after Hitler's New Year declaration that "our whole life, our efforts, and our existence must be directed to only one end: the com-

plete extermination of the Jew all over Europe." The new measure is the other step the Iowan had in mind in that it contemplates rescue and hospitality in special reservation camps in neutral and other territory. When the new agency sets up the centers to which the Jews can escape, there will be that much more encouragement to the Jews to escape Hitler's toils.

We hope the President will also be forehanded in the matter of feeding the starving people of occupied Europe. A resolution calling upon the administration to facilitate this humanitarian measure is going through Congress. It should be speeded up, if the President will not cut short its career by adopting its purpose. There is not the slightest reason any more to bar mercy ships to Europe. The war will be won by military, not economic, means, and when this was realized, the major reason for opposition to this act of charity completely disappeared. We won't say it was wicked to hold out against action. It was simply stupid, an example of how the mind fails to keep pace with the facts. No cost to this country would be involved in authorizing mercy ships to go to the beleaguered countries. The food, the ships and the personnel will all come from neutral countries. After the experience in Greece, where outside aid has saved thousands of lives, there is no further excuse for a moment's delay in authorizing aid. Now that the President has anticipated congressional action in behalf of the Jews, he should anticipate congressional action in behalf of the children of Europe, for it is the children who would be benefited most. No greater tragedies have been recorded in civilized history than those which are now stirring our Congress.

WU42 92 9 EXTRA

WUX NEWYORK NY JAN 25 1944 128P

1944 JAN 25 PM 2 01

HONORABLE HENRY MORGENTHAU JR

SECRETARY OF TREASURY

GREATLY ELATED BY PRESIDENTIAL ACTION APPOINTING YOU TO SPECIAL WAR BOARD AND HIS STATEMENT DEALING WITH SAVING THE CONDEMNED JEWS OF EUROPE. YOUR DEEP INTEREST IS WELL KNOWN AND WAS EVIDENCED BY YOUR STATEMENT TO EMERGENCY CONFERENCE TO SAVE JEWISH PEOPLE OF EUROPE LAST JULY. FIFTEEN HUNDRED PERSONS WILL ASSEMBLE AT THE HOTEL COMMODORE TOMORROW WEDNESDAY TO HONOR DEAN ALFANGE AND TO CELEBRATE APPOINTMENT WAR BOARD WHICH IS IN SPIRIT OF PROGRAM OF EMERGENCY COMMITTEE. MAY WE HAVE STATEMENT OF INSPIRATION FROM YOU

GABRIEL WECHSLER NATIONAL SECRETARY EMERGENCY COMMITTEE  
TO SAVE THE JEWISH PEOPLE OF EUROPE 1 EAST 44 STREET NEW YORK CITY

200P

*JW/P  
did not want  
to send  
JFK*

PROPOSED TEXT OF SECRETARY'S MESSAGE:

In establishing the War Refugee Board and directing it to use all of the powers of this Government to rescue the victims of enemy oppression who are in imminent danger of death, the President reflected the will of a nation profoundly shocked with Axis bestiality. His action was that of a nation deeply conscious that its free citizens today are descendants of yesterday's victims of persecution. It is measures of this character that symbolize for the whole world America's identity with the concepts of human freedom and dignity.

Time is short. The Board's task is difficult. The measure of its success will be not the words it speaks--but the lives it saves.

CONFIDENTIAL

January 25, 1944

MEMORANDUM FOR THE FILES ON ARGENTINE-BOLIVIAN SITUATION.

Donald Hiss of the State Department called me today and said that he would like to come over and talk with us about the Argentine-Bolivian situation. I conferred with Hiss and he gave me the following information:

(1) Cables received from Armour on Argentine situation.

Three cables were received from Armour on Monday relating to the Argentine situation. The substance of these cables was as follows:

(a) The first cable confirmed the telephone conversation which Armour had had with the Department early Monday morning. It stated that the Argentine Foreign Minister, Gilbert, had called Armour urgently (either Sunday night or Monday morning). Gilbert advised Armour that he had important information to give him, namely, that Argentina was prepared to break with the Axis. Armour replied that promises such as this had been given to this Government before, referring particularly to the same sort of promise which was given this Government prior to our recognition of the present Argentine government. Gilbert replied that this time the decision had been definitely made. He emphasized, however, that it was essential that the Argentine government make this break without making it appear that it was as a result of pressure by this Government. Armour, at this point, said that he thought it was only fair to tell Gilbert that in connection with a statement which was to be issued on Monday concerning Bolivia certain action was contemplated involving Argentina. Gilbert stated that the break with the Axis was coming this week, and requested that whatever action this Government was planning to take on Monday be held up. Armour said that merely breaking with the Axis was not what we wanted -- we wanted affirmative action taken to wipe out Axis activities in Argentina. Gilbert gave assurances that this was what was intended -- that upon breaking with the Axis effective measures would be taken to wipe out Axis activities.

- 2 -

(b) The second cable referred to the fact that Gilbert had also called the British Ambassador in on Monday and had given the same information to the British Ambassador.

(c) The third cable referred to a conversation which the Brazilian Ambassador had with Armour. The Brazilian Ambassador informed Armour that he was called in by Gilbert last Friday and Gilbert informed him that he had heard the report that the United States Government was planning to take certain action shortly. He tried to get from the Brazilian Ambassador some information as to this contemplated action. The Brazilian Ambassador replied that he would check with the American Ambassador on the matter.

This cable is significant in that it shows rather clearly on the record what we already knew -- that the only reason why the Argentine Government is acting now is to forestall action on our part.

Hiss suggested that we request State for copies of any cables received from Armour on the recent developments. He offered to arrange to show us these cables, if we could not get them otherwise.

(2) Hiss' memorandum to Acheson today on Argentina.

Hiss stated that he had sent a memorandum to Dean Acheson this morning concerning the Argentine situation (yesterday Pehle, Luxford, and I had talked with Hiss and urged that he try to get Acheson to take the right line on this matter). Hiss stated that in his memorandum to Acheson he had pointed out that what was being done in the Argentine situation was even worse than what had been done in the case of Munich. Thus, he pointed out that in the case of Munich some people argued that we were forced to do what we did because if we had acted otherwise at that time it would have precipitated a conflict with Germany at a time when Germany was much stronger than we were and at a time when it would take us a long while to catch up with Germany. He said that even this specious argument could not be relied on in the case of Argentina. Thus, we had all the chips today and the Argentine Government was in a position that if we acted in the

- 3 -

right way they would become weaker and we would become stronger. On the other hand, permitting Argentina to break with the Axis without our taking any affirmative action designed to overthrow the Argentine Government merely meant that the present fascist Argentine Government became more and more entrenched in their position and our position to attack them became much weaker. Thus, after the break the Argentine Government's position with the Argentine people would be strengthened and our position to attack them after they had aligned themselves with us would be weakened. Accordingly, on the assumption that the real purpose of this Government was to get rid of the present Argentine Government, the policy of appeasement which we were following was even worse than the appeasement policy which we followed at the time of Munich.

(3) Bolivia.

Hiss stated that a cable had been received from Bolivia yesterday indicating that the position of the Axis firms in Bolivia would become stronger as a result of the non-recognition of Bolivia since the Bolivian Government obviously would not take any action to eliminate the activities of these concerns. The cable described a bad situation in Bolivia on this score. Hiss said that when Bonsal saw this cable, Bonsal had suggested to Hiss that consideration be given to the freezing of Bolivia.

Hiss said that although he could see certain disadvantages in the freezing of Bolivia, he felt that we should give careful consideration to the question. He said that he felt that, if we decided it was a good thing to do, he had enough ammunition to get the State Department to agree. He said he agreed that we should not act on Bolivia until after it was clear we had lost on Argentina. However he did feel that once Argentina had announced a break with the Axis we had nothing to lose and might gain something by the freezing of Bolivia. Thus, he felt that freezing Bolivia might put the State Department in an embarrassing position vis-a-vis Argentina. They could no longer rely on the argument that the freezing of an American Republic was against the good neighbor policy and hurt the people of that country. Furthermore, we would be in a position to argue that from an economic warfare point of view the Argentine situation was just as bad, if not worse, than the Bolivian situation and that accordingly from this standpoint there was equal, if not better, reasons for the freezing of Argentina.

JW

*Paul who is Major Pellegrini* <sup>102</sup>  
TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

*How is he connected with our Embassy?* <sup>103</sup>  
DATE JAN 18 1944

TO Secretary Morgenthau  
FROM Randolph Paul

FOR YOUR INFORMATION:

Approximately a year ago the working arrangement in accordance with which Foreign Funds Control exchanged information with Military Intelligence was the subject of discussions between representatives of Foreign Funds Control and representatives of Military Intelligence, particularly Norman Towson, formerly of Foreign Funds Control. It was agreed that some of the information concerning financial operations by persons in Latin America which Foreign Funds Control obtained in its regular operations might be helpful to Military Intelligence in its job of locating enemy agents operating in this hemisphere. Similarly, the information obtained through Military Intelligence agents in Latin America with respect to such financial transactions might provide Foreign Funds Control with information not necessarily obtainable through the regular facilities of the State Department. Accordingly, it was agreed that each would make the adjustments necessary to accomplish these objectives.

In studying over the reports which we received through State Department channels from the Embassy in Argentina, we came to the conclusion that we might get a more helpful slant on some of the developments down there and Military Intelligence might be benefited were Jim Mann in a position to make some of his views readily available to us.

You will recall that Jim Mann worked on Foreign Funds Control matters as a member of the General Counsel's Office here in the Treasury Department for some time before going to Argentina for the State Department. At the present time he is Chief of the Section on Financial Controls in the American Embassy in Argentina.

Accordingly, we called to the attention of representatives of Military Intelligence the desirability of their

- 2 -

suggesting to the Military Attaché in Buenos Aires that he become better acquainted with Jim Mann.

As the first tangible result of our suggestion, we have just received from General Strong's office the attached copy of a strictly confidential memorandum to General Lang, the Military Attaché in Buenos Aires, from Jim Mann and one of his associates in our Embassy in Buenos Aires. I am sure you will be interested in reading this memorandum, a summary of which is also attached. The memorandum confirms the Treasury's view as to the necessity of action in the Argentine situation and gives some interesting sidelights on the whole Argentine situation.



SUMMARY OF A STRICTLY CONFIDENTIAL MEMORANDUM  
CONCERNING ARGENTINA, WRITTEN DECEMBER 22, 1943,  
BY JAMES H. MANN AND NAT B. KING TO GENERAL LANG

The memorandum is primarily a consolidation of material already sent to the State Department by the Embassy concerning the situation in Argentina. The principal points are as follows:

I. The enemy has in Argentina unlimited resources for carrying out subversive and propaganda activities.

Argentina's failure to break off or even control financial relations with the enemy has left open the channels through which the enemy is acquiring substantial amounts of funds in Argentina. Two of the more important types of transactions through which the enemy obtains pesos are remittances to enemy territory and the food package business. In addition, Argentina is the channel through which ransom payments are made to Switzerland and other neutral countries.

The lack of control of the Argentine black market makes it a ready market for looted currency and securities and a medium for all kinds of financial dealings with the enemy.

II. The Argentine Government takes positive steps to aid enemy firms.

The Banco de la Nacion and the Banco de la Provincia, two large governmentally owned banks, are granting loans to enemy firms; credits of this type presently outstanding exceed 11,500,000 pesos. Other Argentine banks have also extended financial aid to enemy firms but our action in specially blocking the Banco de la Nacion and the Banco de la Provincia has tended to discourage such banks from continuing to do so.

Large governmental contracts are granted to Proclaimed List firms and, if the Proclaimed List firms encounter difficulties in procuring materials, the Argentine Government procures the materials for them. The Argentine Government procures newsprint for such Nazi propaganda sheets as "El Pampero" and "Cabildo", both of which are on the Proclaimed List.

- 2 -

The actions of the Argentine Government have nullified our economic warfare efforts. A recent survey made by the Embassy of the 21 most important Axis firms in Argentina showed that the economic position of the majority of such firms has improved.

### III. Communication with enemy territory is freely permitted.

Not only are communications permitted through ordinary channels, but the Argentine diplomatic pouch is used for communications with enemy territory in evasion of British and United States censorship.

Argentina serves as a clearing center through which persons in other American republics deal with enemy countries in order to evade the controls established by their own governments.

### IV. Cloaking of enemy assets in Argentina.

German assets and firms can easily acquire the cloak of Argentine identity. For example, Meyer Pelligrini in Argentina is suspected of cloaking German assets. However, it has been impossible even to recommend that effective sanctions be taken against him because of his close relations with our Embassy.

Aug 20 white 1/2 <sup>106</sup>  
Photoset to mBell 1/27

CONFIDENTIAL

WAR DEPARTMENT  
WASHINGTON

JAN 25 1944

The Honorable,

The Secretary of the Treasury.

Dear Mr. Secretary:

With reference to your letter dated 14 December 1943 I am enclosing two copies of a statement showing the status of all outstanding contracts placed in Canada by the Army Air Forces and giving estimates of undelivered portions of each contract as of December 31, 1943.

Your attention is invited to the fact that on 11 January 1944 the Army Air Forces directed the cancellation of the following contracts, which are listed on the attached schedule, in accordance with a formal request dated 6 January 1944, from the President of War Supplies, Limited:

W 535 ac-30109  
W 535 ac-30110  
W 535 ac-31737

The dollar value of the cancelled portions of the above contracts will be approximately \$12,000,000.00. Accordingly the total of column nine on the attached schedule is reduced from \$14,418,804.62 to \$2,416,804.62.

Attention is invited to the fact that contract W 33-038 ac-1072 with War Supplies, Limited in the amount of \$9,855,300.00, covering the procurement of 300 C-45A airplanes, to be manufactured in Canada for delivery to the United States in fulfillment of a requirement of the Army Air Forces for airplanes urgently needed in Iceland, Greenland and Alaska, was approved 10 January 1944 and does not appear on the attached schedule. It should be noted, however, that negotiations for the placing of this contract in Canada were based upon the importance of utilizing available facilities, and upon a definite need by the United States for these airplanes, rather than upon the basis of financial consideration.

In view of the importance of furnishing this information at the earliest date, I am transmitting in installments the information which you have requested. Similar information with regard to contracts placed in Canada by other agencies of the War Department will be forwarded as soon as received.

Sincerely yours,

R. P. Patterson

Acting Secretary of War.

## CONFIDENTIAL

CONFIDENTIAL SOURCE FOR THE UNITED STATES  
 (Indicating those which might be supplied and others over by the Canadian Government without Military value in the effort of the United Nations.  
 Showing amount of stated purchases accumulated as of December 31, 1943)

SINCE 1940 Reference Number	Prime Contractor or Sub-Contractor or Sub-Sub-Contractor of the Canadian Govt.	Type	Total Amount in Dollars	Total Estimated Value of Equipment to be Delivered	Date Delivered	Total Cost of Equipment Shipped	Cost to be Charged as Accrued by Contractor	Remarks
V-321 ac-32049	Fleet Aircraft, Ltd.	SOV PR-10A airplanes	\$ 3,139,047.00	300 airplanes	N. E.	8,409.42	8,409.42	\$ 897,413.00
V-321 ac-32110	Fleet Aircraft, Ltd.	900 primary training type airplanes	7,000,787.00	900 airplanes	N. E.	8,409.42	8,409.42	4,426,411.00
V-321 ac-32177	Montrose Aviation, Ltd.	1,000 AT-10 air- planes and spares	32,447,488.30	1,000 airplanes and spares	N. E.	86,476.74	86,476.74	4,426,411.00
V-321 ac-32292	Montrose Aviation, Ltd.	400 C-44A airplanes and spares	15,755,941.50	400 C-44A airplanes and spares	N. E.	85,208.73	85,208.73	4,724,864.49
V-321 ac-32309	Canadian Propellers, Ltd.	120 prop. asy., 12 prop. prop. asy., 12 blades	120,400.00	120 prop. asy., 12 prop. prop. asy., 12 blades	1944-1945 Shipped	980.00	120,400.00	(see Remarks)
V-321 ac-32399	Canadian Propellers, Ltd.	300 prop. asy., Set over	475,420.00	45 prop. asy., Set over	1944-1945 Shipped	980.00	41,480.00	(see Remarks)
V-321 ac-32709	Canadian Propellers, Ltd.	175 prop. asy., Parts in sets	1,364,300.00	75 prop. asy., Parts delivered	N. E.	980.00	546,300.00	(see Remarks)
V-321 ac-32738	Canadian Propellers, Ltd.	175 blades	25,000.00	175 blades	N. E.	980.00	31,000.00	(see Remarks)
V-321 ac-40613	Canadian Propellers, Ltd.	3,120 prop. asy., 400 prop. blades	5,130,600.32	615 prop. asy., 400 blades	N. E.	980.00	749,800.00	749,800.00
V-321-029 ac-32481	Canadian Propellers, Ltd.	400 prop. blades	953,000.00	400 blades	N. E.	158.50	440,340.00	(see Remarks)
V-321-029 ac-729	S & S Aircraft, Ltd.	97 propellers, wooden	77,865.30	None delivered	N. E.	Various	75,464.30	(see Remarks)
V-321-029 ac-729	S & S Aircraft, Ltd.	97 propellers, wooden	41,184.73	97 propellers, wooden	N. E.	99.09	41,184.73	41,184.73
V-321-038 ac-12	S & S Aircraft, Ltd.	100 propellers, wooden	7,771.00	25 propellers	N. E.	77.73	1,943.25	(see Remarks)
V-321 ac-40703	Linn Eng. Co.	Linn trainers Spares parts	209,321.25	None delivered	N. E.	Various	209,321.25	(see Remarks)
V-321 ac-36456	Linn Eng. Co.	532 trainers trainers	2,796,000.00	129 trainers	N. E.	1,000.00	991,400.00	991,400.00
V-321 ac-37267	Montrose Avia- tion Instruments, Ltd.	400 prop. asy., Type A-14	17,151.30	300 prop. asy.,	N. E.	Varies	17,151.30	(see Remarks)
V-321 ac-37267	Montrose Avia- tion Instruments, Ltd.	Prop. prop. A-14 Spares parts	17,151.30	30 prop. prop.	N. E.	Varies	17,151.30	(see Remarks)

## CONFIDENTIAL

## CONTINUATION SHEET FOR SPECIAL LIST

Indicating those which were re-exported and those over by the Canadian Government without knowledge to the other efforts of the United Nations.  
Showing amount of valid funds held (determined as of December 31, 1943).

Contract Number	Principals Contracting or Sub-Contracting in the Republics, Inc.	Type	Total Amount of Contract	Total Delivered Quantity of Contract	To be Delivered	Date Last Shipped	Total Cost of Deliveries & Balance	Cost to Canadian Govt & Amount by Canadian Govt	Remarks	
									Units	Units
# 111-44-3020	Fleet Aircraft, Inc.	307 P-51A airplanes	\$ 1,119,047.00	300 airplanes	0	1-27-43	\$ 1,077,543.00	\$ 42,463.00	These airplanes prepared as British Specification No. 111 for delivery to U. S.	
# 111-44-3020	Fleet Aircraft, Inc.	300 primary trainer Type AT-16 Model 1943	7,399,787.00	300 airplanes	0	1-27-43	4,429,815.00	4,429,815.00	These airplanes prepared as British Specification No. 111 for delivery to U. S.	
# 111-44-3127	Beechcraft Aviation, Inc.	1,000 AT-16 air- planes and spares	\$2,447,486.30	300 airplanes (plus spares)	0	1-27-43	1,143,080.00	1,143,080.00	These airplanes prepared as British Specification No. 111 for delivery to U. S.	
# 111-44-3097	Beechcraft Aviation, Inc.	400 C-45A airplanes and spares	13,735,961.50	207 C-45A airplanes plus spares	0	1-27-43 (less recovered)	5,736,706.70	5,736,706.70 (less recovered)	Allocated 217 to U. S. in the U.S.A. & elsewhere. In view of the small number of airplanes allocated to the British Region, no cancellation should be recommended.	
# 111-44-3029	Canadian Propellers, Ltd.	120 prop. assem. 42 spare prop. assem. 80 blades 100 spare blades Miscellaneous	110,400.00 30,400.00 17,200.00 None delivered	120 prop. assem. 42 spare prop. assem. 80 blades Miscellaneous	0	1-27-43	110,400.00 30,400.00 17,200.00 None delivered	None	These propeller assemblies and blades prepared for in- stallation in Canadian airplanes to be delivered to the U. S. Spares to be delivered to the U. S.	
# 111-44-37999	Canadian Propellers, Ltd.	300 prop. assem.	not over 455,000.00	45 prop. assem.	Reorder Time required	900	41,400.00	None	Aproximately 295 assemblies prepared for delivery to Norway for installation in AT-16 airplanes for delivery to British Empire. Also, however, 295 assemblies pre- pared for delivery to U. S. for installation in AT-6 and AT-16 airplanes, and in view of small quantity delivered, no cancellation is recommended.	
# 111-44-37709	Canadian Propellers, Ltd.	1,370 prop. assem. Parts in Box 175 blades	1,245,980.00 51,000.00 367,000.00	760 prop. assem. None delivered 367,000.00 175 blades	0	1-27-43	540,527.00 41,998.00 367,000.00 None delivered	None	These propellers prepared for AT-6 airplanes being pro- duced under South American contract # 111-44-37999 for U. S. re-delivery.	
# 111-44-37730	Canadian Propellers, Ltd.	1,160 prop. assem.	1,110,000.00	810 prop. assem.	0	1-27-43	704,800.00	704,800.00	These propellers prepared for installation in AT-16 air- planes for U. S. re-delivery.	
# 111-44-42613	Canadian Propellers, Ltd.	4,000 prop. blades	450,000.00	4,000 blades	0	1-27-43 (less recovered)	150,300	150,300.00	These blades prepared for installation in AT-6 and AT-16 airplanes to be delivered to British Empire under contract # 111- 44-37999 for U. S. re-delivery.	
# 111-44-42603	Canadian Propellers, Ltd.	700 prop. blades	70,400.00	None delivered	0	1-27-43	70,400.00	70,400.00	None	None
# 111-44-42799	S-1-A Aircraft, Inc.	497 propellers, wooden	41,145.71	497 propellers, wooden	0	1-27-43	49,06	41,145.71	41,145.71	These propellers required for installation in AT-16 and AT-6 aircraft for delivery to British Empire under contract # 111- 44-37999 for U. S. re-delivery.
# 111-44-42812	S-1-A Aircraft, Inc.	100 propellers, wooden	7,771.00	24 propellers	0	1-27-43	77.71	7,771.00	None	These propellers required for installation in AT-16 and AT-6 aircraft for delivery to British Empire under contract # 111- 44-37999 for U. S. re-delivery.
# 111-44-42703	Link Trainers, Inc.	Link trainers Spare parts	209,247.00	None delivered	0	1-27-43	209,247.00	209,247.00	These link trainers required for installation in AT-16 and AT-6 aircraft for delivery to British Empire under contract # 111- 44-37999 for U. S. re-delivery.	
# 111-44-42818	Link Trainers, Inc.	512 instrument trainers	4,079,244.00	414 instrument trainers	0	1-27-43 (less recovered)	4,074,114	4,074,114	These instrument trainers required for installation in AT-16 and AT-6 aircraft for delivery to British Empire under contract # 111- 44-37999 for U. S. re-delivery.	
# 111-44-42819	Canadian Aircraft Instruments, Inc.	500 aircraft instr. spare parts	1,174,575.00	500 aircraft instr. spare parts	0	1-27-43	1,174,575.00	1,174,575.00	These aircraft instruments required for installation in AT-16 and AT-6 aircraft for delivery to British Empire under contract # 111- 44-37999 for U. S. re-delivery.	
# 111-44-42821	Canadian Aircraft Instruments, Inc.	500 aircraft instr. spare parts	1,174,575.00	500 aircraft instr. spare parts	0	1-27-43	1,174,575.00	1,174,575.00	These aircraft instruments required for installation in AT-16 and AT-6 aircraft for delivery to British Empire under contract # 111- 44-37999 for U. S. re-delivery.	

## CONFIDENTIAL

Contract Number	Prime Contractor or Sub-Contractor to the Supplies Inv.	Item	Total Amount of Contract	Total Unshipped Portion of Contract	To be Delivered to	Unit Cost	Total Cost of Unshipped Balances	Should be Delivered & Received by Contract Dates	Comments	
									Contract Dates	Actual Dates
MANUFACTURERS EQUIPMENT										
R 2119 no-420	Bethlehem, Ltd.	Kino. Thermometer Water Gauge Parts, Asys., & Sub-Asys.	\$ 1,000.00 (Open contract)	No parts made	U. S.			Cancel	Contract has never been used.	
DAW 235 no-1308	General Electric Co.	1557 Radio Asys. 6235 Radio Asys.	150,736.25 441,700.00	1557 radio 1300 radio	U. S.	2 72.25 72.00	\$ 150,736.25 \$ 24,240.00	8 205,186.25	This material produced under written requirement DA-4-12A 6232 A and 134, for U. S. requirements.	
R 325 no-20809	Dashboard, Marine and Eng. Co. of Canada, Ltd.	Kino. Spare Parts For Generators	97,007.25	None delivered	U. S.	Various	97,007.25	97,007.25	This equipment was made under written requirement DA- 332-48-4-33 for U. S. requirements.	
R 325 no-30840	Bethlehem, Ltd.	11,000 Thermometer Indicators 9,000 Thermometer Int. Suits	684,000.00 600,750.00	932	U. S.	44.00	44,000.00	None	Both items produced for delivery to AF Depots for U. S. requirements.	
(DA) P. D. 44-3886 AF	Lima Eng. Co.	Brackets, Plates, Buckets, Nuts, Lever Arms, & Screws	61.48	None delivered	P. D.	Various	61.48	61.48	This equipment was made under written requirement DA- 332-48-4-33 for U. S. requirements.	
TIRE										
P 375 no-26427 (P.D. 43-17821 P)	E. R. Boller Co.	950 Tire Casing	40,126.00	950 casings	U. S.	12.25	40,126.00	None	Production originally scheduled at Detroit, Michigan, but by Amendment No. 1 dated 27 July 1943, items covered by Purchase Order are to be manufactured at Timmins, Ontario, Canada, to facilitate delivery on schedule to AF Depots for U. S. requirements.	
P.D. 43-17800 P	E. R. Boller Co.	950 Tire Casing	16,866.00	950 casings	U. S.	18.75	16,866.00	None	Production originally scheduled at Detroit, Michigan, but by Change Order No. 1 dated 30 July 1943, items covered by Purchase Order are to be manufactured at Timmins, Ontario, Canada, to facilitate delivery on schedule to AF Depots for U. S. requirements.	
P.D. 43-17809	E. R. Boller Co.	750 Tire Casing 750 Tires	10,065.00 3,675.00	100 casings 750	U. S.	13.42 4.70	1,342.00 3,675.00	None	Production originally scheduled at Detroit, Michigan, but by Change Order No. 2 dated 9 July 1943, items covered by Purchase Order are to be manufactured at Timmins, Ontario, Canada, to facilitate delivery on schedule to AF Depots for U. S. requirements.	
REMARKS									1700-A-5731	1700-B-6740

REMARKS: One attached letter to Chief, International Aid Division, Headquarters, Army Service Forces, dated 30 December 1943, subjects "Relation of Air Corps Contracts with War Supplies Limited to E. R. Boller Bearings Position with Canada, for memory remarks pertaining to contracts listed in the above schedule and relating to projects underway involving non-tightened procurement in Canada.

## CONFIDENTIAL

<u>Contract Number</u>	<u>Prime Contractor or Sub-Contractor M. R. Supplies, Ltd.</u>	<u>Item</u>	<u>Total Amount of Contract</u>	<u>Total Undelivered Quantity of Contract</u>	<u>To be Delivered to</u>	<u>Unit Rate</u>	<u>Total Cost of Undelivered Balance</u>	<u>Credit to General- ized &amp; Assessed by Canadian Govt.</u>
<b>MATERIALS RECEIVED</b>								
# 329 ac-172	Bellon-Saville, Ltd.	Elect. Thermometer Bulb Spares Parts, Auger & Sub-assemblies	\$ 5,000.00 (approximate)	No miles made	U. S.			None
DR/N 329 ac-1208	Canadian Martinglass Co.	1557 Bush Boxes 4137 Bush Boxes	110,936.25 443,720.00	1557 rocks 1309 rocks	U. S.	1 71.25 72.00	\$ 110,936.25 36,248.00	\$ 307,186.75
# 329 ac-36829	Ontario, marine and Mfg. Co. of Canada, Ltd.	Elect. Spares Parts for Generators	97,007.25	None delivered	U. S.	Various	97,007.25	97,007.25
# 329 ac-30840	Bellon-Saville, Ltd.	15,000 Thermometer Indicators	450,000.00	932	U. S.	44.00	41,004.00	None
	Bellon-Saville, Ltd.	9,000 Thermometer Ind. Indicators	460,720.00	8,018	U. S.	44.75	358,626.50	None
(DR) P. D. 44-3076 AF	Lack Mfg. Co.	Breakers, Plates, Bushes, Holes, Lever Asseys, & Screens	61.48	None delivered	U. S.	Various	61.48	61.48
# 329 ac-36847 (P.O. 43-12764 P)	U. S. Rubber Co.	950 Tire Castings	40,120.00	950 castings	U. S.	42.25	40,120.00	None
P.O. 43-12900 P	U. S. Rubber Co.	950 Tire Castings	18,864.00	900 castings	U. S.	42.75	18,864.00	None
P.O. 43-12766	U. S. Rubber Co.	750 Tire Castings 750 Tires	10,045.00 3,675.00	100 castings 750	U. S.	13.42 4.70	1,342.00 3,675.00	None

**NOTE:** See attached letter to Chief, International Aid Division, Headquarters, Army Services Forces, dated 20 December 1943, subject: "Relation of Air Corps Contracts with War Supplies Located in U. S. Dollar Exchange Positions with Canada", for currency results pertaining to contracts listed in the above schedule and relating to projects underway involving complicated procurement in Canada.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE Jan. 25, 1944

TO Secretary Morgenthau

FROM Mr. White

Subject: Exports to Russia

1. In November, 1943, United States exports to Russia totalled approximately \$337 million.

2. Among the principal non-military items were:

Trucks, including services & repairs (\$19 million)  
Canned meat (\$12 million)  
Dried eggs (\$12 million)  
Butter (\$8 million)  
Wool cloth and dress goods (\$6 million)  
Pork, pickled or salted (\$6 million)

3. Among the munitions sent were:

362	P-39 pursuit fighters
58	P-40 pursuit fighters
93	2-engine light bombers
37	2-engine medium bombers
107	medium tanks
680	40 mm. anti-aircraft guns
30	5 in. 38 cal. naval anti-aircraft guns
2026	scout cars.



OFFICE OF THE DIRECTOR

## TREASURY DEPARTMENT

PROCUREMENT DIVISION

WASHINGTON 25

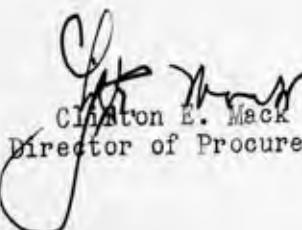
**SECRET**

January 25, 1944

MEMORANDUM TO MR. SULLIVAN:

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

There has been a recent purchase of a stratosphere testing chamber for the Australian Air Force. This chamber permits the testing of radio and radar under conditions equivalent to actual climatic conditions and changes which speeds the production of vital equipment.



Clinton E. Mack  
Director of Procurement

LEND-LEASE  
TREASURY DEPARTMENT, PROCUREMENT DIVISION  
STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND  
DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS  
AS OF JANUARY 19, 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	\$4628.5 (4627.0)	\$2286.9 (2286.9)	\$1860.6 (1860.1)	\$113.8 (113.8)	\$10.6 (10.6)	\$356.6 (355.6)
Purchase Authoriza- tions (Requisitions)	\$3425.5 (3400.3)	\$1793.3 (1776.0)	\$1350.9 (1344.0)	\$44.3 (44.3)	-	\$237.0 (236.0)
Requisitions Cleared for Purchase	\$3331.0 (3301.9)	\$1740.1 (1719.1)	\$1325.1 (1316.6)	\$43.8 (44.0)	-	\$222.0 (222.2)
Obligations (Purchases)	\$3202.0 (3161.4)	\$1702.4 (1677.6)	\$1291.9 (1282.0)	\$43.7 (43.7)	\$9.6 (9.5)	\$154.4 (148.6)
Deliveries to Foreign Governments at U. S. Ports*	\$1628.9 (1616.5)	\$1103.0 (1097.0)	\$480.5 (474.6)	\$20.6 (20.6)	-	\$24.8 (24.3)

\*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 January 12, 1944.

**SECRET**

## EXPLANATION OF DIFFERENCE

The decreases in Requisitions Cleared  
for China and Miscellaneous are a result of  
adjustment of requisitions to actual contracts.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

to Secretary Morgenthau  
FROM Randolph Paul

JAN 25 1944

For your information

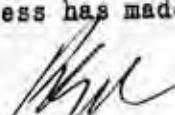
You will recall that the Department sponsored legislation a year or so ago, which the Congress subsequently enacted, which pledged the United States to pay the Pennsylvania inheritance tax on the Widener art collection, which the owner wished to give to the National Gallery of Art.

The law is in the nature of a "blank check", although an appraisal of the property, made by appraisers in the Bureau of Internal Revenue, indicated that the state tax (which is 5 per cent of the value) would be in the neighborhood of \$190,000.

We have just been informed that an independent appraiser, selected for that purpose by the State Tax Commission of Pennsylvania, has appraised the property at a somewhat higher figure than that arrived at by the Bureau appraisers. Mr. Cairns, General Counsel for the Gallery, believes that the state tax will amount to about \$300,000, and he has made inquiry as to whether the Department would wish to intervene in the situation with a view to challenging the reasonableness of this figure. He tells us that the Gallery has no disposition to object, and that Chairman Cannon of the House Appropriations Committee takes a similar view.

I do not see any basis, upon the facts as they have been reported to me, for our intervening. Nor do I see any practical way we can do anything at this stage. I have so advised Mr. Cairns.

When the State Tax Commission has made its decision (discussions are still under way), the amount of the tax will be included in a deficiency bill which will be presented in the usual way to the Congress through the Bureau of the Budget. The Congress will then decide whether the tax as determined comes within the promise the Congress has made -- which I think it clearly does.



26

January 25, 1944.

Dear Mr. Houghteling:

I have read with much interest your memorandum giving me the details in regard to labor conditions in the city of Bridgeport, Connecticut. I can see that you have taken a great deal of trouble to look into the situation, and thank you very much for doing this for me. The facts you give me are most helpful.

Very truly yours,

Sincerely,  
*(Signed) H. Morgenthau, Jr.*

Mr. James L. Houghteling,  
Director, National Organizations Division,  
Office of the Secretary, War Finance Division,  
Room 705, Washington Building,  
Washington, D. C.

GEF/dbs

Labor conditions in Bridgeport,  
Conn.

Take 119

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO: The Secretary of the Treasury

January 14, 1944

FROM: James L. Houghteling

After our talk about selecting as the site for a "We the People" broadcast a city which has made a notable record of labor relations, I got into touch with Secretary Carey of the CIO and Secretary Meany of the A. F. of L. and both recommended Bridgeport, Connecticut, as an outstanding industrial city in which both the principal labor bodies work together on harmonious terms with industrial management and the city government.

I then asked John Steelman, Director of Conciliation in the Department of Labor, to advise me as to the factual and statistical record of Bridgeport, Connecticut, as regards labor stoppages since the beginning of the national war effort. Dr. Steelman checked the records of the Labor Department and reported back that the record of Bridgeport for loss of man hours through labor controversies was excellent in every way, the number of man hours lost in the past two years being entirely negligible.

I then undertook to find out whether there were any "sore spots" in present labor management relations in Bridgeport which may lead to labor stoppages in the near future. The President of the Connecticut State Federation of Labor and the President of the Bridgeport City Central of the A. F. of L. both report no troubles in sight and excellent labor relations throughout. The Secretary of the Connecticut Industrial Union Council, CIO, advises that labor relations in Bridgeport are unusually good except that the Jenkins Valve Company has a difficult wage case before the National War Labor Board. This has not so far caused any interruption of work. Several of the war plants in Bridgeport have recently been forced to curtail production because of cancellation of Government orders and have laid off considerable numbers of men. This has engendered a feeling of insecurity among wage-earners.

From other sources I am advised that these laid-off workers are being absorbed reasonably promptly by other plants.

Altogether, I recommend Bridgeport as an uncommonly good example of what you want. The A. F. of L. and the C. I. O. have a joint labor committee and work cordially together. Management and labor are on excellent terms. The city government has good relations with labor. There is a considerable foreign-born element in Bridgeport; that fact makes it all the more notable that such good industrial relations should exist.

JLH/mr

*To the Secretary of the Treasury  
for his*

120

WAR DEPARTMENT  
OFFICE OF THE CHIEF OF STAFF  
MILITARY INTELLIGENCE DIVISION  
WASHINGTON, D.C.

January 25, 1944.

The Honorable,  
The Secretary of the Treasury,  
Washington, D. C.

My dear Mr. Secretary:

I very greatly appreciate your courteous note, dated January 13 and the enclosure thereto, addressed to the Secretary of War.

I anticipate being retired in the very near future. General Clayton Bissell will be my successor in G-2. I trust he will continue the service to, and cooperation with, the Treasury Department in the same manner that has marked the cordial relations between your Department and this office during the past two years.

With kindest personal regards, I am

Very sincerely yours,

*GEO. V. STRONG*  
GEO. V. STRONG,  
Major General,  
A. C. of S., G-2.

NOT TO BE RE-TRANSMITTEDCOPY NO. 12BRITISH MOST SECRET  
U.S. SECRETDULL No. 29

Information received up to 10 A.M., 25th January, 1944.

1. NAVAL

Three hospital ships were bombed off NAPFONO on 24th. One, 2,700 tons, was sunk and 100 survivors picked up; the other two were damaged. Some of the beaches have been closed owing to weather which is expected to deteriorate but unloading continues at ALIO at rate of one landing ship tank per hour, and on one other beach. By 8 a.m., 24th, the first Echelon had completed unloading except for the Liberty ships which were 15 per cent unloaded. Destroyers bombarded the FERACINA-FONIA Road on 23rd/24th and throughout 24th.

On 22nd/23rd British Coastal Forces intercepted an enemy convoy of small craft off LEGHORN, one E-boat was set on fire and a lighter damaged.

2. MILITARY

ITALY. To noon 24th. 5th Army. Moroccan Division repulsed a counter-attack. U.S. and British patrols tried unsuccessfully to cross MARDO.

6th Corps. Position in NAPFONO Area satisfactory. Beachhead firmly established and strong patrols operating. Enemy resistance so far light but our troops now in contact with enemy on east and southeast sides of beachhead.

3. AIR OPERATIONS

ITALIAN FRONT. 24th. 58 Fortressen dropped 120 tons on an industrial plant near MACCHI. Military constructions in Northern PIAVE attacked by total of 276 medium, light and fighter bombers and by 25 special aircraft. 310 tons were dropped. These operations covered by fighters. Day's casualties - Army, 24, 5, 0. Ours - 14 aircraft missing.

ITALY. 23rd. More than 1,500 aircraft including 592 bombers, were used to attack roads and railways in the FLORENCE, GAETA, ANCONA and AVIZZANO areas, and on the battle fronts.

DULL No. 28 was not sent to Pinnington.

January 26, 1944  
9:15 a.m.

H.M.JR: At about eight o'clock this morning Justice Frankfurter called me up and said that he knew about this meeting at three-thirty this afternoon on the Refugee Board, and he wanted me to stop in on my way down to see the Chief Justice, because the Chief Justice had told Frankfurter the most wonderful things about how he felt about the Jews.

Frankfurter didn't tell me what it was, so I said, "Why should I stop in to see the Chief Justice?"

"Well, you could then quote him to Mr. Hull and Mr. Stimson, and it will have a lot of effect, because one of them isn't so hot on this business."

Subsequently I gathered he meant Mr. Stimson. So I said, "Why should I quote the Chief Justice? Why isn't it enough to quote the President of the United States, who set this thing up?" I said, "It doesn't make sense. If I go in he will wonder."

"I'll call him up," says Frankfurter, "and tell the Justice you are coming." I said, "Please don't do that. I have got to think the thing over."

He said, "If you go to the Chief Justice, tell the President what he thinks." I said, "That is something else; I have just got to think this thing over."

Well, I didn't go to see the Chief Justice. It didn't make sense to me.

So he said, "About your man, Pehle, it will have great influence with Stimson if you would say that both McCloy and Herbert Feis think he is good."

I said, "Did you get this information from Oscar Cox?" He said, "No, I have had no word from Oscar Cox." I said, "Didn't Cox communicate with you Monday or Tuesday?"

- 2 -

He said, "I haven't heard from Oscar Cox, and Cox isn't for your man, anyway."

I said, "How do you know?" He says, "I have got my pipeline right into the Treasury" - which I don't believe, but I am going to find out about.

He said, "What they want is a big name." So I said, "Like Jeffers?" He had never heard of Jeffers. I don't think that he knew too much about this.

So he said, "Stimson needs some talking to." He implied that - that wasn't his language. So I said, "Well, after all, I have done this thing now and it is ready, and I don't think the way he talked he had any idea of what I had done.

So I said, "Have you talked to Stimson directly?" He said, "No, I couldn't reach him. I talked to McCloy."

So it is a typical Frankfurter method. I mean, so far as I can tell he never does anything direct - either because he doesn't want to, or because he is too lazy, or because it isn't his technique.

But I can't understand why Oscar Cox didn't talk with Frankfurter; I am going to find out.

January 26, 1944  
9:49 a.m.

HMJr: Hello.  
Operator: McCloy.  
HMJr: Hello.  
Jack McCloy: Hello.  
HMJr: Henry Morgenthau.  
M: Yes.  
HMJr: Good morning.  
M: How are you?  
HMJr: I'm well, and you?  
M: Fine.  
HMJr: Look, we're meeting at 11:00 o'clock, this first meeting on this Refugee Committee and I take it Mr. Stimson's going to be there.  
M: That's right. It was to be at 3:30 I think. I just....  
HMJr: Yeah.  
M: ....moved up or something.  
HMJr: Yeah, on account of Mr. Hull.  
M: Uh huh.  
HMJr: Now, do you know John Pehle?  
M: John Pehle? Yes, very well.  
HMJr: Can I quote -- can you give me any verbal reference to use in -- vis-a-vis Mr. Stimson?  
M: Verbal reference -- you mean....  
HMJr: Well, I mean, can I say that -- how can I say you regard him?

- 2 -

M: Oh, I think he's a very able fellow.  
HMJr: You do?  
M: Oh, yes. I have no question about his ability.  
HMJr: Well, he's....  
M: Well, you know him much better than I do, but I dealt with him -- oh, even before I came down here.  
HMJr: Yeah.  
M: And he has always impressed me as being a damn clever fellow.  
HMJr: Could you tell that to Stimson before he goes over there?  
M: Sure. Sure.  
HMJr: Would you?  
M: Sure. I'm going down to see him right away.  
HMJr: Because I'm going to recommend Pehle for Executive Director.  
M: Oh, I see. I see.  
HMJr: See?  
M: Sure. Oh, I think Pehle -- I think very highly of Pehle.  
HMJr: And I know Herbert Feis does, too.  
M: Yeah.  
HMJr: And I think that Mr. Stimson has -- regards Feis....  
M: Oh, I know he thinks Feis -- he thinks a great deal of Feis.  
HMJr: Well....  
M: Uh -- the -- by-the-way, while you're on that subject -- Feis is apparently at loose ends now.

HMJr: Yeah.

M: There's been some suggestion that -- I think Stimson talked to him some time ago -- talked to me, at least, some time about -- ago about the possibility of our taking him up over here as a sort of an economic advisor. What would you think of that?

HMJr: Oh, Feis is a very good man.

M: How does he get along with -- I've noticed that he and White sort of snarl....

HMJr: Oh, well....

M: ....at meetings a good bit.

HMJr: ....when they snarl out loud, that's all right.

M: Yeah.

HMJr: We could -- we'd get along.

M: Get along all right?

HMJr: Oh, sure. I mean....

M: All right, well, I'll -- I'll speak to the Secretary about Pehle.

HMJr: White's snarl is not a bite.

M: (Laughs) It's just chronic.

HMJr: Yes.

M: Okay.

HMJr: All right. Thank you.

January 26, 1944  
9:30 a.m.

JEWISH EVACUATION

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

(The Secretary holds a telephone conversation with Mr. Sam Rosenman)

H.M.JR: Just let me tell you fellows, I am in the frame of mind I am not going to stand any nonsense from anybody.

MR. WHITE: Apparently.

MRS. KLOTZ: Sounds like that.

H.M.JR: Did it sound terrible?

MRS. KLOTZ: No, no.

MR. DUBOIS: Wonderful.

H.M.JR: I mean, for Sam Rosenman to call me up in all seriousness and suggest Jeffers - I mean, he can't tell me that he has given it as much thought.

I told him it is an idea as though you had an ambassadorship; you deposit ten thousand dollars and you make him an Ambassador. I said, "Look at all the money Baruch would give. You are not buying an ambassadorship to Turkey."

I said, "We don't need Baruch's money. We can get all the money we want." And they have been all over the lot. He wanted me to call the President. I didn't call the President. If the President wants to call me, he can.

- 2 -

MR. LUXFORD: I think the Secretary would be interested in the results we got yesterday.

H.M.JR: Just a minute--

MR. PAUL: May I interrupt you a moment? Do you think I ought to stay in on this conference? I probably ought to be up on the Conference Committee this morning. There are a couple of important items. It is ten o'clock.

H.M.JR: I have enough manpower. I will miss you.

MR. PAUL: I think it is probably better for me to go up this morning. Did you notice the victory we had yesterday?

H.M.JR: No, I didn't.

MR. PAUL: We knocked out the minimum tax and got through Senate the Victory Tax. ~~It~~ is quite a victory for simplification.

H.M.JR: The Victory Tax? --

MR. PAUL: The old Victory Tax a little bit improved - a straight three percent tax. And conferees took that over Stam's violent objection.

H.M.JR: Of whom?

MR. PAUL: Stam. It was a pretty bitter session.

H.M.JR: But it is on the plus side?

MR. PAUL: It is what we contended for. At least we have that much.

H.M.JR: Well, good luck. These boys can keep you posted.

(Mr. Paul left the conference.)

- 3 -

H.M.JR: Justice Frankfurter called me up at eight o'clock this morning. He wanted me to go and see the Chief Justice, that the Chief Justice would tell me how much interested he was, so I could repeat that.

I said, "Why should I go to see the Chief Justice?" "After all," I said, "it is enough that the President is interested."

He said, "Well, I will call him and tell him you are on the way."

I said, "No, you won't do anything of the kind."

Well, as a matter of fact, if the Chief Justice feels that way, why doesn't he make a speech about it?

So much for that. He is for you (Pehle), Frankfurter is. Did any of you boys talk to Frankfurter yesterday?

He said he had a pipeline right into the Treasury. I think it was Ben Cohen he talked to.

Now, from Oscar I got the information that Sam wants a big name - this was this morning - and so does Lubin. But Ben is with us. And also Frankfurter said that McCloy knows you (Pehle). Is that correct?

MR. PEHLE: Yes, not well. I have run into him on several things.

H.M.JR: And Feis, he said.

MR. PEHLE: Yes.

H.M.JR: I have him coming in at ten-thirty.

MR. WHITE: What is he doing?

H.M.JR: Writing a book. Mrs. Klotz, I want Pehle's history.

- 4 -

(Mrs. Klotz left the conference)

MR. WHITE: I don't think that Rosenman appreciates him. Probably the others don't appreciate the necessity for the thing you stressed there, the knowledge of machinery in the Executive Director. The thing can stand or fall by the Executive Director because the over-all committee can't pay that much attention.

H.M.JR: Sam Rosenman doing all this politics and everything, and he hasn't got anywhere. I tell them all - Bernie Baruch, what has he done? What has Sam Rosenman done?

MR. LUXFORD: Mr. Secretary, I wonder - could the J.D.C. for instance, be influential here? I am sure they would support Pehle.

(Mrs. Klotz re-entered the conference)

H.M.JR: Incidentally, if you don't mind my saying this, I have some little time and I have got so much ground to cover - but Ed Stettinius said, "If you would have a kind of heart-to-heart talk with Pasvolsky, that relations between State and Treasury would improve greatly." (To White)

MR. WHITE: There is no basis for that whatsoever.

H.M.JR: I am quoting.

MR. WHITE: There is nothing I would change in what I have done. I have informed Leo of what I have done, and our relationships, so far as I know, are just the best.

H.M.JR: I am just repeating.

MR. WHITE: And I am telling you the other side of the story.

- 5 -

H.M.JR: He said that Pasvolsky feels that you don't tell him everything.

MR. WHITE: That is not true. I don't tell him everything I know, any more than I tell anyone else everything I know.

H.M.JR: What can you do to butter him up a little bit?

MR. WHITE: Mr. Secretary, I refuse to accept any implication that I have in the slightest departed from my relationships with Pasvolsky. Pasvolsky and I are good friends outwardly, and he knows everything that he is supposed to know, and I inform him of every step.

H.M.JR: But what can you do so that Stettinius will feel that I had - I would like him to feel that when he asks me to do something, you see, that there was some results. Take Pasvolsky to lunch, or something like that?

MR. WHITE: I will think of something. I think that Stettinius has got misinformed, because Pasvolsky is in trouble with other people in his Department, and maybe he feels that he should be the representative of the State Department. Let him name him. But we don't deal with him, because--

H.M.JR: Harry, right now it is important for us to make Stettinius feel that we are - it is the only suggestion he has made. I am going to leave it to you to do something on that front. Will you, please? Do it in your own way.

Let me tell you a story so you will relax a little bit. Here was Herbert Gaston, as liberal a fellow as comes out of North Dakota, and before I could appoint him as Deputy Commissioner of Conservation, Governor Roosevelt says, "Will you go down and

- 6 -

shake hands with the head of Tammany Hall?"

Weil, if anything galled Herbert Gaston! I said, "Herbert, he isn't going to bite you or poison you. Do you mind shaking hands with him?"

MR. WHITE: The story is not quite in part, Mr. Secretary, because my relations with Leo are not because I dislike the man. My reaction is of a quite different order. I say there is no basis for any complaint. It is not that I dislike the man. I am merely indicating that Stettinius has been misinformed.

H.M.JR: I am not arguing with you. I take your word a hundred and one percent. Now, having accepted your word - I am sorry I have got to do it, I haven't got time - if you don't mind my talking in front of your friends, I am sorry, but I have had this on my mind for one week. Stettinius, I think, is behaving beautifully. Now, he asked me one thing, and he puts it on the ground - he says that if that was accomplished, he said the thing between State and Treasury would be all right. Now, it most likely is wholly unfair to you.

MR. WHITE: Not only unfair, but completely uncalled for on the part of Stettinius.

H.M.JR: Well, look, everything that I do all day long - I start out in the morning with a twenty-five pound handicap around my neck, and I go through the day just the same.

MR. WHITE: I am not hurt, because this thing has happened a number of times. It is not a question of being hurt. I merely want to make clear that I don't regard my relationships with Pasvolsky or the State Department as anything less than as good as it should be.

With that statement - I heard what you said, and I will do what I can.

- 7 -

H.M.JR: Look, Harry, the answer is, as years have gone by, for the benefit of the people, I have given you increasing responsibility vis-a-vis the State Department. So I am satisfied.

MR. WHITE: Mr. Secretary, unless I told you this, you would think there was something in it; I am telling you there isn't.

H.M.JR: God damn it, if I thought there was something, I would go around nursing it, but each week I give you additional foreign affairs responsibility. I sign blindly reports that you give me to go to forty-eight Secretaries of the Treasury.

Now are you satisfied?

MR. LUXFORD: I just wanted to say that in the meetings I have attended, relations were very cordial.

H.M.JR: I don't need anybody's assurances. It is just that I have been carrying the information one week. I don't need assurances from you or anybody, thank you just the same.

I won't put the loud-speaker on any more.

MRS. KLOTZ: We would rather have it on.

MR. PEHLE: Can we bring you up to date? There have been some very good developments.

H.M.JR: I haven't too much time. Go ahead.

MR. PEHLE: This is the cable that went out last night. (Hands the Secretary cable dated January 25, 1944, to American Embassy, London, attached)

H.M.JR: What is this?

MR. PEHLE: This is the cable we drafted and with minor changes went out last night. Mr. Stettinius was a big help in getting it out.

- 8 -

It goes so much further than revoking that instruction to not send information in. This Mr. Taft over there told the boys yesterday it was a cable unlike any cable that has ever been sent out of the State Department.

H.M.JR: Which Mr. Taft?

MR. PEHLE: Charlie Taft.

MR. DuBOIS: He said it was the strongest cable in the memory of the Department.

H.M.JR: No one suggested Charlie Taft for anything. What about Charlie Taft?

MR. PEHLE: I don't know too much about him. All I know about him is very good.

MR. DuBOIS: We are dealing with him.

H.M.JR: All I know about him is good. All I have heard about Charlie Taft is good, too.

MR. DuBOIS: In dealing with him yesterday on this, Mr. Secretary, he was pretty good. His main comment was, "You have got to be careful of conflicts between these various Jewish organizations." Otherwise, he was pretty receptive.

H.M.JR: I have taken an awful lot of time up on Finletter. I must say I have gotten very good reports.

MR. PEHLE: We got a good one from Hiss, too. Hiss said he didn't like the man, so he wasn't the best to report, but his report, considering all things, was good. Also, Finletter is sore at the State Department. He is about ready to leave and he is particularly sore at the Foreign Service crowd. There is some aspect in it - they may have nothing for him to do.

- 9 -

H.M.JR: He is on leave of absence right now.

MR. PEHLE: I didn't know that.

H.M.JR: I had to go to a lot of trouble. It is all good.

MR. WHITE: My judgment is quite otherwise.

MR. LUXFORD: I have had some reservations, too.

H.M.JR: Have you (White) personal contact with him?

MR. WHITE: Yes.

MR. PEHLE: On the Jewish thing Hiss said he was all right. He was good.

H.M.JR: Feis says he is all right.

MR. PEHLE: Feis brought him into State.

H.M.JR: You know he was a lawyer and Treasurer for the New York Evening Post.

Now, let me read this. (Refers to copy of attached cable, dated January 25, 1944, to American Embassy, London)

This is superb. I see you didn't send one to the Argentine.

MR. PEHLE: That goes to every diplomatic official all over the world. This message is repeated as an original message to Lisbon and those places.

MR. DuBOIS: And repeated to every other Mission throughout the world.

H.M.JR: It is superb.

MR. PEHLE: I think it effectively changes the whole Government policy.

- 10 -

MR. WHITE: This was drafted by the boys here.

MR. PEHLE: That is right.

H.M.JR: I know. Now let's move a little bit forward. I will take this with me. This is suggestions? (Refers to attached Suggestions)

MR. PEHLE: Yes, sir.

H.M.JR: John, would you mind doing this? When I go over, I would like to take you with me, but I am going to ask you to sit in the reception room.

MR. PEHLE: I want to be outside the room.

H.M.JR: Do you mind doing that?

MR. PEHLE: No, sir, not in the least.

H.M.JR: Well, if you don't, then you go over with me and I will ask you to sit in the reception room. I mean, we can't have you in there when we discuss you. If they should agree, I will say, "I want you to look at him; he is outside."

MR. PEHLE: Sure.

H.M.JR: (Reading long suggestion) Now, I take it that this is number one. Do you have a couple of copies I can take with me?

MR. PEHLE: Yes, we will have copies. Yes, sir.

H.M.JR: All right. Now, I asked you to put something first. I mean, this is the most likely?

MR. PEHLE: The order isn't the best. We can summarize each one.

H.M.JR: Give me the one which is the best.

- 11 -

MR. PEHLE: The best is probably the evacuation of Jews from Poland to Hungary, which is one of the ones there. In fact, we have already started on that.

H.M.JR: This is the best?

MR. PEHLE: Yes. It is a matter of opinion.

MR. DuBOIS: I think there are two, John.

H.M.JR: Which is the other one?

MR. DuBOIS: Relief to Jews of Roumania, Slovakia, Croatia Regions. Those two are typical. One is evacuation and the other is relief.

H.M.JR: What about the abandoned children of France?

MR. PEHLE: That is in there. It is a good one. It is technical.

H.M.JR: They are all technical.

MR. PEHLE: Well, it raises the flat issue as to what extent this Government is willing to take steps now to commit, possibly, the next Administration.

H.M.JR: But you men have studied this. You say Jews from Poland and Hungary is the best one?

MR. DuBOIS: My feeling is that the Jews from Poland and Hungry and Relief to Jews of Roumania, Slovakia. If they could get funds today, they could operate immediately.

MR. LUXFORD: All we have to do is supply the money.

H.M.JR: All right, now I have Evacuation of Jews from Poland to Hungary as number one, and Evacuation of Yugoslav Refugees on the Island of Rab.

- 12 -

MR. PERLE: No, it is a long one - Relief to Jews in Roumania, Slovakia, and so forth. Mr. DuBois can summarize that.

H.M.JR: We will arrange those I take over in the same order.

And for God's sake, smile, Harry.

MR. WHITE: Yes.

H.M.JR: All right, somebody talk. I haven't read about the evacuation of Jews from Poland and Hungary.

Have you (White) a meeting in your room?

MR. WHITE: No, I have no meeting.

H.M.JR: (Reading) "It is possible for agencies" - what agencies in Switzerland?

MR. DUBOIS: The J.D.C. and World Jewish Congress were specifically mentioned.

H.M.JR: One thing we have got to do is to get those fellows in a room and knock their heads together and say they have got to act as one. That we have just got to do.

MR. DUBOIS: That was the main thing about Taft.

H.M.JR: They have just got to do it, and I am willing to do it myself. I am willing to do it - just get these fellows in here. They have got to merge and there will have to be one spokesman.

MR. WHITE: I think you could do it; I don't think Taft could.

- 13 -

H.M.JR: No, no, I could do it. And the way to do it is the way I told you. Anybody who gets in my way now now - I am going to talk publicly to the press.

MR. LUXFORD: Wonderful.

H.M.JR: If those two organizations don't get together I will say that they don't get together. Until they do, we can't do anything. They should stop their crocodile tears. I am more interested in--

MR. LUXFORD: That was the line that Bergson, of the Committee to Save the Jews of Europe, was hitting at.

H.M.JR: They have a meeting up there.

MRS. KLOTZ: He is pretty guilty.

MR. LUXFORD: Of course, but he is spreading mud.

H.M.JR: Believe me they are going to get a little something from me - the little energy I have left. This one, the Jews from Poland to Hungary, that is fairly easy to understand?

MR. PEHLE: Already under way.

H.M.JR: If they raise the question of money, will the Jewish organizations supply the money?

MR. PEHLE: Yes, they will, at least the part to start it has already been supplied. It may need some augmentation. That depends on what kind of a fund - we have some ideas, but I don't think we should go into it here.

H.M.JR: But the money is there - the initial money?

MR. DuBOIS: Yes, but there is no reason why they can't decide at the meeting. If the funds aren't here they can augment them by the President's Emergency Fund.

H.M.JR: We will get by the fund. If the President doesn't, then it is the President's fault.

- 14 -

MRS. KLOTZ: You are good.

H.M.JR: I mean, whose ever fault it is going to be, it is going to fall on him. I will just say, "All right, Mr. Roosevelt, if you want it out, O.K. PM will carry it tomorrow."

MR. WHITE: It could be taken from the President's fund as an advance. They could reimburse it later.

H.M.JR: Oscar Cox says they can get it out of Land-Lease, and one thing and another.

MR. LUXFORD: I am sure the money can be obtained.

H.M.JR: This has suddenly become very important to a lot of people. I don't think anybody wants it on his conscience that he is the person--

MR. PEHLE: You ought to thank him for the boost on that cable, Mr. Secretary. He did a wonderful job on that.

H.M.JR: I will try now to see how I can get him into this meeting.

MR. WHITE: One of the important things in getting John as the Executive Director is the staff that he gets. That makes an entirely different setup. He has a lot of good men lined up, whereas a new man coming in will bring his crowd.

MR. LUXFORD: Mr. Secretary, he already has a staff of five top-notch men working on this full time.

MR. PEHLE: The difference between those two things, Mr. Secretary, is the first one, the Hungarian one, is a clandestine operation. The second one is through the International Red Cross. It is all open. In other words, there are certain things you can do through operations of getting some money in to these people who are hiding along the borders. The second thing is an open operation that the International Red Cross can do in the public gaze if you give them the money to do it.

- 15 -

H.M.JR: I wonder if that wouldn't be easier, I mean, say, the first one.

MR. PEHLE: It might be easier. The order isn't terribly important.

H.M.JR: It is important that you go over there, you know.

MR. PEHLE: Yes, they will feel better about the International Red Cross.

MR. DUBOIS: Except the evacuation is the more important, that idea of getting them out. That doesn't involve getting them out; that is the only thing.

MR. PEHLE: The Red Cross is feeding people who are in there, giving them clothing and medicine.

MR. DUBOIS: I don't think it makes a lot of difference.

MR. LUXFORD: In other words, the Red Cross may provoke the question, "What are you going to do? Is it for relief to Jews in Europe primarily, or for rescue?" If your first case could be a rescue case, it might be--

H.M.JR: You should give me a copy of the President's Executive Order.

MR. LUXFORD: It is right here.

(Mr. Luxford hands the Secretary a copy of the President's Executive Order.)

(Mrs. Klotz re-enters conference and hands the Secretary Mr. Pehle's personnel file.)

H.M.JR: What is Ph.B.?

MR. PEHLE: That is another form of A.B.

H.M.JR: M.A.?

MR. WHITE: That is the same as A.B. There is no difference.

- 16 -

H.M.JR: You weren't on the Yale Law Review?

MR. PEHLE: No, I was a Teaching Fellow after I graduated.

H.M.JR: But you came here directly from Yale?

MR. PEHLE: That is right.

H.M.JR: How does McCloy know you?

MR. PEHLE: He came in here on the sabotage cases and worked with us. He was a private counsel. We had a lot of dealings with him on that. Then he was in--

H.M.JR: The Black Tom case?

MR. PEHLE: Yes. And then when we went out to the West Coast, Luxford, and some other people and I, on the Japanese thing, McCloy was in the plane on that trip.

MR. LUXFORD: We went up in Patterson's plane and got acquainted.

H.M.JR: Give me a Manila folder, will you, please?

(Mr. Luxford handed the Secretary a folder.)

H.M.JR: Thank you.

Now, Mrs. Klotz, fix up for me about four sets like this (indicating).

MR. WHITE: Of all those names that have been mentioned, next to Pehle's, for some reason or other, if that is blocked there, the one I would mention would be Aubrey Williams. He would be tops.

H.M.JR: Well, I don't agree. How do you feel?

MR. PEHLE: All I have heard about him is good. I believe I would be in favor of Finletter above Williams.

- 17 -

MR. LUXFORD: I think Aubrey is a proven liberal. I am not sure of Finletter.

MR. DUBOIS: I have my reservations on Finletter, Mr. Secretary.

MR. WHITE: I wouldn't mention them both together.

MR. DUBoIS: That is the way I feel.

MR. WHITE: One of the reasons they want to push Finletter is because they haven't anything to do with it. He made a mess of Economic Warfare and they had to mooth him out of that. Now they have nothing to do with him.

H.M.JR: Whom did they say they suggested, Aubrey Williams and whom?

MR. LUXFORD: Jeffers.

MR. WHITE: Finletter. One of the reasons why the Economic Warfare was shifted to FEA has been Finletter; I would say he was largely responsible for that, most largely responsible for the failure of the State Department to hold on to Economic Warfare.

MR. LUXFORD: Harry, I would have to say that Dean Acheson was greatly responsible.

MR. PEHLE: Finletter was fall-guy.

MR. WHITE: Acheson was aggressive, and Finletter in his stirring up trouble--

H.M.JR: Let me just talk a minute. My trouble is-- you see, I started with Aubrey Williams-- just to go back a minute--when he was first put in NYA and we put Miss Switzer and Miss Roche in, he got the job and then he went off on a three-weeks holiday. The mess at the beginning of NYA was just unbelievable.

MRS. KLOTZ: Was it at that time that he was very sick?

- 18 -

H.M.JR: I don't know. I have always seen him with his tail between his legs kind of whining. I have never seen him aggressive.

MRS. KLOTZ: He is not aggressive; he is able.

MR. WHITE: He is able, and I don't know-- we have had a very large number of meetings at which there have been from twelve to eighteen present at the table, and he has been among the most aggressive of that group. Ben knows him very well, and Oscar knows him.

MRS. KLOTZ: He is not a well person.

MR. WHITE: He is not well?

MR. LUXFORD: I don't know, Harry, whether he knows anything about this racket, that is, dealing with the State Department. It is really a racket to deal with that outfit.

MR. WHITE: On the score of the State Department, I don't think he knows these matters, but I am not comparing him with John; I am saying as compared to the other names which have been mentioned, he would work with your boys a hundred percent. Again, I am saying, if it is a question that you can't get John in--but I think if you are as forceful at the meeting as you were then, I think you can put John over if you insist long enough. After all, they can't have anything against him.

MR. PEHLE: Oh, yes, they can have plenty against me. They know I am very difficult to deal with, Harry. I have the same reputation you have.

MR. WHITE: Yours is a little smoother.

MR. PEHLE: Oh, oh.

MR. WHITE: When you say you are difficult to deal with, it is another way of paying you a compliment. By saying that, I am paying myself one.

- 19 -

H.M.JR: You have a basic difference. He belongs to Morgenthau.

MR. WHITE: What is wrong with that that they can say on paper?

MRS. KLOTZ: You'd be surprised.

H.M.JR: The trouble is, you see, unfortunately I have had a terrible row with Stimson over who goes to London and insisting on a Treasury man. If I hadn't had that, you see--and Stimson has it in for me because I suggested Lauch Currie and went to the President. But if Jack McCloy dropped downstairs, I think that may help.

H.M.JR: When was this (referring to copy of Daily News)?

MR. WHITE: I have one good argument that time is so important, and it is only a matter of six months or a year at the most, and John is already in it, knows the techniques, knows all the channels, that it would be a waste of a substantial amount of time before anyone could get familiar with it.

H.M.JR: Just one second. The most important thing--again I have to do this in front of everybody, just the way I did Harry's. The question that hasn't been answered to me, and the one they are going to ask me is, "Well, what is Pehle's relationship with the Treasury going to be?"

MR. LUXFORD: Can I make another suggestion, Mr. Secretary?

H.M.JR: I have never been sold on Aubrey Williams.

MR. WHITE: But I think he is so far ahead of anybody who has ever been mentioned.

MRS. KLOTZ: He never came through on anything that you suggested.

H.M.JR: He has always been kind of a whiner.

- 20 -

MR. WHITE: Well, you might get others' judgment.

MR. LUXFORD: Can I make one suggestion? If you find that there is likely to be a deadlock on the appointment of Pehle as the Executive Director this morning, I would suggest that you say, "Well, let's name him as Acting Director."

H.M.JR: I have the idea.

MR. LUXFORD: We have these things going.

H.M.JR: I have that. I got it the last ten minutes, so I think very well of your idea.

MR. LUXFORD: Thank you. It isn't my idea.

H.M.JR: "Here he has all this stuff. Why not try him out?"

MR. LUXFORD: We have a sheaf of cases ready to go.

H.M.JR: Try him out. I thought of that.

MR. LUXFORD: He has a staff, the nucleus of a staff.

MR. WHITE: One of the advantages of Aubrey Williams is, he will hire whom you want him to hire, and your men can do the work just the same. That is a great advantage.

MR. LUXFORD: Over Finletter, that is a tremendous advantage.

MR. WHITE: The opposite is true of Finletter, in my judgment. You name somebody, and that is the one he won't get, unless he feels he has to play along.

MR. LUXFORD: Finletter is a strong man, and he is not going to take suggestions.

H.M.JR: Lehman doesn't like him. I don't know why.

MR. LUXFORD: Mr. Secretary, we worked daily on boards with Finletter. While I respect his ability tremendously, I still have doubts about who he works for.

- 21 -

MR. WHITE: And what his objectives are.

H.M.JR: Personally, my number two suggestion is Milo Perkins. But I don't think he will get across.

MR. LUXFORD: That would be a worse slap than your man, Mr. Secretary.

MR. WHITE: I think they would object to Aubrey Williams, too.

Milo Perkins might be available.

MR. PEHLE: State would never take him.

MR. WHITE: I guess you are right.

MR. DUBOIS: One other suggestion, if I may--this may not be possible, but if it looks as though you might lose Pehle, if there is any possibility of getting him in to talk about these programs before the decision is made, it might be very impressive, because John is very familiar with the whole situation. It will make it look as though he knows the thing from A to Z.

MR. LUXFORD: Mr. Secretary, if they want a name man and it is only that criticism, keep in mind Randolph Paul, too.

H.M.JR: What do you mean?

MR. LUXFORD: Randolph Paul has a name.

H.M.JR: Randolph Paul can't even sit here at this meeting.

MR. LUXFORD: He wouldn't have to. After all, he would be operating again.

MR. PEHLE: That thing is almost over.

MR. WHITE: Well, he couldn't take that without leave of absence, either.

- 22 -

MR. LUXFORD: Oh, yes, he could. You don't get a name man and--

MR. WHITE: If a man doesn't take a leave of absence, they can have this criticism, that what you are doing is getting a Treasury man. They could have that objection.

H.M.JR: You can as easily get Pehle as you can get Paul.

MR. LUXFORD: I think so myself, unless they start shooting on the name.

H.M.JR: The trouble is, you don't know who has been talking to Hull. You don't know.

(All present temporarily left the conference while the Secretary held a brief conversation with Mr. Feis.)

H.M.JR: I am glad I sent for Herbert Feis. He is for John Pehle unequivocally. He says Finletter would not be aggressive; he has too many nice friends and he still has the berth at Coudert Brothers that he hopes to go back to. He can't recommend him. He thinks the combination of Pehle for Executive Director and Finletter as Assistant to Stettinius on this thing would be perfect, because he says Finletter stands very well with Hull. He says that would be a perfect combination, but he is for you (Pehle). He thinks Taft would be much better than Finletter, but he says he is kind of the salesman type. But, he would rather have him. I am not going to commit myself on Taft without doing some checking, but I am glad I sent for him.

He says he is just not aggressive enough, and he also has very strong ideas of his own. He couldn't have been more frank, and we ought to protect what he says.

So if you will get your hat and coat now, boy. It really gets down to Pehle or Pehle.

MR. WHITE: Or who?

- 23 -

H.M.JR: Pehle. These boys are so suspicious of me.

MR. LUXFORD: Well, let's hope you bring home the bacon now.

H.M.JR: If I do, it will be kosher. (Laughter)

Red Cross has the names and internment places of the Jews in Croatia who it is stated are in great need of help.

(d) Theresienstadt. It is indicated that the Red Cross is now in a position to make shipments of food, tonics and medicines, including individual food parcels, to the Jews in Theresienstadt whose names are known, provided that funds can be put at their disposal for this purpose.

It will be noted that all of the above mentioned projects can go forward immediately if sufficient funds are made available to the International Committee of the Red Cross. It is recommended, therefore, that the Board take the necessary steps at once, including the obtaining of necessary licenses, so that \$2,000,000 will be made immediately available to the Committee to pay for the expenses of providing relief to the Jews in Rumania, Slovakia, Croatia and Theresienstadt, as well as relief to Jews and other persecuted peoples in any other areas in which the Red Cross may be able to bring relief.

Some of the funds required will come from private sources. If it is necessary to augment these private funds, funds will be obtained from the President's Emergency Fund for this purpose.

JEDuBois:scr  
1/24/44

COPY

INTERNATIONAL COMMITTEE OF THE RED CROSS

Geneva,

Central Agency No 571  
for Prisoners of  
War

October 12, 1943

Note to the Delegation of  
the International Committee  
of the Red Cross in Washington

G. 8/Pe. 359/2  
G.59/5 JES/ML

Re: your cable No. 510 of September 28, 1943 concerning the  
Jewish problems.

We are glad to give you hereafter a new survey of this  
question and answer you by letter to your above mentioned  
cable because of the complexity of these problems.

R O U M A N I A

The Relief action on behalf of the Jewish deportees in Transnistria (Ukraine) seems to begin under favorable auspices and we hope to be able to have food distributed to these deportees with money raised in Switzerland and with the assistance of the Roumanian authorities and Red Cross. Unfortunately, we do not receive any funds from overseas, not more for this action than for similar others, so that this assistance must remain very limited and depends on contributions which we have to collect on the spot.

Our delegation in Bucarest has obtained from the Roumanian government an authorization to visit the places where these deportees are living and to supervise the distribution. We also receive lists of names of these deportees. We are therefore entitled to hope that the continued efforts of the International Committee of the Red Cross on behalf of Jewish deportees, will have some tangible result, at least in the case of Transnistria.

We can add that a first report of our delegate has just announced a certain number of improvements obtained because of our intervention. For instance, Jewish children have been gathered at Odessa, in view of their emigration to Palestine. All facilities of travel and supervision in Transnistria have been granted to our delegation during a conference with the President of the Council of Ministers, who showed his sympathy towards the initiative taken by the International Committee of the Red Cross in the question of assistance to the Jews and promised his entire support.

#### EMIGRATION

This problem has reached a deadlock at this time. As Bulgaria has declared not to be in a position to authorize the passage of Jews, the emigration by railroad has become impossible.

Although the International Committee of the Red Cross did not want to assume itself the charge of organization of transports by sea, it has nevertheless promised to support the efforts displayed in Rumania, especially by the Red Cross, in order to find ways and means of securing exit permits for Jews admitted to immigrate to Palestine. Unfortunately, these plans have not had any success until now, and we have only very little hope to succeed. The reasons are in the first place, the lack of appropriate ships and also, as we believe, lack of funds. Moreover, the situation in the Black Sea does not seem to allow at present, travel by sea, and we ask ourselves even whether, under these circumstances, the necessary safe-conducts could be secured from the belligerents for these ships. But this problem has also a financial aspect. The present regulations concerning the transfer of funds from overseas, do not allow the persons desirous to emigrate, to count on outside financial support. It is therefore up to the Rumanians to secure themselves the necessary funds. This financial question is in direct relation with the possibility of finding appropriate ships for the transport of these persons. The ships which were considered, so far, do not meet the conditions governing the grant of the insignia of the International Committee of the Red Cross, and of its protection; besides these ships will not be authorized

to leave the Rumanian ports. We follow, however, this question very closely and we shall not fail to intervene in case the least change should occur which would let foresee a possible favorable solution of this matter.

SLOVAKIA

The situation is unchanged, and we have no further knowledge of deportations. The only help which was urgently requested, concerned pharmaceutical products, and we communicated the list of these products to the interested Jewish organizations in Switzerland. As these organizations could not supply us with funds, we have not been able to secure the desired medicines, although we could have bought them in Switzerland.

CROATIA

The Jews whose names and internment place in that country we know, seem indeed to be in great need of help, a Jewish organization in Switzerland makes efforts to assist them but the clothes which are especially lacking, are absolutely unfindable, and all exportation from Switzerland, even of used clothing, is prohibited. (Money can buy food in sufficient quantity in that country.) The hostilities going on at present in Croatia do not allow a clear picture of the situation and of the perspectives concerning the Jews. We do not receive any information on the entire southern part of the country.

With our note No. 528 of September 16, we sent you copies of certain letters concerning the activity of the "Juedische Unterstuetzungsstelle fuer das Generalgouvernement". Unfortunately, shipments ready to be sent, had to be held back and we do not think to be able, until further notice, to send shipments to Cracow. The letters we sent you have, therefore, only a documentary interest. There are constant variations in this question, and what is allowed and can be realized one day, might be suspended the following day. We are, therefore, not in a position to give assurance for the future.

We received the following cable from the World Jewish Congress: "submitting you through your Washington office list Jewish internees in Theresienstadt with the request to transmit parcels with food to them stop kindly inform us your decision." (WJC Arich Tartakower)

May we ask you to answer the World Jewish Congress along the following lines:

We have delayed our answer to this cable, dated September 7, for technical reasons. The International Committee of the Red Cross has not concerned itself so far, with the dispatch of individual parcels to persons other than prisoner of war or civilian internees. In Germany and in the occupied countries, the Jews are not considered as civilian internees, neither in the ghettos nor in the concentration or labor camps. The shipments of food, tonics and medicines made by the "Commission Mixte" to the Jews in Theresienstadt, for instance, have always been collective shipments. The creation within the Committee of a new service concerning itself with individual food parcels has become necessary, and we have, therefore, waited for the solution of this problem before answering the cable of the WJC. This question is now solved, and we will be in a position, in the future, to dispatch individual parcels among others also to the Jews in Theresienstadt whose names we know, provided of course that funds be put at our disposal to this effect. We would consequently be grateful if this last point which was not dealt with in the above mentioned cable of Mr. Tartakower, could be settled, as soon as possible, if it is desired that the International Committee of the Red Cross be able to act.

For the International Committee of the  
Red Cross

(signed) Schwabenberg

Division of Prisoners, Internes and  
Civilians.

VACUATION OF JEWS FROM POLAND TO HUNGARY

It has been reported that:

(1) The Hungarian Government is prepared to facilitate the escape of Jews from Poland into Hungary. There is a tacit understanding between Hungary and the Polish Government in exile (with which Hungary is not at war) that Hungary will receive these refugees. Three thousand Jews have recently escaped to Hungary from Poland.

(2) There is a committee of Poles operating in Hungary with the cooperation of certain Hungarian officials on the job of smuggling Jews across the border. There are close to one million Jews in Hungary today. This large Jewish community will cooperate in this endeavor by absorbing the refugees into the community, finding them jobs, etc.

(3) There are a large number of Jews in hiding in the forests and mountains in that part of Poland bordering on Slovakia and Hungary. Although the number is not known, some indication of its magnitude may be gathered from the fact that three thousand young Jews in that area have been organized into commando groups to save the lives of those in hiding on the border.

(4) It is possible for agencies in Switzerland to communicate with and send funds to persons in Hungary who are active in this endeavor (people are continually travelling back and forth between Switzerland and Hungary).

(5) In order to expand these activities, it is necessary to organize the present movement in Hungary and supply the organization with adequate funds.

(6) If these activities can be thus supported at once the lives of thousands of Jews may be saved.

- 2 -

It is recommended that the Board take the following steps at once:

(1) Make use of the communication facilities of this Government to the end that the necessary contacts may be made through Switzerland with persons in Hungary.

(2) Take the necessary steps, including the obtaining of necessary licenses, so that two million dollars will be made immediately available to appropriate persons in Switzerland, to pay for the expenses of evacuation and the temporary care of the evacuees in Hungary.

Some of the funds required can be obtained from private sources. If it is necessary to augment these private funds, funds will be obtained from the President's Emergency Fund for this purpose.

EVACUATION OF JEWS FROM TRANSNISTRIA TO RUMANIA

It is reported that:

1. 130,000 persons (mainly Jewish non-Rumanian nationals) were moved in the fall of 1941 from Rumania to a large concentration camp in Transnistria - located in the southwestern part of Russia across the Dniester River.
2. About 60,000 of these persons have already died - approximately 70,000 remain.
3. Transnistria is in the path of the retreating Germans and the refugees located there face extermination when the German army arrives.
4. It may be possible for private agencies in Switzerland to communicate with and send funds to persons in Rumania who can arrange for the evacuation of these refugees from Transnistria into Rumania and sustaining the lives of these people.
5. In order to accomplish this evacuation, it is necessary to (a) organize the activities of the friendly persons in Rumania and (b) supply such persons with adequate funds.

It is recommended that the Board take the following steps at once:

- (a) Make use of the communication facilities of this Government in order that the necessary contacts may be made through Switzerland with persons in Rumania.
- (b) Take the necessary steps, including the obtaining of necessary licenses, so the needed dollars in government or private funds will be immediately available to appropriate persons in Switzerland to pay for the expenses of evacuation and of sustaining the lives of the refugees in Transnistria and when and if moved to Rumania.
- (c) Once the immediate danger which these people face in Transnistria is met by their removal to Rumania, active steps should be taken to insure their safety in Rumania or their removal to some place of safety such as Turkey.

15

Evacuation of abandoned Children from  
France to Switzerland.

It has been reported that:

(1) There are thousands of Jewish children in France who were abandoned by their parents when the deportation of non-French Jews from France was ordered. Some of these children are being surreptitiously cared for by French families, some are receiving some organizational care and still others are foraging for themselves.

(2) These children are now being relentlessly sought by the Gestapo and face deportation and death unless they can be evacuated to Switzerland immediately.

(3) A number of such children have reached Switzerland, but the Swiss government wants adequate assurances that such children, whether now in Switzerland or hereafter admitted, will be evacuated after the war, before it will agree to admit any additional children.

It is recommended that the Board take the following action at once:

(1) Request the Secretary of State to issue special instructions to the Mission at Bern to issue, without regard to the availability of means of transportation to the United States, up to five thousand immigration visas to refugee children, of any nationality or stateless, now in Switzerland, or who shall arrive in Switzerland within three months. The Mission should be further instructed to issue at appropriate times new visas to replace those that expire, so that the children to whom visas are issued will at all times to six months after the war is terminated hold unexpired visas.

(2) The Secretary of State should further be requested to instruct the Mission to advise the Swiss government of his instructions and to express the earnest hope of this

Government that, in the light thereof, the Swiss government will find it possible to relax its border controls and to take such other action as will further and facilitate the entry of refugee children into Switzerland.

Funds to support this operation, as well as the appropriate guarantees for the support of the children (both in Switzerland and the United States), are available from private organizations. Consequently, it will not be necessary for the Board to allocate any funds for this project at this time.

EVACUATION OF YUGOSLAV REFUGEES ON THE ISLAND OF RAB  
TO ALLIED ITALY

171

It is reported that:

1. About 1,500 to 3,000 Jewish refugees and Yugoslavs recently in internment camps in Yugoslavia are on the Adriatic Island of Rab which is off the city of Trieste. The position of these people is most precarious since the island has changed hands several times and was last reported in control of the Germans.
2. It is believed possible that the refugees might be able to hire Italian boats to bring them to safety if they had the necessary funds and the cooperation of persons in Allied Italy.
3. Several thousand Yugoslav Jewish refugees have already escaped to Southern Italy and will cooperate in any endeavors made to save the refugees on Rab and in absorbing the refugees into the Jewish community in Southern Italy.

It is recommended that the Board take the following steps at once:

- (a) Make use of the communication facilities of this Government in order to establish the necessary contacts with persons in Allied Italy who are able to communicate with and send funds to the refugees on Rab.
- (b) Take the necessary steps, including the obtaining of necessary licenses, so that government or private funds will be immediately available to appropriate people in Allied Italy to pay for the expenses of evacuation and the care of the refugees when and if they are brought to Italy.
- (c) Obtain the cooperation of the Allied Military authorities in receiving and caring for these refugees in Italy.

EVACUATION AND RELIEF OF REFUGEES THROUGH TURKEY.

Turkey apparently offers an opportunity for concrete action designed to rescue Jews from the occupied areas and to give relief to those who possibly cannot be evacuated.

1. It is understood that at present Turkey is permitting the entry of a very limited number of refugees from Bulgaria. The important fact is that the door is now open, however small the crack, and an effort should be made to take full advantage of the situation for the evacuation of refugees from Rumania through Bulgaria to Turkey. This must be done as quickly as possible since, as the President has indicated, this road will be completely blocked in the event that Turkey enters the war.
2. Turkey is the nearest place of safety to which it is practicable to effect an evacuation of refugees from Transnistria and other areas adjacent to the Black Sea.
3. Turkey is possibly a base for obtaining some food and other relief supplies to be distributed to refugees in occupied areas.

Action designed to accomplish the foregoing objectives would include efforts to get the Turkish Government:

- (a) To extend as widely as possible the new limited facilities for entry from Bulgaria.
- (b) To cooperate fully in the execution of a plan for an evacuation from Transnistria.
- (c) To assist in the establishment of at least temporary camps in Turkey for the care of evacuees.
- (d) To aid efforts to procure food and other supplies for relief of refugees in occupied areas.

-2-

Mr. Ira Hirschmann, a vice-president of Bloomingdale Brothers and Company, Inc., and a member of the Board of Higher Education of the City of New York, is presently on his way to Turkey. He is going, apparently not as a representative of any private organization, but as a private citizen deeply concerned with the problem who feels that something can be done now to deal with it. In view of Mr. Hirschmann's experience and his apparent zeal it may well be that he can be of great help to the War Refugee Board in this situation. It may be noted that, according to Hirschmann, he is going to Turkey with the approval if not at the invitation of Ambassador Steinhardt.

*164  
12/14 -*

RESTRICTED

Department

AMERICAN EMBASSY,

LONDON.

The President has instructed the Secretaries of State, Treasury and War to take action for the immediate rescue and relief of the Jews of Europe and other victims of enemy persecution. In an executive order issued today the President declared QUOTE 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 UNQUOTE. The order establishes special governmental machinery for executing this policy. It creates a War Refugee Board consisting of the Secretaries of State, Treasury and War. 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 execution of this policy, the Board would cooperate with the Intergovernmental

- 2 -

Committee, UNRRA, and other interested international organizations. The President stated that he expected the cooperation of all members of the United Nations and other 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.

You should do everything possible to effectuate this policy of this Government, bearing in mind that time is of the essence. You should cooperate closely with all public and established private agencies who are active in your area in this field, aiding them in the development of coordinated programs and in the effectuation of integrated measures for the rescue, transportation, maintenance and relief of victims of enemy oppression, etc.

The communication facilities should be made freely available to these private agencies for all appropriate messages for carrying out the policy of this Government herein stated, keeping the War Refugee Board advised through the Department. You should give them every assistance in obtaining and verifying information.

- 3 -

You are requested to render an immediate report concerning the actual situation as it exists today in the country to which you are accredited. This report should include a full statement as to what is being done to rescue the Jews and other persecuted minorities from Hitler, including particularly (a) the extent to which these war refugees are permitted to enter the country to which you are accredited (b) the extent to which such country actually encourages and cooperates in their entry and (c) the extent to which such refugees are not able to enter such country because of the failure of such country to cooperate in their entry. This report should cover actual cases which have come to your attention involving refugees being turned back at the border and the reasons why such refugees were turned back. You should also report periodically on cases of this character which come to your attention in the future.

You should include in your report your recommendations as to what you feel this Government can do to effectuate with all possible speed the rescue and relief of the victims of enemy oppression, including particularly what can be done to make the government of the country to which you are accredited cooperate more fully in carrying out this policy. Your report should cover any special obstacles which you feel are interfering

- 4 -

with the rescue and relief of these victims and your recommendations as to what can be done to remove these obstacles.

You are requested to approach the Government to which you are accredited, explain the policy expressed in the President's Executive Order referred to above, and ascertain from such Government the extent to which it is prepared to cooperate.

Diplomatic and consular officers are instructed to do everything possible to carry out the policy expressed in the President's Executive Order. This cablegram has been transmitted by telegram or airgram to all diplomatic and consular offices.

Repeat to consular offices under your jurisdiction.

CODE ROOM - Repeat to Missions at Lisbon, Madrid,  
Stockholm, Bern and Ankara.

840.48 Refugees.

VD:HET:RS 1/25/44

January 26, 1944  
12:00 m

### JEWISH EVACUATION

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

H.M.JR: Well, this is the way it happened: It is not too bad. Hull had an agenda, which Stettinius told me afterwards was prepared by Breckinridge Long. We are getting a copy of it. You (Mrs. Klotz) might follow through on that. The most important thing in it was that State Department wants the thing wholly outside of the State Department.

MR. LUXFORD: Good.

H.M.JR: Whoever is the Executive Director should have access to all their files and to the heads of the various bureaus. It goes the whole way. Also, the indication is that it should go through special people who should be appointed, so it is carried out in consultation with the State Department. I thought it was a good memorandum. I couldn't see anything the matter with it.

Hull made this speech about not having any candidate.

I saw Stimson outside for a few minutes. He didn't know what the thing was about, but Jack McCloy did go down and see him today, and he put in a good word for Pehle. I introduced Pehle to Stimson. Stimson kept saying he didn't know what it was about, so I read him the first case. I gave them each a copy of that, and I also gave Stettinius a copy.

- 2 -

Hull said that Stettinius would be his alternate, and I said that Gaston would be mine. Stimson said that either Bundy or McCloy would be his. Stettinius said that Bundy is very good. I don't know. Do you know him?

MR. PEHLE: I have run into him at a meeting or two. As far as I could tell he is all right. I can't tell about this situation.

R.M.JR: I told them, "I have a candidate, and it is Pehle. He knows this work."

They asked questions about you, Foreign Funds. I explained that.

Hull said in his first speech that he thought this organization would be the catch-all for all international organizations, including the one in London, and, therefore, it had to be a very important person.

So I said, "Well, I have had my experience with big names."

He said, "No, this doesn't call for a big name person, but he has to be very important."

So, subsequently, Stimson said, "Well, somebody like Herbert Hoover when he was young."

Well, I made this very strong plea for Pehle. I said that he had the ability, the experience, and the heart; and I said, "After all, I, of all people, would not be selfish. It isn't that I want Pehle and nobody else, but I have the greatest interest in these things else, because all of these people are Jews." So I said, "I have the greatest interest in this thing. And when I recommend somebody, it is wholly unselfish on my part."

Stimson said, "Well, you don't have to say that. We understand that." He was very nice all through that. When I was with him alone, I said, "Now, I have gone

- 3 -

much further than just Foreign Funds in this matter because of my interest."

He said, "Well, I understand."

So Hull, at the end, said, "Well, as far as I am concerned"--sometimes he is very hard to understand. I gathered he said this thing originated over at the White House. But at the end I couldn't understand whether he said the White House or the Treasury. "But," he said, "I am willing to leave it to you and the President." His sentences weren't as clean-cut as that. He said, "I will leave it to you, and you fix it up."

Stimson said, "That is all right with me. When you are ready for another meeting, you let us know."

MR. PEHLE: You?

H.M.JR: I am to let them know.

I read them that first case of the evacuation of Jews from Poland to Hungary.

Stimson said, "Well, now, I understand what it is all about. Is the Red Cross willing to do a thing like that?"

I said, "I think so."

Then he said, "I am a little worried that a man--" he didn't put it just like this--"in his anxiety to do something would get us involved," and so forth, and so on.

I said, "Well, if you decide to have Pehle, I can promise you that as a balance wheel he will check everything with Stettinius, so that you need not worry. He will check everything with Stettinius."

Then Stimson said, "Well, I think very highly of Stettinius. That is all right with me."

- 4 -

I said, "while you are waiting, if you don't have anybody, let's get started. We can start tomorrow. Pehle has half a dozen people; he can start right away. Make him Acting Director. Let's get started." They both said, "We will have to go to Congress to get the funds." I wasn't going to argue with them on that. I don't know whether we do or don't.

Hull said, "One thing I want is, I want this out of the State Department. I want it outside."

MRS. KLOTZ: Why?

H.M.JR: That is very obvious.

MR. PEHLE: Mr. Long is advising him on that.

H.M.JR: The inference was that--he didn't say it in so many words--this was a hot potato, and "Let's have it outside."

So I said, "Well, we have got the people and we can get started on the thing." I congratulated Hull on this magnificent cable he sent out yesterday. Quick as a flash he said, "What you mean is you are congratulating yourself." Stimson says that is better than throwing brickbats at each other, anyway.

When I went in to see Stettinius, he said he didn't think Hull had even read the thing. He did this (gesticulates), showing how strong he is. He said, "I have had quite a time getting it out." But the impression I got as I was talking about it was, Hull was prepared on this thing; he had made up his mind. He was ready to cooperate, but he didn't want to take the leadership. If he could get it out of the State Department, fine.

"Now," I said, "have you had any suggestions?" he said, "No."

I said, "Have you heard from the President?" He said, "No."

Stettinius says there is a memorandum on his desk from the President suggesting Aubrey Williams or Finletter.

- 5 -

MR. PEHLE: That is the one Rosenman told you about.

H.M.JR: Sure, it was on his desk, and I asked him about it. He practically didn't tell the truth.

MRS. KLOTZ: Who?

H.M.JR: Hull. I asked him if he had heard from the President.

MR. PEHLE: He meant he didn't have any candidate. Those aren't his candidates.

H.M.JR: Well, O.K.

I said, "Now Rosenman made a couple of suggestions. He suggested Jeffers."

"Well," Stimson said, "I know him. I think that is terrible."

I said, "Well, Rosenman had another suggestion, Alfred E. Smith." Well, they pooh-poohed that. Then I said to Hull, "I would like to see Stettinius." I went in to see him. I told Stettinius. He said, "How am I going to get in the picture?"

I said, "Well, you are the alternate." That was the first he knew about it. I said that I told Mr. Hull,

He said, "Did you tell him you were coming in here?"

I said, "Yes, I told him." So I told him.

He said, "Let's get started."

I said, "Well, that is what I want." I tried to get the President from his desk, which was unsuccessful. The President was on his way downstairs. They said he would be down in ten minutes.

- 6 -

So I said, "Who are you going to have as your assistant--Finletter?"

"No," he said, "he is a red flag. Not that he deserves it, but he did wrong with too many people around here."

I said, "How about Hiss?"

He said, "Now, that's an idea, but he is the Executive Secretary, Assistant to Acheson. But," he said, "he could advise both of us on this thing. That is an idea. That is the best suggestion. He could work with Acheson and me on this thing. That is wonderful. How much of his time would it take?"

I said, "About a quarter."

He said, "That is wonderful. I will go right to work on that." He said, "He could do it for both Acheson and me."

MR. WHITE: He would be very good. He is the best selection in the State Department.

MR. LUXFORD: Let her go.

H.M.JR: I thought Finletter was his man, but he isn't, evidently.

MRS. KLOTZ: He is in wrong with a lot of people. There is always a reason for those things.

H.M.JR: If we had Hiss over there, and Stettinius, we would be pretty well set.

MR. WHITE: It depends on the people he is in wrong with.

H.M.JR: So right now it is in my lap. So far, so good.

- 7 -

MR. LUXFORD: Did they agree to John being Acting Director?

H.M.JR: Anything the President and I decide would be all right.

MR. LUXFORD: That sounds very good.

H.M.JR: Yes, but I don't know what dirty work has been going on up at Hyde Park--I mean, what they have been doing to him.

MR. WHITE: I don't imagine the President is any too concerned with whom you pick out.

MR. PEHLE: Ha ha.

H.M.JR: Stettinius said to Rosenman--first I got it from Rosenman that the President didn't want a Treasury man. Then when I talked to him a day or two later, Rosenman said, "No, the President didn't say that to me, but Stettinius." Stettinius said that to Rosenman, that he didn't want a Treasury man.

Stettinius said, "What would he do?"

I said, "He would technically be on leave of absence but he would devote all his time to this thing." That is a good way to describe it.

MRS. KLOTZ: Do you think this is all cooked up like that?

MR. PEHLE: If the President is going to object, the person to find that out from is the President.

H.M.JR: Now is the time to call the President.

MR. WHITE: I think one of the most difficult things would be to suggest the person who would meet the requirements. It would be easy to say. Like Rosenman, he would prefer somebody with a big name who has all these qualities. But name them! When it comes to naming someone in a hurry, I think they will have difficulty.

- 8 -

MR. LUXFORD: The fact that the President has a half dozen projects on his desk right now that are held up because no one has been named is a strong argument.

H.M.JR: Stimson or somebody said, "If you get an important person, maybe Pehle could do the work."

MR. PEHLE: It makes it much harder.

H.M.JR: When Hull talked to the President, the Secretary outside takes it all down, not in shorthand, but listens in on the phone.

MRS. KLOTZ: I can answer that one, but I won't.

H.M.JR: Why? Well, at least we haven't lost the battle.

MRS. KLOTZ: I know. I think it looks very good.

MR. LUXFORD: We have made tremendous progress in getting those two out.

H.M.JR: I don't know what seeds of poison have been sowed up at Hyde Park.

(Secretary speaking on White House phone to Miss Hachmeister.)

Hello.....

How are we coming?.....

Not down yet?....

One shoe on and one shoe off?....

Am I number one on the list?.....

I am the only one?....

Well then, the chances are I will get there.....

- 9 -

Now don't let him go out to see the birds and the plants and the fish.....

All right.....

Thank you.....

H.M.JR: Stettinius said he got him in the bathtub the other day.

Well, I think that I will let you know. So far, so good. I will just sit here and wait. That is all.

MR. WHITE: What's this matter about money? Can't they begin to operate unless there is money available?

MR. PEHLE: We will get money from the President's fund, the private organizations have funds. You will start to operate right away. The last thing I think you want to do is go to Congress.

MR. LUXFORD: What happened to that memorandum from the Director of the Budget to make a million dollars available?

MR. PEHLE: We can get that from Rosenman.

MR. LUXFORD: There is money to start?

MR. PEHLE: That is our operating money.

MR. WHITE: Whose function is that, to get the money?

MR. PEHLE: The President has already approved, I think, a memorandum to Smith which said, "I have decided to allocate a million dollars for initiating administrative expenses."

MR. DUBOIS: And further funds--

MR. LUXFORD: It said, "Any further funds on the certification of the Board--"

- 10 -

MR. PEHLE: That was given to Rosenman, and we never have found out exactly whether the President signed it. I think he did.

MR. LUXFORD: It is very important to know that.

MR. WHITE: Otherwise you can't begin undertaking any obligations.

MR. PEHLE: If he didn't sign it, we will go back and get authority. We may have to go to the Board first.

MR. LUXFORD: One million for operating expenses plus such further sums as the board might certify to the Director of the Budget as are needed.

H.M.JR: All right.

Attached is the agenda prepared within  
the State Department and used by Mr. Hull  
at the first meeting of the War Refugee  
Board.

1/26/44

DEPARTMENT OF STATE

**THE SECRETARY**

January 26, 1944

MEMORANDUM FOR SECRETARY MORGENTHAU

There is attached hereto a copy of the document which was promised at your meeting with Secretary Hull this morning.

C.W.G.

*Pebble 77*

CONFIDENTIAL

180

1. Announce that general instructions have gone to our representatives abroad advising them of the President's action and directing pertinent action in their respective fields.
2. Move for the immediate appointment of an Executive Director charged with the responsibility of formulating specific proposals and directing action for the rescue and preservation of refugees to be submitted for the consideration of the Board.
3. State that full cooperation with the Executive Director will be given by all officers of the Department of State. The Executive Director shall obtain such information or assistance as he may require from the Chiefs of Divisions of the Department. The files on refugee matters in the custody of the Visa Division will be available for consultation by the Executive Director and will provide full information of the past and present activities here and situations abroad.
4. Notify the Board that the following Departmental Order is being issued:

"The Executive Director and his officers shall have the right of direct access to the Chiefs of the appropriate Divisions of the Department of State in order to obtain such information or assistance as he may require in formulating his plans."
5. The Department will act as transmitting agent for the Board in correspondence with the Intergovernmental Committee and American Missions abroad.
6. Questions relating to the assignment of special attaches to American Missions will be considered at once by the Department and will consider recommendations from the Board.
7. Announce that you have designated Mr. Stettinius as your alternate on the Board.
8. Suggest the Board approach the Congress for adequate appropriations for the administrative expenses and for its operating costs unless there are funds available in either War or Treasury Departments.

January 26, 1944  
10:24 p.m.

HMJr: I'm waiting for a call to come through from the President so do you mind if we do business on the phone?

Dan Bell: No. You mean the things that I want to talk to you about?

HMJr: Yeah. Pending his calling me, you see.

B: Well, I think that it had better wait until I have a little more time. It's about raising the discount rates of the Federal Intermediate Credit Banks and I want to tell you the story a little.

HMJr: Oh. Well, is it....

B: I wanted to get you before Black left town. He's leaving town this evening to go back to Kansas City.

HMJr: Well, listen, you -- you use your own judgment and I'm not going to get in on it. You just decide it as though you were Acting Secretary.

B: There's a little difference in opinion in the shop and I....

HMJr: Well, you decide it.

B: Okay.

HMJr: You're Acting Secretary and you decide it.

B: It's -- if it has any -- it doesn't seem to me it will have any effect but the Haas boys think that it will have some effect and it's so small -- it's only \$300 million outstanding.

HMJr: Well, you're Acting Secretary.

B: Okay.

HMJr: Now, how did your refunding go on that thirteen months....

B: Well, we had up to last night, of course it doesn't close until tonight, but we had up to last night a billion three hundred million, I think it was.

- 2 -

HMJr: Well, that's good isn't it?

B: Yes. Very good.

HMJr: How was it received?

B: Very well.

HMJr: Good.

B: But -- without much comment at all on it, so that there's no harm done at all. As a matter of fact, I think it's going very well. We'll get probably 97% or 98% of them.

HMJr: Good. Now, are there any statistics on War Bonds?

B: Yep. I've got the chart you wanted.

HMJr: Uh huh.

B: It's on my desk here any time you want it.

HMJr: Could you send them in to me?

B: Yep. There's one of them that shows the commercial -- the marketable stuff....

HMJr: Yeah.

B: ....it's rough and they'll have a new one sometime this afternoon.

HMJr: I'll send Miss....

B: If you'll just kind of look at that one without too much criticism.

HMJr: I'll send Miss McCathran in to get it.

B: Okay.

January 26, 1944  
4:15 p.m.

### JEWISH EVACUATION

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

MRS. KLOTZ: Mr. Paul is still on the Hill.

H.M.JR: I talked to the President of the United States. You people have to keep this awfully quiet. I tell you why - you can't talk to anybody outside the Treasury - God, this town is just a tunnel of gossip on this thing.

Well, I told about the meeting, and I told him about you (Pehle). He said, "You can't have your cake and eat it, too."

I said, "Mr. President, I don't know what you are talking about. I don't understand."

He said, "You can't have a man who both knows it and is prominent."

I said, "I still don't understand," and he said, "You have to have a name."

So I said, "Do you have any names?"

He said, "No, but you give me twenty-four or forty-eight hours and I will have. What about Henry Bruere?"

I said, "He lasted three months."

- 2 -

He said, "What happened?" I said, "Well, he got all muddled at the end of three months, that is all." I said, "He can't take it the way you and I can."

"Well," he said, "what about Phil Murray?" I said, "What do you mean, Phil Murray? I'm not being funny." He said, "C.I.O."

I said, "Well - swell fellow, but I wouldn't think of him in this capacity."

"Well," he said, "think about it."

So I said, "Well, he is certainly better than Jeffers," and he said, "That is crazy."

I said, "What about Alfred Smith?" Well, that was not so good. Then I told him about Stimson wanting a young Herbert Hoover, and he thought that was very funny.

Now, I don't know - I had a funny experience. I was walking from the house to get a little air and a man shouted three times to stop me. The man was William Christian Bullitt.

MR. PEHLE: I wouldn't put it on the record, Mr. Secretary!

H.M.JR: Well now, I will tell you this: I know him as well as anybody in this town, but he would get things done. At least, I didn't say anything to him about it. He would get things done.

MR. PEHLE: Mr. Secretary, if you are after a name, I am sure we can do better.

H.M.JR: I will give you a name. Now, watch Mrs. Klotz' face - I don't know his middle name - Wendell Willkie.

- 3 -

MR. WHITE: All right by me.

MRS. KLOTZ: I know I would rather have him than any of the others.

MR. PEHLE: So would I.

H.M.JR: He was ready, you know. He was working with Congress.

MR. WHITE: Most peculiar. I don't see how this job would attract men of that prestige and calibre.

MRS. KLOTZ: Oh, yes, Harry.

MR. LUXFORD: This has terrific political potentialities.

MR. PEHLE: If you put a name in this job, this can be a very big job.

MR. LUXFORD: Can be another Herbert Hoover.

H.M.JR: Oh, yes, the President said, "What about James Farley?"

I said, "I don't know whether you are serious, Mr. President. You did want him a couple of months ago for the old AFRO, if you remember."

He said, "That is right."

MRS. KLOTZ: That is not bad.

H.M.JR: Then he quickly changed and said no.

MR. WHITE: Did you mention Wendell Willkie?

H.M.JR: No, no, no; none of these names, not to the President. When I have a gang I play with the gang; I am one of the gang.

MR. WHITE: Phil Murray - he always has--

- 4 -

H.M.JR: Either I have demonstrated that for ten years or I haven't.

MR. WHITE: Phil Murray is nonsense. He would no more take that job than Phil Murray would take a fireman's job in Bethesda. I can't believe the President was serious in that.

H.M.JR: He hasn't got a name. What I was thinking was this: I would like to get some suggestions from both the J.D.C. and - I am thinking who is there, for instance. They want a name. Who is a member of the International Red Cross? If we could get the Director - who is a name of the International Y.M.C.A - and the Friends - who is the head Quaker of this country?

MR. WHITE: Frank Graham is always good for that - I mean, the President of the University of North Carolina.

MR. PEHLE: I am for Frank Graham.

MR. WHITE: He would be excellent.

H.M.JR: But I personally think you need a man in his forties.

MR. PEHLE: Mr. Secretary, I just had the World Jewish Congress people in. They are already settling their differences with the J.D.C. group, and that type of group. It may be that those people - now, Stephen Wise and the top man in J.D.C. would have some good suggestions.

H.M.JR: Are they in your room now?

MR. PEHLE: No, they have left. I think you should go directly to tops, anyhow. But they are apparently starting to settle their differences.

H.M.JR: Why don't I call up Stephen Wise?

- 5 -

MR. DuBOIS: You might mention what they said.

MR. PEHLE: They said if it would be helpful they would use their influence for me. They asked if it would be helpful at this time, and I said to do nothing.

H.M.JR: No, now look--

MR. WHITE: Wendell Willkie is a stroke of genius.

MR. DuBOIS: I can't believe he would take it.

MRS. KLOTZ: I don't believe the President would give it to him.

H.M.JR: No, you are wrong, and I know why. I think the President would like to build - has been building up Wendell Willkie straight along.

MR. WHITE: I think he wouldn't mind building him up, at that.

H.M.JR: He has been. I know what I am talking about.

MRS. KLOTZ: You must have inside information.

H.M.JR: I have.

MR. PEHLE: He would be very good.

MR. DuBOIS: It is hard to believe he would take it.

MR. LUXFORD: I think he would.

H.M.JR: Listen, what Wendell Willkie needs now is a springboard to talk from.

MRS. KLOTZ: This is it.

MR. LUXFORD: What springboard?

- 6 -

H.M.JR: Where can he speak today - talk? He would come down and have a press conference every day.

MR. WHITE: Fine. I think it is a stroke of genius.

MR. LUXFORD: I think you would get some action.

MR. PEHLE: Oh, boy!

MR. WHITE: Even better than John Penle.

MR. PEHLE: Thanks, Harry.

MR. WHITE: I mean, the name would carry certain--

MRS. KLOTZ: We understand what you mean, Harry, without any explanation.

MR. DuBOIS: If he would take it, he would be wonderful.

MR. LUXFORD: This is what he needs.

H.M.JR: He needs a springboard.

MR. PEHLE: Somebody would have to sell it to him.

H.M.JR: Say, do you know who would sell it to him? My friend Skouras.

MRS. KLOTZ: You could do it yourself, Mr. Morgenthau.

MR. PEHLE: I don't know who he is.

H.M.JR: Skouras is President of Twentieth Century Fox. He is this Greek, who is on Greek relief, and Wendell Willkie is his counsel. He pays Wendell Willkie a hundred thousand dollars a year.

MRS. KLOTZ: You can do it.

- 7 -

H.M.JR: No, but I mean, Skouras is a great guy.

MR. WHITE: Skouras might aid him, but it would either have to be you or the President.

H.M.JR: The President would take on that honor, himself. (Laughter)

MRS. KLOTZ: But it is definite, though, that he must have a big name.

H.M.JR: That is beyond the realm of argument. I know my Mr. Roosevelt.

MR. LUXFORD: Two years ago Wendell Willkie was down here working with us on the refugee problem.

MR. PEHLE: As counsel, for a large fee. I don't think that helps us any.

H.M.JR: No, you are wrong. He took no money for that.

MR. PEHLE: He didn't?

MR. LUXFORD: No, sir.

MR. PEHLE: Did the firm take any money?

H.M.JR: No, I am sure.

MR. LUXFORD: You recall the incident I am talking about, when he was trying to get us to lift the freezing control from refugees within the United States, since that time he represented the Communists, or this Communist case.

H.M.JR: Why do you want to poison Harry, by the way?

MR. WHITE: I didn't know he was that good.

- 8 -

MR. LUXFORD: I mean, he is making a record for himself on the Civil Liberties. He is making a good record.

H.M.JR: Wait a minute, look at the case he had there before the Supreme Court.

MR. LUXFORD: That is what I am talking about, membership in the Communist Party.

MR. PEHLE: That is right. It was a bold and courageous move on his part at the time.

H.M.JR: If you people are sold, let me give this name to Grace Tully.

MRS. KLOTZ: Can we take any private bets? Are you in the mood for it?

H.M.JR: Don't I seem all right?

MRS. KLOTZ: I have a feeling I would like to bet on the fact that the President will not give it to him. I don't know who is with me.

MR. WHITE: I think the gesture would be regarded much to the credit of Roosevelt, and I think he would gain by it.

H.M.JR: No, don't let's do any betting. Does anybody around here say that Wendell Willkie wouldn't do a good job?

MR. PEHLE: I think he would do a wonderful job. The only thing I have, is this the sort of thing that you can pass on, or has it to be sold to the President?

MR. WHITE: It either is or isn't.

MRS. KLOTZ: Yes or no.

- 9 -

(The Secretary held a telephone conversation with Miss Grace Tully on the White House phone, as follows:)

Hello. Grace?

Good afternoon.

I talked to the President - are you taking dictation, or can you talk a minute?

I talked to the President and the President wanted a name - big name. I have got one for him. I want to try it out on you. Wendell Willkie. (Laughter)

What?

Yes, I do - purely from what the President told me a year ago, that he wanted to build him up.

Well, there is no one--

Well, you might pass it along. But if the President wants to build him up, and wants to get the job done, the boy could do it.

You don't?

Weil, I don't know.

Sitting here. The only person that can say yes or no - and I am not talking to anybody at this end--

Hello? Can you hear me?

You faded out. You didn't faint, did you?

Wait a minute, I can't hear a thing.

Hello? I thought you had fainted.

- 10 -

O.K. Well, as I say, it is just one between the President and me. I will have more.

Righto.

Thank you. (End of conversation)

H.M.JR: She said, "I think he has had all the build-up he has coming to him on that trip."

I said, "Well, no one can tell." She didn't like it at all.

MRS. KLOTZ: Sure. He is too good.

MR. PEHLE: Isn't the important thing the timing, as to how it hits the President?

MRS. KLOTZ: That is right.

H.M.JR: I got the fact that she didn't like it. I didn't care. I asked her to pass it along.

Do you think I should call up Wise?

MR. PEHLE: Yes, I do.

(The Secretary places a call to Stephen Wise, and also a call to Dr. Paul Baerwald)

MRS. KLOTZ: You should have seen everybody trying to protect your bank account.

MR. PEHLE: This isn't personal.

MR. WHITE: The Committee has been appointed.

MRS. KLOTZ: That is very important. (Refers to telegram from Ira Hirschmann to Mr. Pehle, of January 26, 1944)

H.M.JR: Put it off on Charlie.

MR. PEHLE: I think we ought to do something.

- 11 -

MR. LUXFORD: He is a hard-hitting man.

MRS. KLOTZ: I didn't want to try to do anything without your O.K.

H.M.JR: No, you shouldn't, as long as I am around, even though I am in absentia.

MRS. KLOTZ: You would disagree with a million things I did today.

H.M.JR: Don't tell me, then.

MRS. KLOTZ: I don't intend to. What I mean is, I have to make decisions.

H.M.JR: Let's give it to Charlie Bell.

MRS. KLOTZ: That is just the point. He is sick. I have already found out whom to contact. I didn't do anything.

H.M.JR: Well, you are going to be busy. Haven't you an organization? Can't you (Pehle) start it?

MR. PEHLE: Sure. Tell me who the man is.

MRS. KLOTZ: I would like to start it off myself, if I can have a minute just to make a telephone call--

H.M.JR: Aren't you going to tell me?

MRS. KLOTZ: Yes, it is Mr. Bell's office.

H.M.JR: Do it, then come back.

(Mrs. Klotz left the conference)

MR. WHITE: There are several men back from various parts of the world - Frank Southard--

H.M.JR: Who got Colonel Foley back?

MR. PEHLE: I think Colonel Foley did.

- 12 -

MR. WHITE: And there is a Mr. Friedman back from the Legal Division, who has been in Ecuador for a year and a half.

H.M.JR: How did Foley get him back? I will bet White did.

MR. WHITE: No, he wangled this, himself.

H.M.JR: What do you mean?

MR. WHITE: All he needed was a little peg.

MR. PEHLE: Is there a story there?

MR. WHITE: No, he has got some reason for coming back. How good the reason is depends on whether he tells you.

(Mrs. Klotz re-entered the conference)

MRS. KLOTZ: I told him one of your men would contact him - Miss Morris. (To Pehle)

(Mr. Pehle left the conference)

MR. LUXFORD: Mr. Secretary, where does Vice President Wallace stand today?

H.M.JR: You are saying that. You and I are thinking together. I would like to call him up for suggestions. He might know somebody.

MR. LUXFORD: How about his taking it on?

H.M.JR: No, no, no.

MR. WHITE: Taking him as Executive Director?

H.M.JR: No.

MR. WHITE: Have a little judgment.

- 13 -

(Mr. Pehle re-entered the conference)

MR. LUXFORD: I agree.

MR. WHITE: Have you spoken to him about this at all?

H.M.JR: No.

Mr. WHITE: It might be a nice thing.

H.M.JR: You know, it just doesn't pay to talk unless you want to get caught up with. Saturday night Oscar Cox was at the Swiss Legation and gave them a lecture on this Executive Order which we were told was a secret and that nobody knew it in the shop but three people. He gave everybody at the Swiss Legation a lecture on this Executive Order.

MR. PEHLE: And the Jewish newspaper carried the story.

H.M.JR: Governor Lehman was there and wondered how come Oscar Cox knew it all.

MR. PEHLE: That is what I worry about.

MR. WHITE: How come Oscar Cox knew it?

H.M.JR: No, no, if you are going to handle this Jewish business, you go like this (gestures). He shook his head the wrong way.

MR. WHITE: The first thing you know you will have these boys eating herring.

MR. PEHLE: The Jewish press had a story on Friday on this thing, saying that the American Jewish Congress already had made arrangements with the Government so that they would be the agency to handle this, which was denied the next day. But that is the sort of thing that starts up.

- 14 -

H.M.JR: Well, I am talking more to you people than I do normally in the Treasury. But if I can't trust you guys, whom can I trust?

MRS. KLOTZ: I am sure you can.

H.M.JR: And so - we will see. Anyway, you people have to think of some names. I can't.

MR. PEHLE: Mr. Secretary, if you are worried about leaks, you ought to hear about this.

H.M.JR: Yes.

MR. WHITE: About three days after we had been discussing a ten billion dollar loan to Russia - three or four days - which ran in terms of ten billion dollars with which they would purchase, in the next three years, industrial and agricultural commodities, there appeared over the German radio a claim that Russia had made, or was making, arrangements with the United States Government for a ten billion dollar loan to purchase, over three years, industrial commodities, and then it went off into something else.

Now, it may be coincidental, because somebody else may have been talking about ten billion, I don't know. But it was a startling coincidence to us.

H.M.JR: How do you know about the German radio?

MR. WHITE: One of my men.

H.M.JR: The pick-ups come here. Who gets those now? From the Federal Commission?

MR. WHITE: I have the thing written down, which I will send to you. It might have been a pure coincidence. I don't know who else mentioned ten billion. Did Nelson talk of ten billion dollars?

- 15 -

H.M.JR: He may have talked. I didn't hear him at the Press Club. He gave a talk there.

MR. WHITE: It was very disturbing.

H.M.JR: Talked to a thousand people at the press conference.

MR. DuBOIS: I think we should check further to find out what he said, Harry.

MR. WHITE: What is the other Paul Warburg, a Junior?

H.M.JR: His father was Felix. Jimmy Warburg is one of the three men they are trying to fire. He is the son of Paul.

MR. PEHLE: One of the other men they are trying to fire is Jim Barnes in New York. Warburg and Barnes are the two people that this Emergency group mentioned had been very helpful in sending this propaganda line to Germany about the Jews.

H.M.JR: Have you fellows checked up yet on whether we got that million dollars or not?

MR. PEHLE: No, that is Rosenman. We have to get from him a copy of the memorandum that went to Harold Smith. Could you get from Rosenman a copy of those two documents, the memorandum to Harold Smith and the memorandum to Hull? We know the way we sent them to Rosenman, but you have never seen a confirmed copy as to whether the President signed them.

H.M.JR: No. Could you call him?

MR. PEHLE: Yes, sir.

H.M.JR: I have to do some work. I have a War Bond issue on.

- 16 -

MR. WHITE: Is the rumor very wide-spread that Stimson is going to be replaced by Patterson very soon?

MR. PEHLE: Are you starting in, Harry?

MR. WHITE: No, I heard it from two different sources.

H.M.JR: As between the two men - Hull looks something terrible. Did you see him?

MR. PEHLE: I didn't see him, but you were saying he looked bad again.

H.M.JR: God, he looked shocking.

MR. PEHLE: He has been out all week. This is the first day in.

H.M.JR: Hull said this morning, "On that cable that went out notifying the various Embassies about attitude they should take - that cost ten thousand dollars."

MR. LUXFORD: Isn't that terrible.

H.M.JR: Hull gets sarcastic with me, but I don't--

MR. PEHLE: That cable was a very important step.

H.M.JR: I mean, there is nothing to be gained. He has this manner - after all, he is an older man. I respect his age. There is nothing to be accomplished. You get the cable. If he wants to be sarcastic about it, so what?

I tell you whom Mrs. Morgenthau suggested, Hamilton Fish Armstrong. He is anti-State Department.

MR. PEHLE: Is he an administrator?

- 17 -

H.M.JR: No, no. His book - remember his book? Very good. "We or They" isn't that what it was called?

MR. WHITE: I don't know, but he has written a great deal.

H.M.JR: He is the head--

MR. WHITE: Of the Foreign Affairs. I have met him.

H.M.JR: Just make a note of it, Hamilton Fish Armstrong.

MR. WHITE: I have this thought about him; he is a man who knows so much about these foreign affairs that he may inevitably see a lot of difficulties.

H.M.JR: Two kinds of people: A man like Willkie whom you wouldn't have to stoke every minute to get up steam, and here is another man, who would be a pleasant front and who would take guidance. Now, I think Hamilton Fish Armstrong is the latter.

MR. WHITE: He is a pleasant front, a liberal, able chap. I think the difficulty would be that he would see a lot of difficulties in each step because of his profound knowledge of international affairs.

H.M.JR: Isn't there any other very militant lawyer like Wendell Willkie, after all? Just stop and think. Isn't there somebody?

MR. LUXFORD: Arthur Garfield Hays is a militant lawyer.

H.M.JR: I don't like his connections and background.

MR. PEHLE: Whitney Seymour is pretty young.

H.M.JR: You want somebody--

- 18 -

MRS. KLOTZ: What about this lawyer you once called in on the Giannini case from out West. Was he a professor, or something?

H.M.JR: One was a former dean, who retired from Michigan. He is no good. The other is Whitney Seymour. They don't know Whitney.

MR. WHITE: How about Professor Powell- Thomas Reed Powell.

H.M.JR: You have to have somebody who has been written up in the American Magazine, or Saturday Evening Post.

MR. PEHLE: Somebody like Stettinius. That is the kind of guy.

H.M.JR: I told the President this: I said, "Mr. President, the shocking thing is, when you stop to think of somebody sympathetic, you can't think of anybody." He said, "That is correct."

MR. PEHLE: Are they set on getting a non-Jewish person?

H.M.JR: He didn't say that. As I say, you stop and think, you would say, certainly, some of the Ambassadors that Mr. Roosevelt sent - some of them - that calibre of person. Graham stands out way above. College professors, presidents of colleges.

MR. LUXFORD: Do you know Bishop Hughes?

H.M.JR: I know the name.

MR. LUXFORD: He was on the President's - he has been on Labor Relations for a long while. He is now a Bishop.

MR. PEHLE: Not a bad idea. There is John A. Ryan, too, out at the Catholic University. He is a hard-hitting guy.

- 19 -

H.M.JR: The Catholics have their own problems.

MR. DuBOIS: Yes. I personally think he had better be a Protestant.

(The Secretary holds telephone conversation with Mr. Baerwald, as follows:)

January 26, 1944  
4:54 p.m.

HMJr: Hello.  
Operator: Mr. Baerwald.  
HMJr: Hello.  
Operator: Go ahead.  
HMJr: Hello.  
Paul Baerwald: Hello.  
HMJr: Henry Morgenthau, Jr.  
B: Hello, sir.  
HMJr: How are you?  
B: How are you, Mr. Secretary? I'm fine.  
HMJr: Fine. Look, Mr. Baerwald ....  
B: Yeah.  
HMJr: .... I am calling you up to see if you know of any person who is known internationally who might be the Executive Director of this Refugee Committee.  
B: A person who is known internationally?  
HMJr: Yes.  
B: Yeah. (Laughs) Well, I've been doing some thinking about it right along ....  
HMJr: Yes.  
B: .... and I - I really - I am at a loss.  
HMJr: Yes.  
B: And, it should be, it seems to me, a person that is familiar with the subject, and ....  
HMJr: Well, that evidently isn't ....

- 2 -

B: Beg pardon.

HMJr: That evidently isn't the deciding factor. The - the deciding factor seems to be: (1) he has to be internationally known, and (2) of course, sympathetic.

B: He must be sympathetic, of course.

HMJr: Yeah.

B: Yes.

HMJr: But - but he doesn't-evidently the President doesn't care so much whether he knows the subject.

B: No, because, I suppose, there'd be other men under him.

HMJr: That's right.

B: Yeah.

HMJr: Now, of course, I don't know the people in the International Red Cross - the International Y.M.C.A.

B: Yeah.

HMJr: But I ....

B: We have never come across anybody in the International Red Cross of any stature.

HMJr: You haven't?

B: No - no.

HMJr: How about the Boy Scouts of America? The President has been on that.

B: The Boy Scouts?

HMJr: Yeah - the - of America.

B: Yes.

HMJr: There isn't any - do you know - do you know that organization?

B: Oh, I know the organization all right, but I

- 3 -

B: (cont'd) don't know whether there's anybody in there - well, I - I'd like to do some thinking about it.

HMJr: Yes.

B: It so happens that Dr. Levitan's in Washington today ....

HMJr: Yes.

B: .... and - he, of course, has also been doing a lot of thinking about it.

HMJr: Yeah.

B: And it's difficult to appoint the right person. I do know that one particular name was mentioned - that's James McDonald, and I - he's not a very strong man.

HMJr: No. I know McDonald.

B: Yeah.

HMJr: No.

B: He's not a very strong man.

HMJr: No, he ....

B: Yeah - well, but I - I'd like to think very hard about it.

HMJr: Will you?

B: Yes, and if you'd let me, I'd - I'd like to perhaps call you back tomorrow.

HMJr: Would you do that?

B: I'd be very delighted to do that.

HMJr: In the forenoon, if possible.

B: In the forenoon, absolutely.

HMJr: And call me on District 2626.

B: District 2626.

- 4 -

- HMJr: If you would.  
B: Thank you so much.  
HMJr: Thank you.  
B: Thank you very much.  
HMJr: Good-bye.

- 20 -

MR. PEHLE: What McDonald?

MR. WHITE: James G. McDonald. No, he didn't do a good job.

MRS. KLOTZ: He didn't make that suggestion. He said it was made.

H.M.JR: I know the man. Who is the head Quaker is this country?

MR. PEHLE: I don't know - Clarence Pickett is the man.

H.M.JR: I mean somebody who hasn't been paid.

MR. PEHLE: I can find out.

H.M.JR: Find out who is back of Pickett and that group.

MR. PEHLE: Let me just mention this: The World Jewish Congress people mentioned that they were setting up - trying to bring these organizations together and maybe setting up - some sort of council, and the top man in it is going to be Justice Murphy. And they said that Justice Murphy is taking the assignment with the permission of the Chief Justice, in view of the Chief Justice's very great interest in the work, and that the Chief Justice would like, himself, to be able to do it - or something along that line. The Chief Justice seems to be emphasizing that he is very, very interested in this field. He might have some suggestions.

H.M.JR: I can stop in and see him tomorrow morning.

MR. PEHLE: Wouldn't hurt anything.

MR. WHITE: The trouble is, it is not desirable to ask a man like him for suggestions if you don't take them.

- 21 -

H.M.JR: No, I am on a very friendly basis with him. I can do that with the Chief Justice. Isn't there some new lawyer - haven't there been some famous cases - some minority cases? To go back to Vanzetti, hasn't there been somebody?

MR. PEHLE: The people who were really interested were the Cardozas and the Brandeis's.

MRS. KLOTZ: They are dead.

MR. PEHLE: And Frankfurter is no substitute.

MR. WHITE: No, who is that famous lawyer who tilted with Bryan?

MR. PEHLE: Darrow.

H.M.JR: You know, it is the funniest thing, my father said when you look for somebody at the top, you can't find them. I don't know - of course, he isn't internationally known, but this fellow Skouras is a great fellow.

MR. LUXFORD: We got awfully bad recommendations on Skouras at the time we were talking about him in connection with Area Director for Greece. That is, the reports that we received regarding him were dubious.

H.M.JR: What kind of reports?

MR. LUXFORD: Well, the way he handled the Greek relief matter, for instance, that he did a lot of talking but very little pitching.

MR. WHITE: Is Marshall any possibility - Marshall of Marshall Field and Company?

MR. PEHLE: Do you know him that well?

MR. WHITE: Don't know him at all.

- 22 -

H.M.JR: Not if you need any money from the Congress.

MR. PEHLE: Wonder if Max Lerner would have any thoughts.

H.M.JR: We didn't use his stuff, so I don't think he would. I tell you who might - Pete Odegard. He knows the Civil Liberties crowd. Or Morris Ernst--

MRS. KLOTZ: For recommendations?

H.M.JR: Yes. Morris might know somebody. I will call him up.

MR. PEHLE: I think Randolph might have some real thoughts on it.

H.M.JR: You can ask him.

MR. WHITE: Willkie remains a stroke of genius.

H.M.JR: You see, Morris was in on that Wendell Willkie business, and all that. He gets around.

MR. LUXFORD.: You didn't get to mention to the President the question of an Acting Director?

H.M.JR: I did. He said, "I will give you somebody in twenty-four to forty-eight hours." I pressed the thing very hard.

MR. WHITE: It is interesting from the point of view that the President, himself, apparently has become interested.

MR. LUXFORD: That is a political stepping-stone of no small size.

H.M.JR: I said, "We have got a half a dozen cases. We could start this afternoon."

- 23 -

He said, "Now, Henry, I am going to put my thinking cap on. Give me twenty-four to forty-eight hours. Can I call you up?"

I said, "Call me up tomorrow."

The President of the United States say, "Give me twenty-four to forty-eight hours." You can't say no. I want to put him in - I promised you people.

I think for the first time the President is going to think about it, and maybe suggesting Wendell Willkie will make him think about it.

MR. WHITE: She will pass that on to him, won't she?

H.M.JR: Yes.

MRS. KLOTZ: Very reluctantly.

H.M.JR: Just like when you people tell Mrs. Klotz something. She doesn't always tell it to me before lunch, but sometime.

MRS. KLOTZ: Well, the timing is very important.

H.M.JR: Well, I will do this - I will call Morris Ernst and I will call Dr. Wise. You people find out something about the Friends and the International Red Cross - Boy Scouts of America, that has got a list of stuffed shirts.

MR. PEHLE: Walter Head and people like that.

H.M.JR: Don't you talk against my State Chairman from Missouri.

MR. LUXFORD: He is yours.

MR. WHITE: You haven't crossed Graham off the list, have you?

- 24 -

MR. PEHLE: Luxford and I come from that area.

H.M.JR: How do you claim St. Louis?

MR. PEHLE: He was from Omaha, head of the Omaha National Bank.

H.M.JR: Where do you come in?

MR. LUXFORD: I am from Western Iowa. Pehle is from Nebraska.

H.M.JR: You know, it is a tragedy, because what we are talking about is just a person who thinks right, that is all we are talking about.

MR. WHITE: Well, you want more than that.

H.M.JR: No, if you just gave me a person who thought right. I mean, when you stop and think of the ministers of the gospel--

MRS. KLOTZ: The people who think right don't become internationally known.

MR. DuBOIS: That is the trouble.

MR. PEHLE: Is nationally known enough?

H.M.JR: Sure.

MRS. KLOTZ: They don't get that far.

(The Secretary holds a telephone conversation with Morris Ernst, as follows:)

January 26, 1944  
5:05 p.m.

- HMJr: Morris.
- Morris  
Ernest: Henry.
- HMJr: How are you?
- E: Well, now what can I do for you?
- HMJr: Oh, you take it for granted you can do something for me, huh?
- E: Well, I take it for granted I'm willing and anxious and - and maybe able....
- HMJr: Well ....
- E: .... friend of mine.
- HMJr: .... ah - this: you may have read in the papers the appointed - the President appointed a Refugee Committee.
- E: Yeah.
- HMJr: And, we're still looking for an Executive Director.
- E: Yeah.
- EJr: And - you can picture the kind of fellow, and we've been talking about - where is there somebody where Wendell Willkie was two years ago. I mean has handled some liberal cases - thinks right and so forth and so on. I mean, the man has to have a national reputation - the President insists on that.
- E: And does he have to have a close familiarity with refugee problems?
- HMJr: No.
- E: He doesn't need that?
- HMJr: No.
- E: And he could be either business or law or finance or what-not?

- 2 -

HMJr: Anything.

E: Right.

HMJr: But he's got to be willing to go up against this - oh, whatever it is down here that's holding it back.

E: Well, now does it - does it have to be a youngish, tough guy, but a - well, let-me-tell-you the kind of variety.

HMJr: Who?

E: Why wasn't Leffingwell appointed?

HMJr: Russell Leffingwell of Morgan?

E: Yeah. He ran the Treasury during the last war.

HMJr: Well, I can tell - that's just the kind of fellow I don't want.

E: You don't want? I see.

HMJr: No.

E: Now, let me - go ahead.

HMJr: No, I mean - Leffingwell - I mean - no.

E: All right. Well, now ....

HMJr: Try a couple more, and I'll tell you what I don't want.

E: What?

HMJr: I'll tell you what I don't want. (Laughs)

E: Yeah. Well, now what if a guy like - ah - let me just think of somebody else - God, I want somebody who's competent. Is this man - this man is to draw up a program or deal with the foreign governments eventually?

HMJr: He'd deal with foreign governments, but mainly with our own government - the State Department. That's where he's got to start. And, he'd ....

- 3 -

- H: Oh, well, then he's just got to break through that bunch?
- HMJr: That's all.
- E: And it has to be of national reputation - I mean, he couldn't be a real Oscar Cox?
- HMJr: No.
- E: It has to be somebody of a - of a real reputation?
- HMJr: Yeah.
- E: Oh, God, now that means it has to be somebody who has never criticized the State Department or been up against it.
- HMJr: Not necessarily.
- E: Well, it'd be pretty tough going.
- HMJr: Yeah.
- E: It'd be pretty tough going otherwise. Let me think it over. I'll give you a ring in the morning.
- HMJr: Will you do that?
- E: Yeah. I will sure.
- HMJr: Call me on District 2626.
- E: District 2626.
- HMJr: If - people I don't know - Middle West or far West - whether there's any great fellow up there.
- E: Yeah.
- HMJr: See?
- E: Let me - let me hunt.
- HMJr: What?
- E: Could you get -- could you take a guy out of the Army?

HMJr: Could we? Depends upon his age.

E: No, but I mean if he's over 38.

HMJr: I think so.

E: I mean if he was really some striking guy.

HMJr: Pardon?

E: If he is really a striking guy.

HMJr: I think so.

E: Would you take a very brash idea?

HMJr: Anything.

E: Stassen.

HMJr: Who?

E: Stassen.

HMJr: Who?

E: Stassen.

HMJr: Stassen of Minnesota?

E: Yeah. A great -- a grand person on international point of view.

HMJr: Yeah. Well, that -- that's the kind of fellow that we like.

E: All right, let me fledge and I'll throw up a lot of them that sort of clicks with me because it's got a lot of glamour in it and it will meet very difficult resistance over at Hull's office.

HMJr: Well....

E: Give a grape that's sweet.

HMJr: Well, if....

E: And he'll bit on it.

HMJr: Well, it's the Stassen type that we're looking for.

E: Yeah.

HMJr: Now, I mean....

E: Yeah, I got it. I know what you want.

HMJr: Now you've got the plane.

E: Yeah. Well, now, let me throw another one.

HMJr: Yeah.

E: Would Bill O'Dwyer, whom the President knows and likes and about whom I have talked to the President and have done various things jointly?

HMJr: I'm afraid he would say -- I know Bill O'Dwyer -- I'm afraid he would say that he was not known nationally.

E: Not known nationally?

HMJr: Yeah.

E: The fact that he's the only Catholic who talks publicly against Coughlin is a really great asset.

HMJr: Granted, but....

E: Well, all right. Let me fledge. I'm getting close to what you're feeling.

HMJr: I don't think the Prime Minister of Rumania would know that.

E: Yeah.

HMJr: Well, if you get what I mean....

E: Yeah, he's not even likely to know Leffingwell or Stassen.

HMJr: Yes, he would know this man was a Governor.

E: That's right. You could call him Governor previously. Let me -- let me fledge and see whether we can get somebody.

HMJr: All right, but it's on the Stassen-Wilkie level. That's what I'm looking for.

HMJr: What?

E: That's right.

HMJr: Yeah. Your Civil Liberties things ought to give you a bait.

E: Oh, I'll get a line on them.

HMJr: All right.

E: There aren't so damn many people known nationally.

HMJr: Well, the tragedy is that there aren't so many people known anywhere.

E: That's right. Very competent guys but not nationally known.

HMJr: All right.

E: Let me fledge around. Thanks, Henry.

HMJr: Thank you.

- 25 -

MR. PEHLE: He is a good source, I think. He may bring something forward.

H.M.JR: Yes, he gets around. He will go to Club 21 tonight.

What were you fellows doing about Stassen?

MR. PEHLE: Harry doesn't like him.

MR. WHITE: I think he would be awful.

MR. PEHLE: Of course, we could always nominate Szymczak at this point.

January 26, 1944  
5:19 p.m.

HMr: Hello.  
Operator: Dr. Wise.  
HMr: Thank you.  
Operator: Go ahead.  
HMr: Hello.  
Dr. Stephen  
Wise: Hello.  
HMr: Henry ....  
W: Hello, Mr. Secretary. How are you?  
HMr: Henry, Jr. to you.  
W: Hello, Henry Jr.  
HMr: Dr. Wise ....  
W: Yes.  
HMr: The reason I'm calling you is this: we have not yet  
found a man for this - Director of this Refugee Committee.  
W: Yes.  
HMr: What the President wants is a man of either national or  
international reputation who, of course, is sympathetic  
but not necessarily ....  
W: No - no.  
HMr: .... acquainted ....  
W: What about James G.?  
HMr: Who?  
W: James G. McDonald.  
HMr: I - the suggestion has been made. I didn't spark very  
much to that.  
W: You did not?

- 2 -

- HMr:
- I don't think he's forceful enough.
- W:
- Oh, I think he is. I think under the direction of you - and - and C. H. and Henry L. - I think he'd do a grand job. I really do.
- HMr:
- Yeah.
- W:
- I don't say he's the only one, but after all he has a certain prestige and dignity and name. Do you, personally, like him? Do you find him a man you could work with?
- HMr:
- Oh, yes, but I just - in - over a number of years I just haven't thought that he is a man of sufficient - this takes a man with - terrific driving power.
- W:
- I think - don't you think the Chief and - and Mrs. Chief like him?
- HMr:
- The what?
- W:
- The Chief - the Boss. I think the Boss likes him, doesn't he?
- HMr:
- I don't know.
- W:
- I see. Have you thought of Hamilton Fish Armstrong?
- HMr:
- Yes - yes.
- W:
- He's a middle - do you think he would do?
- HMr:
- Ah - I - I had thought of him, favorably. Yes.
- W:
- He's not as - he's not as vigorous - he's a clearer head, but he's not as vigorous and imaginative as James D.
- HMr:
- He's not?
- W:
- No. Would you give me - would you let me - may I telephone to you tomorrow morning?
- HMr:
- If you would, please.
- W:
- Ah - by the way - the Chief half made an appointment for me to talk over certain things in which you've helped me so greatly, but I - but I hear from the General that he won't be back 'til Friday or Saturday.
- HMr:
- That's right.

- 3 -

W: I see.  
HMJr: That's ....  
W: Well, may I - what's the best time, Henry ....  
HMJr: Any time ....  
W: .... for me to call you?  
HMJr: Any time - ah ....  
W: After ten in the morning?  
HMJr: Yes.  
W: Tomorrow morning?  
HMJr: Yes.  
W: May I phone to you?  
HMJr: Yes. And will you - will you call me on District 2626?  
W: District 26 ....  
HMJr: 26.  
W: 26.  
HMJr: Yes.  
W: Twenty-six.  
HMJr: Twenty-six -- twenty-six.  
W: Twice 26?  
HMJr: That's right.  
W: 2626 - in the morning after ten?  
HMJr: That's right.  
W: Thank you very, very much.  
HMJr: Thank you.

January 26, 1944  
5:24 p.m.

Operator: Go ahead.

HMr: Hello.

Paul Baerwald: Hello, Secretary Morgenthau.

HMr: Go ahead.

B: I was wondering whether I was talking - whether I was thinking on the right - on the right lines.

HMr: Go ....

B: I - one or two names have occurred to me....

HMr: Yes.

B: I would like to mention to you. One of them is Cleveland H. Dodge.

HMr: Ah ....

B: Do you know who that is?

HMr: I know Cleveland Dodge.

B: Yeah.

HMr: And - isn't that the one who's the head of the Bierut College or the one who's here?

B: No - no - no. Cleveland Dodge is the head of the firm of Phelps, Dodge and Company.

HMr: Yes.

B: And he has always been connected with the Near East Relief ....

HMr: Yes.

B: .... for many years, and he's very, very high standing.

HMr: Yes. I - I know him.

B: Well, I - it's just - just an idea.

HMr: Yes.

- 2 -

S: Yes. The other name is - I was wondering whether a man like Frank Adelot.

HMr: Ah ....

B: Princeton.

HMr: That's Princeton - yes. Frank Adelot

B: Frank Adelot.

HMr: I - he was the head of Swarthmore.

B: No - no. He was the head, but ....

HMr: Yes.

B: .... he's now the head of the Advanced Studies - the Bamberger - the Advanced Studies in Princeton.

HMr: Yes.

B: The head of the Advanced Study.

HMr: Well, that name has been suggested, but I don't know why they didn't ....

B: Well, then - then, of course, then in those things one name always occurs to one - that's the name of Fosdick.

HMr: Raymond Fosdick.

B: Yeah.

HMr: Well, he's a grand person. I don't know ....

B: Yeah. Then I don't know whether - a name would interest you - a man I think who is coming up in the world today very much, and who seems to have the respect of everybody - he's been working very hard on the Greek Relief - that - I - that is Paul Hoffman, who is the head, I think, of the Studebaker Company.

HMr: Paul Hoffman?

B: Yeah.

HMr: I don't know him. But I - I know who he is.

B: Yes. I think he's the head of the Studebaker Company. I've come across him ....

- 63 -

HMr: Yes.

B: .... in meetings of the Greek Relief.

HMr: Yes.

B: Yes. Well, that - am I thinking on - on the right lines?

HMr: Yes. Yes, you are.

B: Yeah.

HMr: Yes, you are.

'B: Well, I'll try - do a little more thinking.

HMr: Do that.

B: And there's one - one other name which, of course, it may not be the right kind, and I don't know just what his tendencies are, and that is Eric Johnston, of course.

HMr: Eric Johnston.

B: Of the International - of the - of the Chamber of Commerce of the United States.

HMr: Yes, I know. I don't know either.

B: Yeah - yeah.

HMr: Well ....

B: But, I'm trying to think, and I thought I'd let you know just those names that occurred to me.

HMr: Thank you.

B: All right. I'll try and call you in the morning.

HMr: Thank you.

B: Thank you.

224  
January 26, 1944  
6:01 p.m.

Edward Stettinius: Hello.

HMJr: Hello, Ed.

S: Yes, sir.

HMJr: This is Henry. I talked with the President.

S: Good.

HMJr: And he has nobody in mind.

S: Yeah.

HMJr: And he's trying to find somebody.

S: Yeah.

HMJr: And I told him -- but he is insistent that it be a person of national or international repute.

S: He is?

HMJr: Yeah. But he has nobody.

S: Yeah.

HMJr: Oh, he has made a couple of suggestions which I don't -- didn't take seriously. I mean....

S: Yeah.

HMJr: He suggested Phil Murray.

S: Oh, God.

HMJr: What?

S: He suggested Phil?

HMJr: Yeah. Oh, of course, Phil wouldn't touch it.

S: No. No.

HMJr: But, then he suggested Henry Breuré but I said I didn't think Breuré -- he's a nice fellow.

S: Yeah.

- 2 -

HMJr: But not for this.

S: Yeah.

HMJr: He said, "Well, give me another twenty-four or forty-eight hours."

S: Yeah.

HMJr: And he said I could call him tomorrow or next day.

S: Well, now, meanwhile can Pehle go on and act.

HMJr: I tried to press that and he said, "No." He said, "Hold everything for twenty-four or forty-eight hours."

S: Well, can't he preform anyway?

HMJr: Oh, yes.

S: He and I are already performing in getting a guy a priority.

HMJr: I know. Well, we can perform between us.

S: Yeah. That's what we -- all we -- have to do.

HMJr: Yes.

S: Have you been able to think of anybody of international stature?

HMJr: Well, I've got several but I don't even want to suggest them yet.

S: Uh huh.

HMJr: But there have been a number of people suggested. These aren't my suggestions, like Hamilton Fish Armstrong.

S: Well, that's impossible isn't it?

HMJr: I don't know. And James G. McDonald.

S: Well, he's the guy that fell down before.

HMJr: That's what I told him. And then there's been Raymond Fosdick.

- 3 -

S: Well....

HMJr: And, I mean there have been a number of suggestions of people of that kind. None of these are my suggestions.

S: I know.

HMJr: And then Cleveland Dodge.

S: Yeah.

HMJr: And, I mean these are suggestions which have been made to me.

S: Uh huh.

HMJr: Which I'm not ready to recommend.

S: Uh huh.

HMJr: But....

S: Well, we want an awful -- awfully tough, able fellow, and....

HMJr: Yeah. This Mr. Graham, President of North Carolina, he's worth thinking about. Do you know him?

S: Yeah, I know -- I know him. I'm wondering if he's got the drive.

HMJr: I don't know.

S: I don't think so.

HMJr: I don't know.

S: I don't think he's quite got the drive.

HMJr: I wish -- I tried to get the President say, "Well, let's go ahead with Pehle." But he said, no he wanted twenty-four or forty-eight hours.

S: Yeah.

HMJr: But there are certain things which we could do just as between Treasury and -- State and Treasury.

- 4 -

S: Well, then we've just got to do them.

HMJr: Yeah.

S: Righto.

HMJr: Thank you.

S: Thank you, sir.

HMJr: Hello.

S: Yeah.

HMJr: This stuff, I find -- this is between you and me because there's more gossip running around this town about this thing. It's unbelievable.

S: Yeah.

HMJr: So....

S: Oh, well, I -- I'm not talking to anybody.

HMJr: So, I find that I -- I can't talk to anybody but I'm going to talk to you.

S: I'm talking to nobody.

HMJr: Okay.

S: Say, while we're on the phone...

HMJr: Yeah.

S: ....this Lend-lease thing that you and I have had our hearts in....

HMJr: Yeah.

S: ....is bogging down terribly.

HMJr: Is it?

S: I've had two diplomatic visits from Ambassadors today making official complaints to this Government.

HMJr: Yeah. Are you free at lunch Friday?

S: I've got to be in New York with....  
HMJr: Oh.  
S: ....the President of Venezuela, Henry.  
HMJr: Oh, yeah.  
S: Tomorrow -- from tomorrow noon on for a day  
and perhaps to Saturday and then I'm coming  
back for that big luncheon on Sunday.  
HMJr: Well, I'm going up to Bridgeport to make a  
speech -- War Bonds.  
S: Yeah.  
HMJr: Sunday. Well....  
S: Next week, maybe.  
HMJr: All right.  
S: Righto.  
HMJr: Let's get together.  
S: Thank you.  
HMJr: Thank you.

January 26, 1944.

MEMORANDUM:

Secretary Morgenthau called Pehle at 6:25 p.m. He said that he had called Stettinius and brought Stettinius up to date on his conversation with the President. Stettinius said why don't we get busy and do something. Secretary Morgenthau suggested to Pehle that he try to get out a cable tomorrow morning on the International Red Cross matter. He said Stettinius would be there tomorrow until noon.

/i/ - JWP

JWPehle:lhh

229-A

WAR DEPARTMENT  
WASHINGTON

January 26, 1944.

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

Dear Henry:

I have asked my staff for suggestions on the problem of the directorship of our Refugee Committee, seeking to see whether any outstanding candidates emerged, but without finding anyone whom I myself am acquainted with and would think would fill that category particularly.

Bob Lovett made the good suggestion that it would be well to consult the group of gentlemen who have been for a year or two engaged in this country in relief for Jewish refugees on the chance that they may have some such suggestion. I am inclined to think that an outstanding Gentile would have advantages in holding a detached position which would forestall any possible accusation of bias. The names which came up as possible material in our discussion included Tom Finletter of the State Department; Allen Dulles, now in Switzerland but who could be gotten out; James Becker of Chicago who has been prominent in Jewish relief; and possibly Allen Wardwell, though I am not sure of the latter's health. I offer them merely as possible suggestions.

Faithfully yours,

*Henry L. Stimson*

Secretary of War.

229-B  
1/2/44

405 STATE STREET  
ALBANY  
NEW YORK

Dear Henry:-

I have been thinking over the men who might be best for the job we talked over last Sunday. My first choice would be Dr. Frank Aydelotte, head of the Institute for Advanced Study at Princeton. He was formerly President of Swarthmore. Dr. Aydelotte has all the good qualities which we ascribe to the leaders. My second choice would be Charles E. Hughes Jr. Professor Joseph P. Chamberlain of Columbia is known to you. Perhaps his connection with

the J. D. C has been too close. Former Senator George Harton Pepper of Philadelphia would be excellent if not too old. John H. Davis would be fine if not too friendly to Great Britain. I do not know Dr. Frank P. Graham, President of the University of North Carolina but from accounts I have received from reliable sources he too is a very good man. Judge Sears would be best of all but he had a cardiac attack a year ago & I would hesitate to ask him to undertake a job that might be arduous. Best of all in my opinion would be John Lord O'Bryan of Buffalo - but he is counsel to H. P. B or some similar agency & I assume that you want some one who is not connected with the Administration. He was Assistant Attorney General under Hoover, an Episcopalian and the leading lawyer of

229-C

405 STATE STREET  
ALBANY  
NEW YORK

Buffalo

If you want further information  
about any of these men, I shall be  
home after 6:30 P.M. (at Albany) to-  
morrow evening and Tuesday evening  
Affectionate greetings to your  
and Chuck

Yours  
Enough

## Naming of Refugee Board Complicates Allied Relief Picture

By HELEN KIRKPATRICK,  
Foreign Correspondent of The Star  
and Chicago Daily News.

LONDON, Jan. 26.—American, British and Allied relief officials here appear to have been surprised and confused by President Roosevelt's recent announcement of his appointment of a war refugee board.

(The new board set up by executive order last Saturday to "take action for the immediate rescue from the Nazis of as many as possible of the persecuted minorities of Europe, racial, religious or political, all civilian victims of enemy savagery," was announced as comprising Secretaries Hull, Morgenthau and Stimson, directly responsible to the President.)

Relief officials here see the President's board as cutting directly across both the Inter-Governmental Committee for Refugees and the United Nations Relief and Rehabilitation Administration.

### Board Established Last Spring.

The Bermuda refugee conference, on United States' initiative, established last spring a board to deal with the refugee question. All Allied governments are represented on it and its function is to try to obtain the release from Nazi custody of persecuted persons and to arrange for their safe transport to some country where they may find work and homes.

The UNRRA, which grew out of the Lehman committee, was designed—again largely on the initiative of the United States—to organize, systematize and equalize the work of rehabilitation and relief in Europe, to prevent overlapping and to eliminate competition.

Instead of each Allied government running its own relief and private agencies with all competing for limited amount of foodstuffs, clothing and medical supplies, a single organization was decided upon.

To date the Inter-Governmental Committee for Refugees has not been able to accomplish a great deal for the simple reason that a large number of non-European countries do not want to take any more refugees.

No new committee is likely to be able to persuade the South American, Canadian or United States governments to change on this, it is felt among relief officials here.

### Feeding Is Major Problem.

The UNRRA's duties have been outlined as principally those of organizing and feeding the peoples of European territories as and when they are released from German domination; providing clothing and drugs and supervising and assisting the return of displaced populations to their homes or to areas where they can be accommodated.

UNRRA may be shorn of its power and be unable to obtain supplies because of congressional refusal to vote its budget, and because of Army plans for administration of Europe, setting up another organization to oversee the Inter-Governmental committee.

UNRRA and the Army will be a positive guarantee that money will not be wasted in Europe, in the view of experts.

The United States could pare its relief budget to the core and still command the respect and understanding of all Europeans, it is argued. But if, in addition to cutting relief appropriations, more and larger bureaucracies are established, Europeans are likely to be still further disillusioned about American efficiency.

(Copyright, 1944, Chicago Daily News, Inc.)

28

January 26, 1944.

Dear Mr. Bergson:

Your telegram of January 25 reached here during the Secretary's absence from the office.

I shall be glad to bring the wire to Mr. Morgenthau's attention as soon as he returns, and know that in the meantime he would wish me to thank you for what you said concerning his recent assignment to the War Refugee Board.

Sincerely yours,

(Signed) M. S. Kletz

M. S. Kletz,  
Private Secretary.

Mr. Peter Bergson,  
Co-Chairman, Emergency Committee to  
Save the Jewish People of Europe,  
2317 - 18th Street, N.W.,  
Washington, D. C.

GEP/dbs

CLASS OF SERVICE  
This is a full-rate  
Teletype or Cablegram unless its de-  
ferred character is indicated by a suitable  
symbol above or preceding the address.

A. N. WILLIAMS  
PRESIDENT

NEWCOMB CARLTON  
CHAIRMAN OF THE BOARD

J. C. WILLEVER  
FIRST VICE-PRESIDENT

1220

SYMBOLS

DL	Day Letter
NT	Oversight Telegram
LC	Deferred Cable
NLT	Cable Night Letter
	Ship Radiogram

Timing time shown in the date line on telegrams and day letters is STANDARD TIME at point of origin. Time of receipt is STANDARD TIME at point of destination.

LD13 JR NL

(1/2)

WASHINGTON DC JAN 23 1944

THE HON HENRY MORGENTHAU JR.

SECRETARY OF TREASURY WASHDC

THE CREATION BY THE PRESIDENT OF THE WAR REFUGEE BOARD BRINGS HOPE OF LIFE TO MILLIONS OF MY PEOPLE THREATENED WITH HORRIBLE AND USELESS GERMAN DEATHS. AS A REPRESENTATIVE AND SERVANT OF THE JEWISH PEOPLE OF EUROPE AND PALESTINE I WELCOME WITH DEEP SATISFACTION YOUR APPOINTMENT ON THAT BOARD. YOUR EMINENT AND GREAT RECORD INDICATE THE SCALE UPON WHICH THIS GRAVE PROBLEM SHALL BE TACKLED AND THE SWIFTNESS WITH WHICH HITLERS CHALLENGE TO EXTERMINATE THE ENTIRE JEWISH PEOPLE OF EUROPE SHALL BE MET. UNDER YOUR LEADERSHIP THE UNITED NATIONS WILL WIN THE BATTLE AGAINST MASSACRE EVEN AS TO IRRESISTIBLE ONSLAUGHT OF ITS ARMIES IS CRASHING THE ENEMIES NIGHT. FOR THE AXIS IS THE ESSENCE OF EVIL WHICH CAN NEVER HOPE TO WITHSTAND A JUST CAUSE. WHEREVER THE WORD OF YOUR NEW TASK REACHES - FROM THE DEATH CAMPS OF POLAND TO THE HOLY HILLS OF JUDEA, JEWS SHALL BE PRAYING FOR YOU. RESPECTFULLY YOURS

PETER BERGSON CO-CHAIRMAN EMERGENCY COMMITTEE TO  
SAVE THE JEWISH PEOPLE OF EUROPE

237A

THE COMPANY WILL APPRECIATE SUGGESTIONS FROM ITS PATRONS CONCERNING ITS SERVICE

JAN 26 1944

My dear Mr. Secretary:

This is to acknowledge your letter of January 2, 1944 replying to my letter of December 14, 1943 with respect to the possibility of cancelling existing contracts which the Navy Department has placed in Canada.

I note that you feel that the contract for PB2B planes could be transferred and that this contract involves approximately \$48 million.

I appreciate the prompt cooperation which you have given me on this matter and will keep you fully informed on further developments.

Very truly yours,

(Signed) D. W. BILL

Acting Secretary of the Treasury.

The Honorable,

The Secretary of Navy.

HDW:ISF:r1 1/19/44

THE SECRETARY OF THE NAVY  
WASHINGTON

2 January 1944

dear Mr. Secretary:

I reply to your letter of December 14 with respect to the possibility of cancelling existing contracts which the Navy Department has placed in Canada.

I have asked the procuring Bureaus of the Navy Department to furnish me with a list of their contracts with Canadian firms and for your information I am enclosing herewith copies of the memoranda which I have received from the Bureau of Aeronautics and the Bureau of Ordnance, both of which have outstanding contracts in Canada.

You will note in the memorandum from the Bureau of Aeronautics that mention is made of the fact that the contract for PB2B planes could be transferred. This contract involves approximately 48 million dollars and if the contract can be cancelled the monetary situation can be relieved to that extent.

The contracts which the Bureau of Ordnance now has outstanding in Canada are not particularly important insofar as dollar amounts are concerned. You will note from paragraph 2 of the memorandum that a contract for 8" high capacity projectile forgings may be placed by the Bureau of Ordnance in Canada, but if it is so placed it will be solely because of the lack of manpower in this country to take on this contract.

In addition to the contracts referred to in the memoranda from the Bureau of Aeronautics and the Bureau of Ordnance, the Bureau of Ships had placed a contract with War Supplies Ltd. for Algerine class minesweepers which were to be delivered to the British under Lend Lease. On December 16, 1943, a verbal agreement was reached whereby the contract was cancelled for the six Algerines remaining to be delivered under the contract. The minesweepers were being constructed on a cost basis and although the actual cost of the six remaining ships cannot be predicted accurately, it is estimated that it would have run between 7 and 8 million dollars.

I am hopeful that this information will be sufficient to permit you to make any recommendations which you may deem advisable to correct the monetary situation outlined in your letter. You may be sure that we will take the necessary steps to see that any future

The ships placed in Canada by the Navy are placed there solely  
for reasons of necessity for manpower rather than for any  
political considerations. The Navy Department will be glad  
to render any further assistance which you deem advisable with  
respect to this situation.

Very truly yours,

*F. Frank Stow*

The Honorable  
The Secretary of the Treasury  
Washington, D.C.

## NAVY DEPARTMENT

Bureau of Aeronautics

Washington

24 December 1943

M E M O R A N D U M

To: Bureau  
From: OP&M

Attn: Mr. Lionel Noah

1. In connection with the letter dated December 14, 1943 from the Secretary of the Treasury, dealing with contracts in Canada, the following information is submitted:

The contracts listed below, covering equipment under the cognizance of the Bureau of Aeronautics, are outstanding in Canada.

WAR SUPPLIES, LTD., 1205 15th Street, N. W., Washington, D. C.

<u>Model</u>	<u>Qty.</u>	<u>Manufacturer</u>	<u>Contract No.</u>	<u>Dollar Value</u>
SF-1	300	Fairchild-Montreal	NOa(s)-1734	\$28,322,280.00

Delivery Schedule

February	1944	-	3
March	"	-	7
April	"	-	12
May	"	-	18
June	"	-	26
July	"	-	36
August	"	-	50
September	"	-	50
October	"	-	50
November	"	-	47
			299

Airplanes accepted prior to December 1, 1943	1
---	---

Total	300
-------	-----

<u>Qty.</u>	<u>Manufacturer</u>	<u>Contract No.</u>	<u>Dollar Value</u>
280	Fairchild-Montreal	NOa(s)-2442	\$23,660,000.00

Delivery Schedule

November 1944	-	3
December "	-	50
January 1945	-	50
February "	-	50
March "	-	50
April "	-	50
May "	-	27

Total		280
-------	--	-----

<u>Model</u>	<u>Qty.</u>	<u>Manufacturer</u>	<u>Contract No.</u>	<u>Dollar Value</u>
SBW-1 -2	1000	Canadian Car & Foundry - Ft. William	NOa(s)-1733	\$96,132,600.00

Delivery Schedule

December 1943	-	12
January 1944	-	20
February "	-	26
March "	-	34
April "	-	42
May "	-	50
June "	-	58
July "	-	68
August "	-	76
September "	-	80
October "	-	80
November "	-	80
December "	-	80
January 1945	-	80
February "	-	80
March "	-	80
April "	-	37

983

Airplanes accepted prior  
to December 1, 1943

17

Total	1000
-------	------

er PB-2  
-----  
Model      Qty.      Manufacturer      Contract No.      Dollar Value  
PB2B-1      200      Boeing Aircraft      - NOa(s) - 1735      \$30,475,000.00  
Vancouver

Delivery Schedule

December	1943	- 22
January	1944	- 16
February	"	- 17
March	"	- 18
April	"	- 19
May	"	- 20
June	"	- 20
July	"	- 15
		147

Airplanes accepted prior  
to December 1, 1943      53

		Total	200	
<u>Model</u>	<u>Qty.</u>	<u>Manufacturer</u>	<u>Contract No.</u>	<u>Dollar Value</u>
PB2B-1	125	Boeing Aircraft Vancouver	- NOa(s) - 782	\$17,670,312.50

Delivery Schedule

July	1944	- 5
August	"	- 20
September	"	- 20
October	"	- 20
November	"	- 20
December	"	- 20
January	1945	- 20
	Total	125

<u>Model</u>	<u>Qty.</u>	<u>Manufacturer</u>	<u>Contract No.</u>	<u>Dollar Value</u>
also "A"				
May -10)	230	Vickers - Montreal	NOa(s) - 296	\$63,601,900.00

PBY-1 - 222 - 2nd delivery -  
PBY-1 - 222 - 2nd delivery -

Delivery Schedule

December 1943	- 4
January 1944	- 9
February "	- 9
March "	-10
April "	-13
May "	-12
June "	-15
July "	-15
August "	-15
September "	-21
October "	-30
November "	-30
December "	-30
January 1945	<u>-17</u>

Total	230
-------	-----

The following comments are submitted with respect to the four models of U. S. Navy financed Canadian aircraft production listed above:

- SBY Entire production allocated to and required by USN.
- SBW Major portion of production now allocated to USN; small portion allocated to Royal Navy in Arnold-McCain-Courtney-Portal Agreement in July 1943. USN needs all production. The RN will get approximately 20 of the 1943 production.
- Canse US financed portion of production all allocated to USAAF. Balance of production financed by Canada and retained by that country. None to U. S. Navy.
- PB2B Entire production allocated to Lend-Lease. None to U. S. Navy and none required by it. To date all production has gone to RAF, but New Zealand and Australia are now bidding for portions of the 1944 production. Present review of Arnold-McCain-Courtney-Portal Agreement will determine 1944 allocation, but it will all still be Lend-Lease.
2. It is considered that all of the above mentioned contracts may readily be justified on the basis of non-financial considerations. They're let because of the need for additional aircraft production. However, it is considered that it would be desirable in view of the information contained in the Secretary of the Treasury's letter, to arrange the refinancing of the PB2B contract such that U. S. financing would be withdrawn. The production of the PB2B is of no interest to the U. S. Navy. However, U. S. production could not be allocated in lieu of it in 1944. A

-INT

-5-

of possible U.S. Catalina production will be available for  
allocations in 1945. It is considered that follow-on PB2B  
should be financed other than by the U.S. Navy, for RAF, RAAF,  
etc.

It is not considered that any of the contracts mentioned herein  
should be cancelled unless the Boeing, Vancouver, contracts are taken  
over and financed by Canada.

(Sgd.) D. C. Ramsey

D. C. RAMSEY  
Rear Admiral, U.S.N.  
Chief of the Bureau of Aeronautics

NAVY DEPARTMENT  
BUREAU OF ORDNANCE

Washington, D. C.

Refer  
(A)  
EN2-

22 December 1943

From: The Chief of the Bureau of Ordnance  
To: The Chief of Procurement and Material  
(Att. Contract Clearance Division)

Subject: Bureau of Ordnance Contracts Manufactured in Canada.

1. In accordance with conversation between the Chief of Bureau and Mr. Goubeau of the Contract Clearance Division, the following information relative to Bureau of Ordnance contracts being carried out in Canada is furnished:

Contractor ✓ Contract No.	Place of Mfr.	Material	Dollar Value
A. C. Dutton Lumber Corp. NMs 32918	Not known	Eastern Canadian Spruce	\$ 30,098.50
War Supplies, Ltd. NOrd 575	Calgary, Alberta	3"/50 Breech Hags., Mk. 2-4	2,441,680.00
NOrd 3100	Willard, Ontario	20mm Gun Barrel Blanks	276,925.00
NOrd 4119	Buckingham, Quebec	Red Phosphorous	45,000.00
NOrd 4953	Montreal, Quebec	Projectiles, 152mm, H.C.,	682,230.00
	Hamilton, Ontario	138mm H.C., 90 mm H.C., 90 mm Illuminating	
2573	Buckingham, Quebec	Barium Chlorate	57,600.00
11392	Leaside, Ontario	Optical Glass Pressings	163,262.77
31140	New Toronto, Ont.	Phosphorous dioxidized copper	1,705.50
Ring	Not known	Projectiles, 130mm Common, 138 mm Common.	
Ring	Not known	40mm Gun Barrel Forgings	

Further, there is in contemplation a contract for 8" high capacity die forgings. However, it has not yet been determined whether it will be on from a material standpoint to place the contract in Canada, nor has manufacture been selected.

None of the above contracts were placed for reasons other than  
manufacturing sources which were not available within this country.

(Sgd.) G. F. Hussey, Jr.

G. F. HUSSEY, JR.

FAT

JAN 26 1944

Dear Admiral Land:

This is to acknowledge your letter of January 6, 1944, replying to my letter of December 14, 1943, regarding Canadian dollar balances.

I note that all the purchases being made in Canada by the Maritime Commission and the War Shipping Administration are dictated only by operational and procurement requirements.

I appreciate the prompt cooperation which you have given me on this matter.

Very truly yours,

(Signed) D. W. ELLIOT

Acting Secretary of the Treasury.

Admiral Emory S. Land,  
Chairman, Maritime Commission and  
War Shipping Administration,  
Commerce Building,  
Washington, D.C.

HDW:ISF:r1 1/19/44

U7c

UNITED STATES MARITIME COMMISSION  
WASHINGTON

JANUARY 8, 1944

OFFICE OF CHAIRMAN

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

My dear Mr. Secretary:

Pursuant to your letter of December 15th I have caused to be made in both the War Shipping Administration and the Maritime Commission a study to determine what outstanding purchase contracts we have with Canadian government agencies. In this connection I should like to point out that apart from the purchase of ninety vessels under WSA Contract No. 1074 dated July 15, 1942 entered into in accordance with the Hyde Park Agreement, neither the War Shipping Administration nor the Maritime Commission has any contracts for the purchase of Canadian-built vessels. All ninety vessels have been delivered under the aforementioned contract.

A current list of all unfilled orders of the Maritime Commission and the War Shipping Administration is enclosed. This list represents roughly two classes of purchases: One, materials required for the Maritime Commission construction program which cannot be procured in the United States because they are not available here or because they are required to meet production schedules that cannot be filled from United States' source of supply. The second group represents materials, services, and supplies which are purchased in the field for use or consumption on the spot. The Maritime Commission and the War Shipping Administration each maintain field offices in Canada to handle various operating functions arising out of the presence of United States Maritime Commission and War Shipping Administration vessels or properties in Canada. Both classes of purchases are dictated by operational and procurement requirements without consideration of any incidental benefit in dollar exchange that may occur to the Canadian government.

Sincerely,

*E. S. Land*

E. S. Land  
Chairman

Attachment

WAR SHIPPING ADMINISTRATION  
AND  
UNITED STATES MARITIME COMMISSION

215

of Purchases Made in Canada During the Month of October, 1943

dated 6/15/42 with War Supplies, Ltd., for purchase of 90 Vessels of  
10,000 ton Sands type, estimated to cost \$1,800,000 each.

Total as at October 31, 1943

Vessels Delivered	50
-------------------	----

Miscellaneous Purchases through War Supplies, Ltd.

as at September 30, 1943

Estimated Cost  
\$2,829,260.47

Contract No.	Purchase Order No.	Date	Quantity	Commodity	Cost
E-8832	MC43-2867 Add. #6	6/17/43	12	Snatch Block	432.68
L-17608	MC44-1734	10/12/43	34	Sockets	278.18
"	2611	10/17/43	-	Garage Services	24.17
"	2614	10/11/43	396 lb.	Zinc	25.20
"	2633	"	-	Misc. Material	232.25
"	2634	"	1	1½ ton Trolley	55.62
"	2635	"	-	Misc. Material	7.62
"	2656	10/14/43	-	" "	61.82
"	2657	10/15/43	1	Turnbuckle	218.18
"	2658	"	-	Misc. Services & Supplies	423.64
"	2659	"	12	Flounder Plates	152.7
"	2660	"	1000	Cotter pins	8.00
"	2661	"	-	Misc. Material	449.31
"	2662	"	6	Gasoline torch jets	1.96
"	2663	10/13/43	4220'	Wire rope	407.15
"	2664	10/14/43	366 cu.ft.	Oxygen	2.60
"	2665	"	-	Misc. Service	1.82
"	2666	"	-	" "	26.15
"	2667	10/15/43	-	Misc. Material	134.37
"	2668	"	-	" "	124.76
"	2669	"	-	Misc. Services and Supplies	40.91
"	2670	10/14/43	2	Galvanized Pails	2.27
"	2671	10/19/43	-	Misc. Material	2,729.86
"	2672	10/15/43	-	Misc. Services and Supplies	2,029.78
"	2673	10/14/43	-	Misc. Service	6.36
"	2674	10/13/43	-	Rental of crane	363.64
"	2675	"	-	Misc. Material	990.18
"	2676	10/14/43	2 gal.	Varsol	.54
"	2677	10/13/43	-	Misc. Material	80.73
"	2678	10/14/43	-	" "	100.53
"	2679	10/13/43	-	" "	99.28
"	2681	10/18/43	-	" "	204.37
"	2682	10/13/43	-	Rental crane and Floating Equip.	689.09
"	2683	10/15/43	-	Tug Service	68.18
"	2684	10/18/43	-	Misc. Material	1,341.72
"	2685	10/14/43	80	Shackles	452.73
"	2686	"	12	Lift chains	298.91
"	2701	10/13/43	-	Rental of crane	254.55

Total as at October 31, 1943

\$2,842,081.63

Purchases through British Ropes, Ltd.  
18 South Street, New York, N.Y.

<u>Purchase Order No.</u>	<u>Date</u>	<u>Commodity</u>	<u>Amount</u>
PD-MC-44-25035	11/13/43	Wire Rope	\$119,585.00
" 25855	11/23/43	"	1,900.00
" 26083	12/1/43	"	16,225.00
" 26084	"	"	28,910.00
" 26085	12/2/43	"	204.44
" 25862	11/27/43	"	2,435.42
" 25994	12/2/43	"	69,469.20
" 25967	12/2/43	"	24,364.00
" 26082	"	"	259.72
" 26814	12/18/43	"	594.99
" 24651	11/6/43	"	9,396.00
" 24663	"	"	79,623.60
" 21830	11/22/43	"	152,016.00

Total as at December 27, 1943

\$504,963.37

\* \* \* \* \*

Contract with War Supplies, Ltd. PD-MC44-26839, Maritime Contract MCC-5728  
dated December 18, 1943 covers steel plate in the amount of ..... \$59,600.00

\* \* \* \* \*

Vessels Repaired, etc. in Canadian Repair Yards

Total as at October 31, 1943 (No change through November 30, 1943)	\$1,600,000.00
---	----------------

GRAND TOTAL (excluding 90 vessels previously delivered).....	\$7,835,905.49
--	----------------

JAN 26 1944

My dear Mr. Secretary:

I would like to thank you for your comprehensive letter of January 13, 1944 replying to my letter of December 16, 1943 regarding Canadian gold and dollar balances.

We are now studying the information and suggestions contained in your letter and will, of course, discuss with you in advance any proposals which we may wish to make to the Canadian Government which involve contracts placed by any of your agencies.

Sincerely yours,

(signed) D. W. E. MAD

Acting Secretary of the Treasury

The Honorable Jesse H. Jones,

Secretary of Commerce.

ISF/efs 1/20/44

  
THE SECRETARY OF COMMERCE  
WASHINGTON

January 13, 1944

Dear Mr. Secretary:

I have your letter of December 16, 1943, in regard to Canadian gold and United States dollar balances; and note your opinion that no United States Government contracts should be placed in Canada which cannot be justified on the basis of non-financial considerations.

The Reconstruction Finance Corporation does not have any Canadian contracts, in effect or in contemplation, for any purpose other than to procure materials needed for the war effort. In this connection, however, I would point out that future Canadian contracts will be made by the Foreign Economic Administration, and not by the Reconstruction Finance Corporation; and you may accordingly wish to bring this matter to the attention of Mr. Leo Crowley.

I also note that the Canadian Government has proposed that it take over the obligations of the Metals Reserve Company, under the latter's agreement with War Supplies Limited, to make capital advances up to \$10,000,000 in connection with certain marginal Canadian mines.

The Reconstruction Finance Corporation would be entirely favorable to such a taking over. It should be pointed out, however, that the proposal thus made by the Canadian Government is perhaps not of great financial consequence. While Metals Reserve Company has agreed to supply capital up to a maximum of \$10,000,000 for this purpose, the capital actually advanced to date has been under \$1,350,000, no new projects have been undertaken under this arrangement since December 11, 1942, and it has for some time been clear that no additional individual projects are likely to be suggested or approved. Furthermore, since Metals Reserve maintains the right, under the terms of the agreement, to pass on and approve each individual undertaking, Metals Reserve really has no outstanding capital commitment.

It would be our suggestion that the Canadian Government take over not only Metals Reserve's obligation to advance further capital, but that it repay Metals Reserve Company for the unliquidated portion of the \$1,350,000 which Metals Reserve Company did advance; and that, in addition, it take over the operation of the mines which have been thus financed. These mines are being operated for Metals Reserve at a considerable loss, and the cost of the metals being obtained is very high. We would be glad if the Canadian Government would take over these operations, and assume these losses; but even were they unwilling to do so, and were they to shut down these properties, we do not believe that it would materially hinder

our effort. As a matter of fact, we have already cancelled the agreement with respect to one of the mines, and have been discussing with the War Production Board the question of cancelling others.

I also note your suggestion that all existing and contemplated United States Government contracts, as well as all contemplated and incompletely United States Government projects be reviewed in order to determine which of them might be taken over by the Canadian Government.

I am attaching a statement showing all of the Canadian contracts which the RFC subsidiaries have in effect. All of these contracts are in the nature of procurement contracts and cover the purchase of strategic materials from private Canadian operators. Most of these contracts show us no loss, and I do not know that anything would be gained by having the Canadian Government take them over.

A few contracts do show us a loss, payment of which is in the nature of a subsidy. This applies principally to the Falconbridge Nickel contract, the Canadian aluminum contract, and the alcohol program. As to the first, there might be injury to the war effort, unless the Canadian Government were willing to assume this subsidy and to continue to supply us with this nickel production; for we are still in need of this metal. With the Canadian aluminum contract, and the considerations affecting it, I think you are already familiar. The present alcohol commitment expired on December 31, 1943 and this program will be handled by PEA thereafter.

The New Caledonia nickel contract is mentioned in the attached statement but is hardly of the same character as the others. In this case the New Caledonia nickel producers sell their output to the Australian Government; the Australian Government sells to the Canadian Government and the Canadian Government sells to us. The New Caledonians are being paid what amounts to a subsidy price; but since we rather than Canada get the nickel, there is perhaps no reason to suggest that the Canadians assume this operation. On the other hand, the Canadian Government's insistence that these purchases be made through them, instead of directly, has the securing of United States dollars as its only apparent purpose. This being so, and in view of the objective which your letter sets forth, it might be better if we dealt directly with the Australians.

As to Canadian projects which have required, or do require, capital investments on our part, we have only those coming under the War Supplies Limited, which I have already discussed, and the Canadian aluminum contract.

We have no new projects under contemplation; but here  
I would like to point out that future Canadian activities will  
be under the jurisdiction of the Foreign Economic Administration.

In summary, my view is that the following action would be  
appropriate:

(1) Transfer to the Canadian Government both the capital  
obligations and the operating aspects of the War Supplies agreement  
with Metals Reserve Company covering certain marginal Canadian mines.

(2) Transfer to the Canadian Government the contract for  
the purchase of nickel from Falconbridge, provided Canada will make  
certain that production is continued.

(3) Eliminate Canadian participation in the contracts for  
the purchase of New Caledonia nickel.

(4) Continue all other contracts between RFC subsidiaries  
and Canadian sellers, since these represent normal purchases of  
Canadian materials for use in the war program.

All of our Canadian agreements, to which this letter has  
reference, were made on the recommendation of War Production Board.  
I have not attempted to discuss with them the recommendations con-  
tained in this letter; but before any agreements are actually  
terminated or transferred, the matter should probably be cleared  
with them.

Sincerely yours,

  
James F. Jones  
Secretary of Commerce

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

## METALS RESERVE COMPANY CONTRACTS

## FOR CANADIAN MATERIALS

<u>commodity</u>	<u>Seller</u>	<u>Estimated Total Cost of Contract</u>	<u>Remaining Dollar Commitment November 30, 1943</u>	<u>Termination Date</u>
Tin	Aluminum Company of Canada	\$180,000,000	\$70,000,000	December 31, 1944 (a)
"	Aluminum Company	67,000,000	35,000,000	June 30, 1945 (a)
Iron ore	Chromite, Limited	640,500	110,000	January 31, 1944
Copper ore	Sherritt Gordon	1,425,000	1,425,000	July 1, 1944
" "	Emergency Metals	695,000	400,000	December 31, 1944
Lead ore	Western Exploration	615,000	470,000	April 30, 1944
" "	Base Metal Mining	200,000	165,000	June 14, 1944
" "	New Calumet Mines	1,680,000	1,650,000	October 1, 1945
" "	Reco Mountain	320,000	320,000	August 15, 1944
Mercury	Bralorne	880,000	880,000	December 31, 1944
Tea	Purdy Mica	450,000	300,000	August 7, 1944
Nickel	Falconbridge	10,500,000	8,400,000	December 31, 1945 (a)
Iron ore	Emergency Metals	810,000	635,000	December 31, 1944
" "	Golden Manitou	3,150,000	2,100,000	September 1, 1944 (a)
" "	Sherritt Gordon	1,300,000	700,000	September 1, 1944 (a)
" "	Berens River	250,000	250,000	September 30, 1945 (a)
" "	Western Exploration	540,000	200,000	April 30, 1944
" "	St. Joseph Lead	1,100,000	1,000,000	May 31, 1944
" "	Waite Amulet	1,500,000	1,475,000	March 31, 1945
" "	Reco Mountain	615,000	615,000	August 31, 1945
" "	Base Metal Mining	675,000	560,000	July 1, 1944
" "	Sheep Creek Gold	1,175,000	900,000	June 30, 1944
" "	New Calumet Mines	1,925,000	1,865,000	October 1, 1945
	TOTALS	\$277,445,500	\$129,420,000	
for Supplies Agreement	*	\$5,300,000 (b)		December 31, 1944 (c)
Tin Tri-partite agreements	*	7,800,000 (b)		December 31, 1944 (c)
for Supplies (New Caledonia nickel)	*	4,500,000 (b)		December 31, 1944
	GRAND TOTAL		\$147,020,000	

Note:

- (a) Buyer has right of earlier termination on payment of liquidated damages.
  - (b) Estimated rate based on current performance and continuation of contract through December 31, 1944.
  - (c) Buyer has right of termination at his option on appropriate notice; date is arbitrarily inserted for purpose of estimate.
- \* No fixed commitment.

## DEFENSE SUPPLIES CORPORATION

WASHINGTON 25, D. C.

December 21, 1943

DSC CONTRACTS FOR CANADIAN MATERIALS

<u>Material</u>	<u>Seller</u>	<u>Estimated Total Cost of Contract</u>	<u>Estimated Remaining Dollar Commitment 11-30-43</u>	<u>Termination Date</u>
Ethyl Alcohol	War Supplies Ltd.	\$6,750,000	\$ 750,000	12-31-43
Calcium Carbide	War Supplies Ltd.	\$6,700,000	\$6,006,818	Firm Quantity (100,000 tons)
Gresol	Dominion Tar & Chemical Co.	\$ 100,000	\$ 89,570	12-31-43
Vinyl Acetate	Shawinigan Chemicals Ltd.	\$ 162,000	\$ 79,934.40	12-31-43
Vinylite Resin	Canadian Resins Ltd.	\$ 379,200	\$ 76,320	Firm Quantity (790,000 lbs.)

USCC CANADIAN CONTRACT

Acetylene Black	War Supplies Ltd.	\$1,032,946	\$1,032,946	Firm Quantity (approx. 9,000,000 lbs.)
-----------------	-------------------	-------------	-------------	---

ALCOHOL - While the present contract terminates on December 31, 1943, FEA is said to be working on an extension through 1944. The alcohol is purchased f.o.b. distilleries under a cost formula promulgated by the Canadian Government. Since grain is used as a raw material, the alcohol costs in excess of the 48¢ price ceiling in the United States. However, the Canadian distilleries receive less profit allowance than U. S. producers and the alcohol costs less than grain alcohol produced in the United States. Both foreign and domestic alcohol is pooled by DSC. Sales for commercial uses are made at the price ceiling of 48¢ per gallon. Sales to other government agencies are made at the estimated average cost of acquisition, which is 90¢ per gallon for the first quarter of 1944.

CHLORINE CARBIDE - DSC agrees to purchase 100,000 tons of carbide from a plant constructed by Shawinigan Chemicals Ltd. This will be the production over a two-year period. The carbide is purchased on a cost basis including amortization of the cost of the plant, provided the total cost

exceeded \$67 (U. S. currency) per ton. This carbide is pooled with carbide acquired by DSC from domestic producers and is sold at prices fixed by OPA. To date a loss has been taken on all carbide delivered of approximately \$14 per ton.

CHLORINE AND VINYL ACETATE - These are wash sales contracts under which the material is purchased and imported in the name of DSC through agents who immediately purchase the material in their own name at cost. No disbursements are made by DSC and no loss is incurred.

VINYLIC RESIN - This is a wash sale contract covering a fixed quantity, and deliveries are almost completed.

ACRYLIC BLACK - This contract covers approximately 9,000,000 pounds which represents the production of certain new facilities over a two-year period. Under the present OPA price ceiling, DSC should break even on the transaction except for possible inventory losses. While the contract is in the name of USCC, the material is sold to DSC after clearance through customs.

WIRE COATING - In addition to the foregoing, DSC has service contracts providing for coating wire and cable in Canada and reexportation to the United States. No disbursements are made under the contracts.

## WAR SUPPLIES CONTRACT

Under contract between Metals Reserve Company and War Supplies Limited, an agent of the Canadian government, dated September 15, 1942, MRC agreed to provide up to \$10,000,000 in capital costs for development of Canadian marginal mines. The advances so made to be returned ratably through the delivery to MRC of the entire production of the Canadian mines financed, at cost of production, plus an agreed amount to be credited against the advance.

The term of the War Supplies contract is till September 15, 1948, with the option to the Buyer to terminate as to one or more projects at any time on three-months' notice.

Eight projects have been approved to date and the total amount of capital advanced by MRC to War Supplies Limited has been \$1,310,872. Monthly expenditures for the purchase of metal ore concentrates produced are currently at the rate of \$568,000 but are expected to be at a materially lower rate in 1944 because one project is being cancelled as of December 31, 1943. The eight projects approved cover copper, lead and zinc.

## OTHER CONTRACTS

1. Metals Reserve Company has made arrangements for the purchase of Canadian fabricated aluminum products in order to facilitate the use of Canadian fabricating facilities. These arrangements, covered by tri-partite agreements to which Metals Reserve Company, the Aluminum Company of Canada, and eight consuming companies in the United States are parties, are subject to cancellation on 30-day notice by Metals Reserve Company. Through November 30, 1943, some \$9,000,000 in fabricated products had been purchased under these arrangements. It is anticipated that purchases will be at the rate of \$600,000 monthly at least through the first quarter of 1944.

2. Metals Reserve Company is also purchasing New Caledonian nickel matte from War Supplies Limited, Canadian government agency. This product is sold by the producers to the Australian government and by the Australian government to the Canadian government, the latter having taken part in the negotiations because the nickel was previously purchased by a Canadian company, International Nickel Company of Canada, and also to obtain a share of the dollar exchange.

The contract has an indefinite duration, but is subject to cancellation on 30-day notice by either party. Maximum commitment is approximately \$50,000 a month; current purchases are approximately \$350,000 a month. It is estimated that the Canadian government is retaining approximately half of the U.S. dollars received, paying the Australian government the equivalent in Canadian dollars. The nickel received does not physically enter Canada, being shipped directly to U. S. ports from New Caledonia or Australia.

Dear Mr. Crowley:

This is to acknowledge receipt of your letter of December 30, 1943, replying to my letter of December 16, 1943.

You will be interested to learn that in a letter Treasury recently received from Dr. Clark, a new estimate of \$146 million was given of the sum owed by Canada to the United States on Canpay requisitions up to December 31, 1943. On December 31, 1943, a payment of \$100 million was made on account of these Canpay liabilities.

In the letter referred to above, the suggestion is made for the immediate revision of the arrangement between the United Kingdom and the Office of Lend-Lease Administration to supply under lend-lease to the United Kingdom petroleum products for the use of the Air Training Plan in order to carry out the United Kingdom's commitment to that Plan, involving not only the supply of American crude petroleum but the cost of refining and transporting it in Canada. Dr. Clark suggests that this contract be revised in such a way as to limit the lend-lease assistance to the United Kingdom to the supply of crude petroleum while Canada will assume the Canadian costs which are involved.

I would like to express my appreciation for the cooperation you are giving me on these matters. We will, of course, discuss with you in advance any proposals which we may wish to make to the Canadian Government which involve your agency.

Very truly yours,

*[Signature]* Secretary of the Treasury.

Mr. Leo T. Crowley, Administrator,  
Foreign Economic Administration,  
Room 414,  
National Press Building,  
14th & F Streets, N.W.,  
Washington, D. C.

HDW/ISF/eis 1/20/44

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

DEC 30 1943

The Honorable  
The Secretary of the Treasury

Dear Mr. Secretary:

I have your letter of December 16, requesting information with respect to purchases now being made by the Foreign Economic Administration in Canada, contracts it has outstanding and projects it has under way in Canada, and a statement as to which of these could be cancelled and taken over by the Canadian Government without hindrance to the war effort.

My staff is assembling this information as rapidly as possible, and it will be communicated to you shortly. Meanwhile, I should like to call your attention to three points.

First, the great bulk of the purchases made in Canada subsequent to the Hyde Park Agreement were made by the War Department for its own account, not on behalf of the former agencies now constituting the Foreign Economic Administration. Second, the former Office of Lend-Lease Administration did not itself procure directly, but utilized other departments of the government for procurement, and in almost every instance the decision as to the source of supply was left to the procurement agency. This means that it will take a little time to separate out the procurements from Canada. Third, no new Canex requisitions have been filled since May, 1943, and virtually no unfilled requisitions are still outstanding. Reimbursement by the Canadian Government would, therefore, affect almost entirely transactions completed some time ago.

Sincerely yours,

  
Leo T. Crowley  
Administrator

TREASURY DEPARTMENT  
Washington

FOR RELEASE, MORNING NEWSPAPERS,  
Wednesday, January 26, 1944.  
1-25-44

Press Service  
No. 40-45

Secretary of the Treasury Morgenthau announced last night that the subscription books for the current offering of 0.90 percent Treasury Notes of Series D-1945, open to the holders of Treasury Certificates of Indebtedness of Series A-1944 maturing February 1, 1944, will close at the close of business tonight, January 26.

Subscriptions addressed to a Federal Reserve Bank or Branch, or to the Treasury Department, and placed in the mail before 12 o'clock midnight, Wednesday, January 26, will be considered as having been entered before the close of the subscription books.

Announcement of the amount of subscriptions and their division among the several Federal Reserve Districts will be made later.

-oo-

TREASURY DEPARTMENT  
OFFICE OF THE UNDER SECRETARY

To The Secretary

Here are latest figures  
on Drive Subscriptions.  
They include both  
individuals and  
corporations.

Exchange subscriptions  
for maturing certificates  
total \$1,737~~11~~ with  
tonight's mail yet to  
come.

swB

Under Secretary.

1/26/44, 19

U. S. GOVERNMENT PRINTING OFFICE 256681

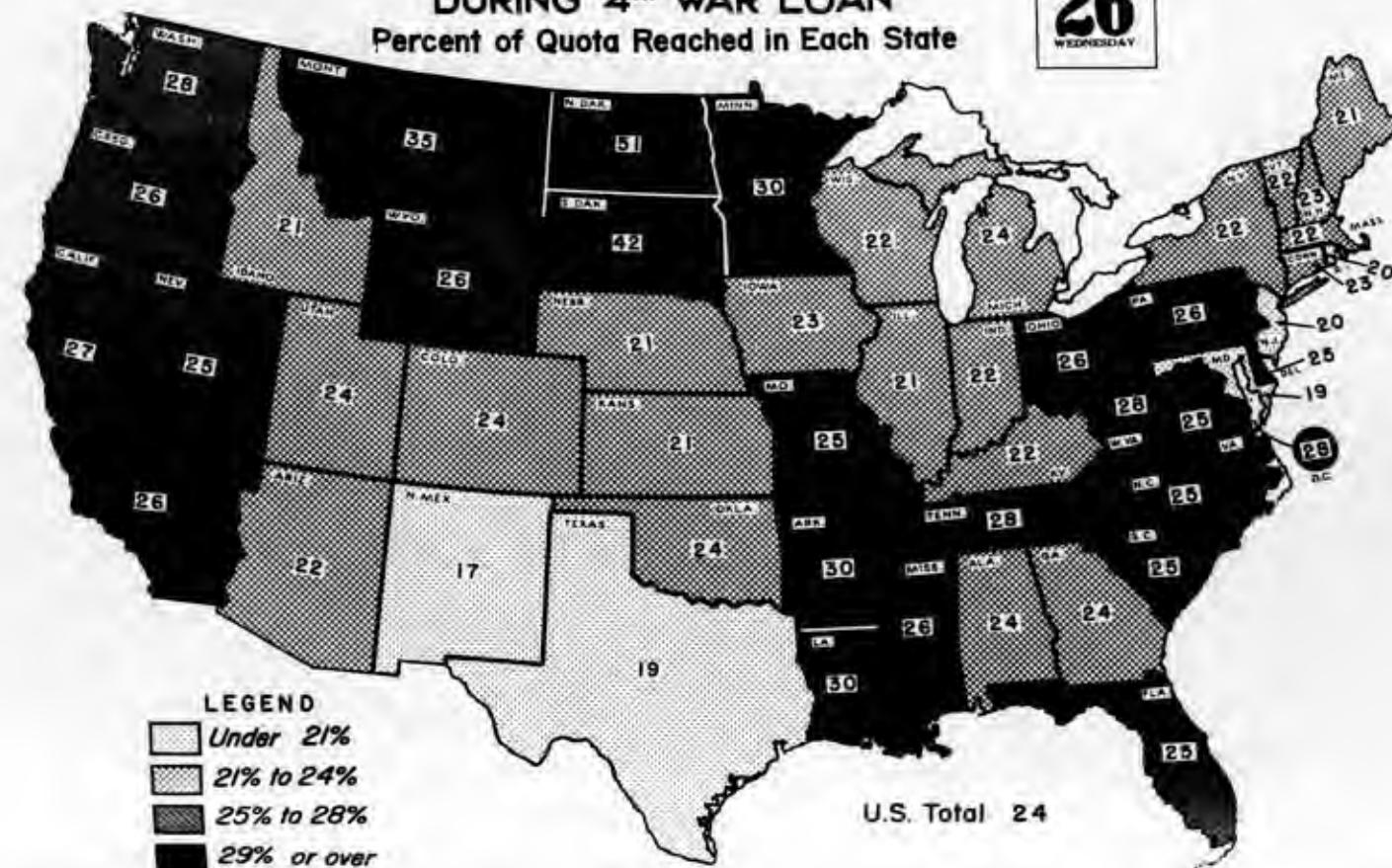
FOURTH WAR LOAN

Beginning January 18, 1944  
 (In millions of dollars)

	Cumulative					
	: Through	: Through	: Through	: Through	: Through	: Through
	: Jan. 22	: Jan. 24	: Jan. 25	: Jan. 26	:	:
Series E Bonds . . . . .	587	629	670	736	:	:
Series F Bonds . . . . .	27	31	35	41	:	:
Series G Bonds . . . . .	142	159	182	210	:	:
2-1/2% Treasury Bonds. . . . .	101	118	137	159	:	:
2-1/4% Treasury Bonds. . . . .	123	149	194	245	:	:
7/8% Certificates. . . . .	314	364	451	557	:	:
Series C Notes . . . . .	244	285	351	428	:	:
TOTAL. . . . .	1,538	1,735	2,020	2,376	:	:

**SERIES E SALES  
DURING 4<sup>TH</sup> WAR LOAN**

JANUARY  
**26**  
WEDNESDAY

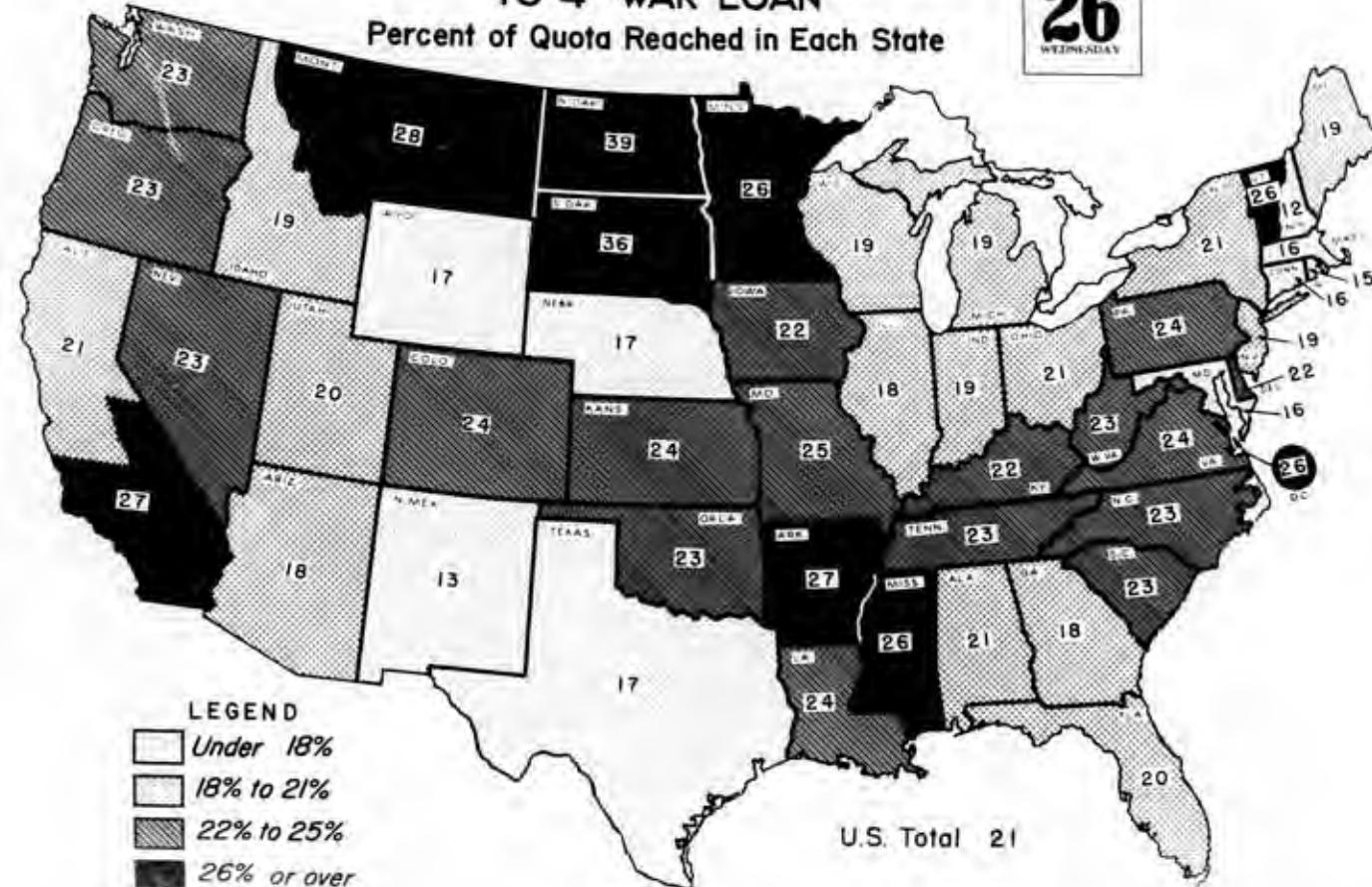


U.S. Total 24

# SUBSCRIPTIONS BY INDIVIDUALS TO 4<sup>TH</sup> WAR LOAN

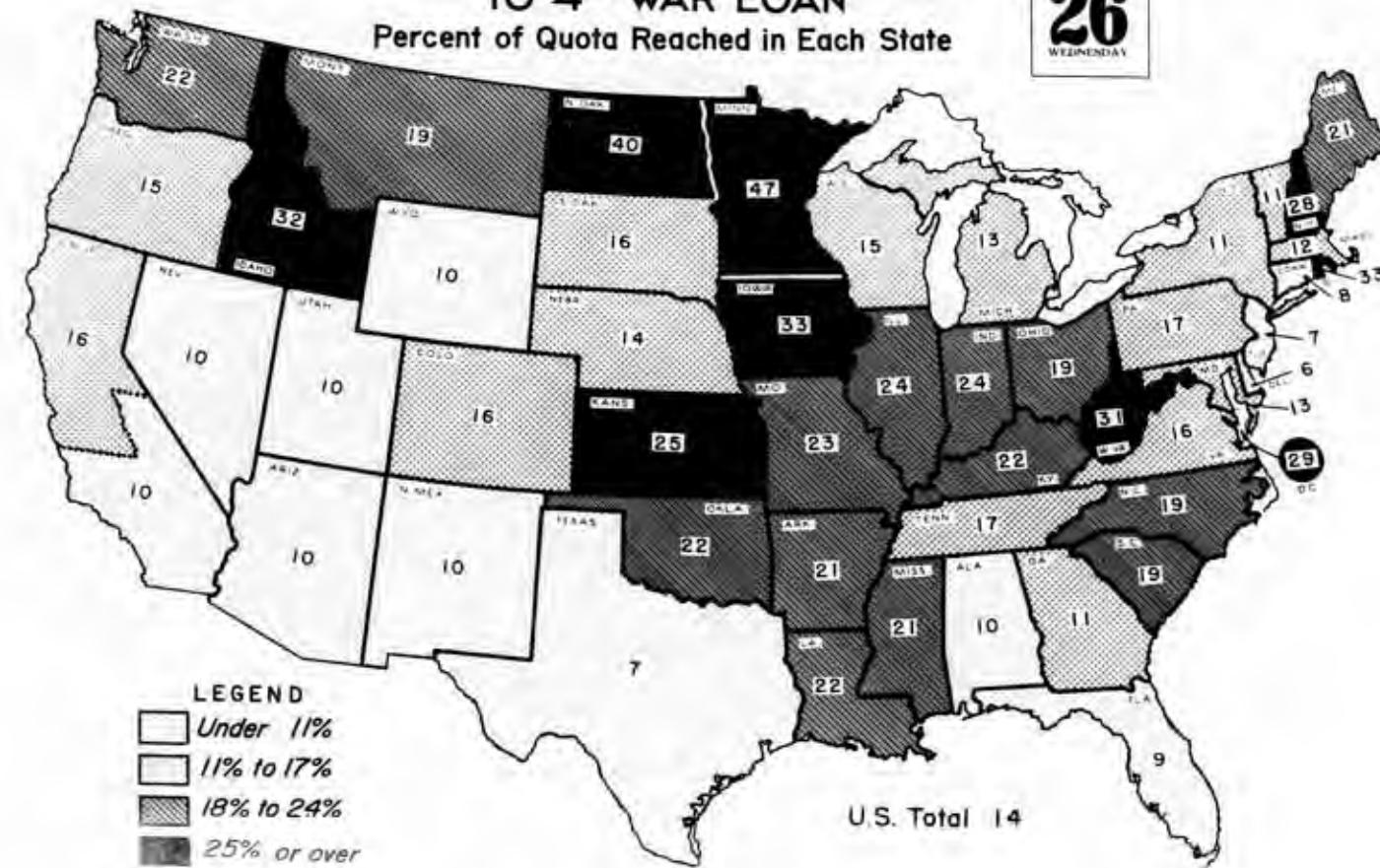
Percent of Quota Reached in Each State

JANUARY  
**26**  
WEDNESDAY



CORPORATION SUBSCRIPTIONS  
TO 4<sup>TH</sup> WAR LOAN  
Percent of Quota Reached in Each State

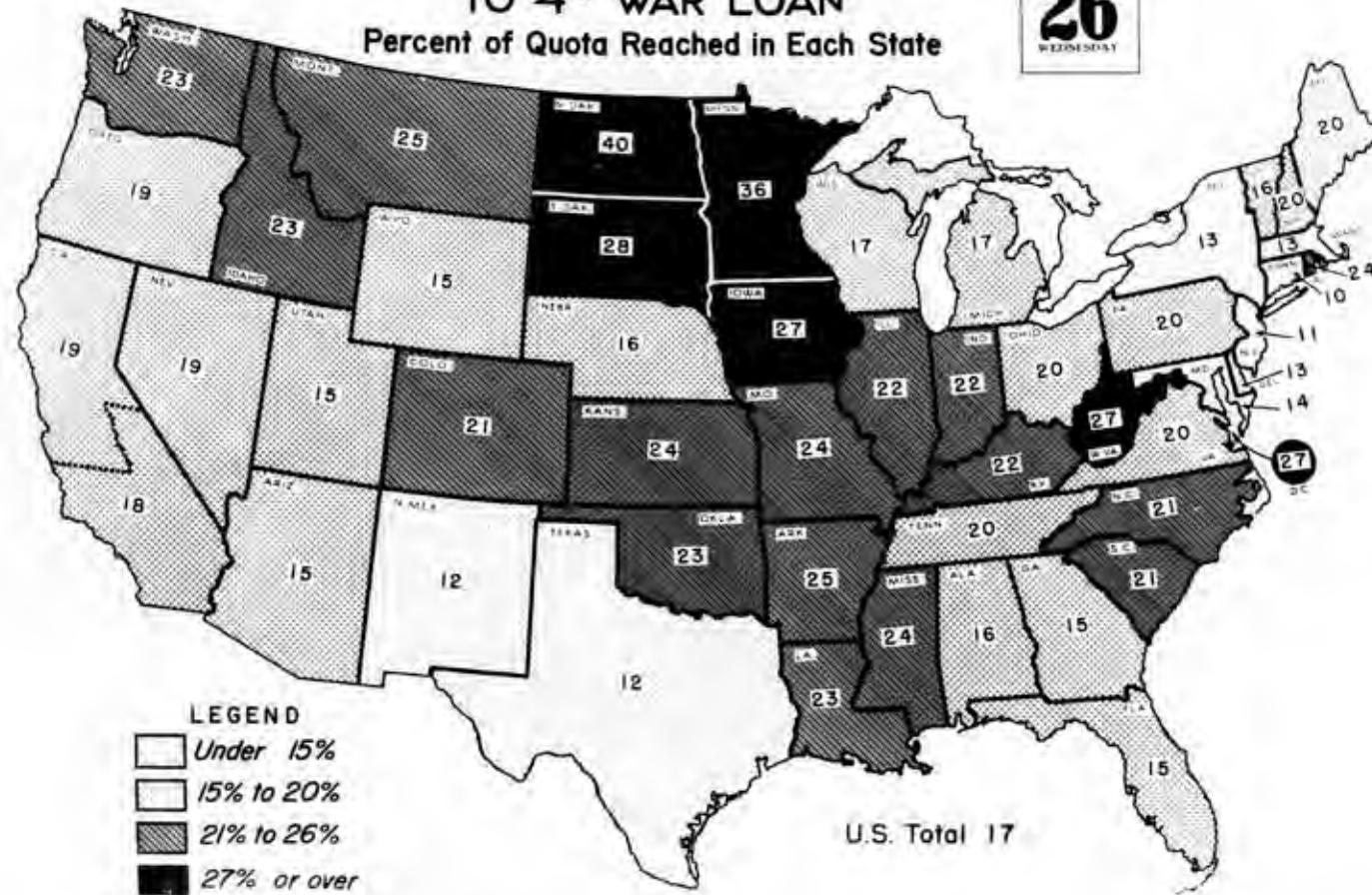
JANUARY  
**26**  
WEDNESDAY



**TOTAL SUBSCRIPTIONS  
TO 4<sup>TH</sup> WAR LOAN**

### **Percent of Quota Reached in Each State**

JANUARY  
**26**



MEMORANDUM

January 26, 1944.

TO: The Secretary  
FROM: Mr. Sullivan

TLS

I am transmitting herewith an outline of the pre-March 15th publicity on taxes.



OFFICE OF  
COMMISSIONER OF INTERNAL REVENUE

ADDRESS REPLY TO  
COMMISSIONER OF INTERNAL REVENUE  
AND REFER TO

TREASURY DEPARTMENT  
WASHINGTON 25



265  
January 18, 1944.

TO WHOM DUE FOR:

Mr. Sullivan.

Following is the outline of the work of the Bureau of Internal Revenue in acquainting taxpayers with their income tax obligations:

Mailing to Taxpayers--During the first week of January, in most cases, and copies of either Form 1040 or short Form 1040A (depending on which type of return was filed last year) was mailed to each of the 37 million persons who filed 1942 returns. In addition a statement was mailed to each of these persons (on Form 1125) showing the amount of the person's 1942 tax and also the amount of payments made on the 1942 tax. This statement will be a convenience to taxpayers because these are two of the important figures needed in filling in 1943 returns.

Receipts to Wage Earners--On or before January 31, all employers will be required to furnish to each employee a receipt showing the amount of wages paid during 1943 and the amount of income and victory tax withheld during the year. This receipt will furnish two more key figures needed in filling in 1943 returns.

Assistance by Collectors--Each of the approximately 300 main and division offices of the collectors will provide assistance to taxpayers in filling in their returns on a much more intensive scale than in past years. The number of deputy collectors available for assistance this year is in excess of 9,000, compared with about 8,000 last year. In addition, internal revenue agents and other available Bureau personnel will be utilized.

In addition, by staggering the hours of employees, all collector's offices are extending their hours to give maximum service to taxpayers who desire assistance in the evenings. While it has always been the practice to have night assistance towards the close of the filing period, many offices have already (in mid-January) begun keeping open at least one or two nights per week.

Deputy Collector Itineraries--A maximum number of deputies are being utilized to give taxpayers assistance in the plants where they work, in small communities where no regular collector's office is maintained, in newspaper lobbies, in banks and other public places.

- 2 -

The Cleveland Plan--Because the probable need for assistance is greater than ever this year and because of the large number of employees of the Bureau who have gone into the armed services, the Bureau has embarked this year on a nation-wide program of training non-Bureau personnel for assistance. The first comprehensive plan for this work was initiated by Thomas Carey, Collector at Cleveland, and details of his program have been furnished all other collectors with a recommendation that it be adopted or adapted in every other district according to local conditions. In brief, the Cleveland plan provides for a school of instruction held by the collector's office to acquaint representatives of large employers with the broader aspects of filing and filling-in returns. These employer representatives, usually one representative for every 600 or 700 employees, then go back to their own plants and help their fellow employees. By this method, the trained personnel of the collector's office is left free, to a large extent, to answer the more difficult questions which the employer representatives cannot be expected to learn in a short training period. This plan, in most cases, is set up by the collector's office in cooperation with the local Chamber of Commerce. However, non-industrial and other communities are authorized and encouraged to modify the plan in any way suitable to their locality. In Detroit, the plan has been carried a step further with schools being held for labor union representatives as well as employer representatives.

Elsewhere, some of these schools are being held for the general public.

In sparsely populated places such as New Mexico other variations are being adopted.

"Your Federal Income Tax"--An improved and revised series of daily newspaper articles, "Your Federal Income Tax" has been distributed by direct mail to all daily newspapers; all collectors, in addition, have been requested to supply these articles (with suggestions as to which articles are suitable for weekly papers) to other publications in their localities.

Poster--A three-color poster with the heading "You are one of 50,000,000 Americans who must fill out an income tax return by March 15" has been sent to the printer and will be distributed by direct mail for display in all plants, banks, post offices and other public places.

Army Dependents Enclosure--A concise statement of special provisions relating to servicemen and their families has been printed and will be mailed on February 1 by the Army along with its monthly allotment and allowance checks to approximately 5 million dependents of army personnel.

Local Publicity--A procedure has been established for coordinating and stimulating publicity by collectors through their local newspapers and radio stations. Primarily, the procedure consists of periodical memorandums advising collectors of specific messages desired on certain dates. In some instances, suggested forms of press releases are included. While local publicity is hardly a new thing, it is being stressed by the Bureau this year because of the difficulties of obtaining adequate transmission from Washington over crowded press wires of routine tax information.

- 3 -

Letters to Employers--Two circular letters have been mailed to all employers. The first reminded employers of the necessity for issuing receipts to employees on or before January 31, showing amounts of wages and taxes withheld during 1943. The second letter asked employers to acquaint their employees with the fact that, due to peculiarities in the transition to the pay-as-you-go plan, some employees would owe a rather substantial payment March 10 and ought to fill in returns as early as possible in order to find out where they stand.

Special Service for Armed Services--The Bureau is working with the Army and Navy to prepare special instructions and information and to make whatever other arrangements appear practical to assist members of the armed forces.

Motion Pictures--Two films (without cost to the Government) are in production and will show in nearly all theatres during February. One is a two-minute trailer on news reels urging early filing. The other is a ten-minute short explaining the general relation of taxes to winning the war (in a non-controversial manner).

Magazines--Nearly every popular magazine will carry in either the February or March issue some type of message or article about income tax. Special articles have been arranged particularly in women's magazines because, under war conditions, a much larger proportion of income tax filers will be women this year.

Radio--Intensive radio broadcasts of all types have been arranged both on a national and local scale.

Tax Books--Contact was made with all publishers of tax publications and arrangements were made for each of them to stress the advantages of early filing.

Special Types of Publications and Pages--Arrangements have been made to supply special articles of information to farm journals, labor papers, house organs, women's pages and other specialized media.

General Publicity--Various general press releases have been scheduled on various subjects such as pay as you go, special provisions for the armed forces, etc.

Letters to Editors, Publishers, etc.--A letter and accompanying factual material is contemplated for direct mail to all editors, publishers, commentators, etc. soliciting their cooperation in providing accurate information to tax payers. This letter makes the point that although we are all in favor of simplification, the 1945 forms are what the law requires them to be and since it is too late to change them, 50 million taxpayers have a need for accurate information in filling out and filing the present forms.

Possibilities--Several other projects are under consideration. The largest of these the proposed publication of a 35 to 48 page question and answer pamphlet of simplified information to be supplied taxpayers on request (10 million copies) but this as well as some other projects have been held

- 4 -

in abeyance because of legislative and other uncertainties.

*Irving Perlmeter*  
Irving Perlmeter,  
Public Relations Officer.

## PRESS CONFERENCE MEMORANDUM

1. THE JACK AND HEINTZ STATEMENT. There is no such thing as a five-man War Contract Renegotiation Board of the Internal Revenue Department. Nor do taxes have anything to do with renegotiation.

There is a six-man Price Adjustment Board representing all the interested agencies, and determines policy. It has nothing to do with any individual case. It has nothing to do with the Internal Revenue Department, which is not even represented.

Mr. Jack's quarrel is with the Army, but having picked an argument with the Army once and having lost it, he is apparently looking around for somebody else to argue with. ~~He stands a good chance of winning an argument with a fictitious renegotation board that increases taxes.~~

2. THE READER'S DIGEST STORY, which quotes a U. S. Treasury Department agent as saying, "a man who works with his hands shouldn't be paid as much as \$5,000 a year."

This article was written in cooperation with the Lincoln Electric Company. Mr. Lincoln made the same statement before the Ways and Means Committee, but the statement is definitely not true.

According to a memorandum to Sullivan: "Mr. Gregory again confirmed with me by long distance phone today that he never

WORK. WILLIAM JACK, PRESIDENT AND JACK AND HEINTZ, INC., OF  
CHARGED THAT THE ONE-MAN WAR CONTRACT RENEGOTIATION  
THE INTERNAL REVENUE DEPARTMENT WAS HEADING THE COUNTRY TOWARDS  
SHIP BY WITHDRAWING INDUSTRY'S CHANCES OF SURVIVAL THROUGH  
"WITHE" TAXES.

RENEGOTIATION BOARD IS SETTING UP A DICTATORSHIP WHERE IF YOU  
LIVE AFTER THE WAR YOU'LL HAVE TO GO TO UNCLE SAM," JACK TOLD THE  
NEWSPAPER'S WEEKLY "INNHEON." "IF INDUSTRY IS GOING TO  
IT MUST BE PERMITTED TO KEEP SOME PROFITS."

1/26--RM329P

- 2 -

made the statement attributed to him by Mr. Lincoln. Fortunately, he has never talked with Mr. Lincoln except in the presence of other Government men. Mr. Lincoln tried very hard to get Mr. Gregory to make such a statement. He tried hard to put those words in his mouth. But each time Gregory has refused to take that stand."

Apparently it is simply an out and out propaganda scheme against renegotiation.

In a great many cases, including in Mr. Lincoln's plant, men who work with their hands have been allowed considerably more than five thousand dollars.

TREASURY DEPARTMENT  
OFFICE OF THE SECRETARY

January 26, 1944

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended January 19, 1944, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

E M B

FEDERAL RESERVE BANK  
OF NEW YORK

January 25, 1944

CONFIDENTIAL

Dear Mr. Secretary:                  Attention: Mr. H. D. White

I am enclosing our compilation for the week ended January 19, 1944, showing dollar disbursements out of the British Empire and French accounts at this bank and the means by which these expenditures were financed.

Faithfully yours,

/s/ L. W. Knoke

L. W. Knoke,  
Vice President.

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

Enclosure

C O P Y

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS  
(In Millions of Dollars)

Strictly  
Week Ended January 12, 1944 Confidential

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)										BANK OF FRANCE			
	DEBITS				CREDITS									
	Total Debits	Gov't Expenditures	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Transfers from Official Securities (Official)	Other Australian Credits	Net Incr (+) or Decr (-) in \$ Funds	Total Debits	Total Credits	Net Incr. (+) or Decr. (-) in \$ Funds		
First year of war (a)	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	+ 35.0	866.3(f)	1,095.3(f)	+299.0		
War period through December, 1940	2,782.3	1,425.6	20.9	1,325.8	2,793.1	2,109.5	108.0	14.5	+ 10.6	878.3	1,098.4	+220.1		
Second year of war(b)	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	- 13.2	38.9	8.8	- 30.1		
Third year of war(i)	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	+ 125.9	18.5	4.4	- 14.1		
Fourth year of war(j)	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	+ 308.3	10.3	1.0	- 9.3		
<u>1943</u>														
Sept. 2 - Sept. 29	46.3	15.5	10.6	20.2	78.1	-	-	14.0	+ 31.8	-	-	-		
Sept. 30 - Nov. 3	59.5	35.3	0.1	24.1	126.4	-	-	41.5	+ 68.9	-	-	-		
Nov. 4 - Dec. 1	48.2	24.4	5.8	18.0	83.4	-	-	3.5	+ 35.2	-	-	-		
Dec. 2 - Dec. 29	38.2	15.6	-	22.6	123.5	-	-	35.0	+ 85.3	-	-	-		
<u>Week Ended:</u>														
December 22, 1943	5.4	1.9	-	3.5	42.0	-	-	42.0	+ 36.6	-	-	-		
December 29, 1943	8.9	2.6	-	6.1	25.8	-	-	15.0	+ 16.9	-	-	-		
January 5, 1944	66.7	6.7	0.7	59.3	29.4	-	-	14.5	+ 27.9	- 32.3	-	-		
January 12, 1944	7.1	4.1	-	3.0	30.0(k)	-	-	-	+ 30.0(k)	+ 22.9	-	-		

See attached sheet for footnotes.

Expenditures Since Outbreak of War  
 - 1939 (\$19.6 million)  
 - 1940 (\$27.6 million)  
 - 1941 (\$54.9 million)  
 England (since March 12, 1941) \$20.4 million

Regrade Unclassified

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$34 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (k) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941.
- (h) For monthly breakdown see tabulations prior to October 8, 1941.
- (i) For monthly breakdown see tabulations prior to October 14, 1942.
- (j) For monthly breakdown see tabulations prior to September 29, 1943.
- (k) Includes \$ 3.6 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, and \$23.4 million in connection with the expense of our armed forces abroad.



January 26, 1944

My dear Colonel McCarthy:

Thank you for your memorandum of January 19th telling me of the improvements which have been made in the unsatisfactory conditions at Dakar. It is very encouraging to receive this information.

Yours sincerely,

(Signed) H. Morgenthau, Jr.

Colonel Frank McCarthy,  
General Staff Corps,  
Secretary, General Staff,  
Office of the Chief of Staff,  
War Department,  
Washington, D. C.

**CONFIDENTIAL**

273

WAR DEPARTMENT  
OFFICE OF THE CHIEF OF STAFF  
WASHINGTON

January 19, 1944

MEMORANDUM FOR MR. MORGENTHAU:

As a result of our conversation at the White House on Sunday, I have looked further into the situation at Dakar and the aftermath of your visit there.

I believe you know that General George visited Dakar shortly before you did and found conditions there considerably below our standards. He relieved the air field commander, and the new commanding officer had arrived just before your visit. He had actually not had sufficient time to roll up his sleeves and go to work.

The Air Forces immediately made special shipments of equipment and materiel, as well as experienced personnel, to Dakar so that every phase of life at the air field might be improved. Vigorous corrective measures were instituted, and we now have reports to the effect that real results are being shown, in spite of the unfavorable climate, mud, and malaria. Special attention has been given to better transient facilities, better food, better sanitation, and above all, better medical care.

I believe we are justified in concluding that your visit and that of General George were of great value in spotlighting the unfavorable conditions which existed at Dakar and in prompting their improvement.

*Frank McCarthy*

FRANK McCARTHY  
Colonel, General Staff Corps  
Secretary, General Staff

**CONFIDENTIAL**

Treasury Department  
Division of Monetary Research

Date..... February 12, 1944 ..19

To: Mrs. McHugh

The Secretary would be interested in reading the portions of this letter marked in red pencil and also the appended copy of memorandum prepared for General Stillwell by his Political Adviser, a Mr. Davies, who, according to our information, is a very good man.

H.D.W.

MR. WHITE  
Branch 2058 - Room 214½

COPY

Strictly Confidential  
Letter IV.

January 26, 1945

Dear Dr. White,

There are a few interesting points to report this week.

1. In the message from the President to the Generalissimo notifying him that Stilwell and Gauss have been authorized to negotiate a financial arrangement covering Army expenditures in China, the President adds that it might be a good idea for Kung to visit the United States. This I am sure will be construed as an invitation by the Chinese and will be acted on accordingly. The Generalissimo will undoubtedly expect Kung to get some kind of handout from his visit which the Generalissimo would otherwise deem a failure. Both - and especially the Generalissimo - are behind the times on the American political scene and believe, I think sincerely, that the American people and Congress are anxious to give China assistance in whatever form, financial, economic or military, China requests it. (Cf. the last paragraph of Kung's letter enclosed herewith.) Neither realizes the bad feeling that has been created by the refusal to come to a satisfactory arrangement for handling our expenditures in China, and neither is aware of the widespread feeling in American informed circles that China has not been pulling her weight militarily. The inevitable disillusionment may affect the degree of China's collaboration in the forthcoming monetary negotiations. But this in itself is not a prime consideration if the cooperation of the other major powers is forthcoming, and moreover there is much to be

- 2 -

said for the view that the best way to get results is to get tough. By the way it should be unnecessary for me to point out that my usefulness to the Treasury in China would be impaired should my views be quoted to the Chinese representatives or visitors in Washington.

2. Kung told me yesterday that T. L. Soong had just returned and had informed him that the Secretary was still very friendly to China and realized the need for maintaining the official rate. I am sure that T. L. either deliberately or unintentionally misrepresented the Secretary's views, but Kung believes him. T. L. added that your attitude differed from the Secretary's in being quite hard. T. L. differs in no way from other Chinese officials who tell the bigwigs not the truth but what the bigwigs would like to believe is the truth.
3. There has been no let-up in the internal tension, if anything the reverse. The censorship has been tightened and military and political preparations are proceeding apace.
4. Am enclosing a copy of Kung's message to the Secretary in full so that you may have the original text for reference undistorted by double paraphrasing. There is no need for me to rebut the argumentation here, though it may be worthwhile to list a few errors of facts.
  - a. The figure of CN\$10 billion which Kung gives as the total cost of work done and now in process borne by the Chinese Government includes CN\$4 billion for the Chengtu airfields which our Army people assure me we have undertaken to pay, and also expenditures for the subsistence of our Army which the Army says it will pay for as soon as the bill is presented. This makes the assertion in the last sentence in the penultimate paragraph of the letter doubly ridiculous.

- 3 -

- b. The reference to the Stabilization Board is as you know a dubious technicality.
- c. The figure of 500,000 workers for the Chengtu project given in the fifth paragraph is incorrect. The Army tells me that at present 200,000 workers are engaged on the project and that an additional 100,000 workers will eventually be engaged. It is more than likely that the Ministry of Communications which is handling the projects gave Kung a padded list in order to get increased appropriations, presumably to be handled in a variety of ways. Nevertheless, it is true that the projects are having a serious impact on prices in the Chengtu area and that the recruitment of so large a labor force may impair agricultural production, a probability to which Kung does not call attention. I am told that the people in the Chengtu area are in no way enthusiastic about the projects, a reaction which must be ascribed as much to the Chinese Government's inefficiency as to anything else. In the first place land in one of the most fertile areas in China is being requisitioned for non-agricultural uses, in the second the magistrates are not paying the displaced farmers for their land and they find it hard to content themselves with vague promises of payment in the future. In the third the area is being burdened with the maintenance of a large outside labor force at the same time that other areas are being drained of the agricultural labor necessary for cultivation and harvesting. The fact that the Chengtu area is a focal point of political

- 4 -

discontent on the part of the powerful Szechuan landlords and militarists must of necessity be taken into consideration in assessing the total situation.

- d. The reference to rupees in the seventh paragraph doesn't make any sense at all as it now stands, as China is the one country in the world where a sterling area currency is at a premium over the dollar in the black market. But one must charitably put this down to faulty exposition, as what Kung apparently had in mind was that Chinese hoarders find it more profitable to obtain rupees indirectly by first purchasing U. S. currency to be exchanged for rupees in India than to obtain rupees directly in the black market in China. Kung also ignores the fact that Chinese in Free China buy U. S. currency to hoard. It should be noted that the Chinese Government has at least tacitly connived at the "illegal" activities referred to in the last sentence of the same paragraph. It has never asked us to stop American soldiers' activities in the black market and Kung himself informed the American Ambassador - in an informal way of course - that he preferred to see our government organizations selling U. S. currency in the black market than to give them a rate which we consider reasonable. In the former connection you may recall that Kung refused to do anything effective when we asked him to stop the sale of savings certificates to American soldiers. For the rest I understand that the Generalissimo participated in the drafting of the letter which reflects the level of his thinking both on economics and politics. The most astonishing thing in the whole letter

- 5 -

is the claim that China has already repaid the US\$1 billion loan. No point would appear to be served in answering the letter unless the answer is a clear and unmistakeable further step in the process of getting tough, or otherwise it would only result in an endless and useless back and forth. There can be little doubt but that the Secretary's message to Kung has already had a beneficial effect.

5. I am also enclosing a confidential memo on Chiang Kai-shek and China written by the Political Advisor to General Stilwell. It may be of some interest to the Secretary.
6. For your information the Ambassador has asked me to participate informally in the Army and State Department discussions of the arrangements they are to offer to the Chinese as the starting point for negotiations re a more satisfactory procedure for American expenditures in China. My participation is of course entirely unofficial, as it is only the Embassy and the Army which together will make official representations to the Chinese Government and the Treasury is in no way involved. Some progress has been made to the extent that the American Government agencies involved are now for the first time acting in unison and speaking in one voice, that the President has endorsed their attempt to procure a more reasonable arrangement and that he has shown lack of receptivity to what Americans here call the Gimme which characterizes the Chinese view of the American role. (The Army nickname for the United States is Uncle Sugar.) But the negotiations are likely to prove protracted and laborious before any significant results are obtained. As indicated in my last letter, the bargaining position of the Army will inevitably

- 6 -

be adversely affected if it has to stick to the letter of its instructions that nothing must be allowed to interfere with the progress of the high priority projects.

7. Thomas informs me that London is still in touch with Washington about the termination of the 1941 agreements. There is nothing to be gained by continuing to maintain the Board in a state of suspended inanimation, and I strongly recommend that the Board be buried as speedily as possible.

There is a profound division of opinion among American military experts here as to operations in this theater. One school believes we should concentrate entirely on air operations while the other school feels that some attention be paid to training and equipping Chinese divisions for what in its opinion will constitute the decisive struggle here, namely land operations against the Japanese. Strangely enough neither school is particularly enthusiastic about the high priority projects.

With kindest regards to your wife and yourself,

Yours sincerely,

Sol Adler (signed)

The latest rumor about T. V. is that he will vacate the Foreign Ministry.

Strictly Confidential

#### CHIANG KAI-SHEK AND CHINA

The Generalissimo is probably the only Chinese who shares the popular American conception that Chiang Kai-shek is China. This congenial fiction is worth examining.

Japan's attack caught China in mid-passage between semi-feudalism and modern statehood. External pressure in the form of Japanese aggression imposed a temporary unity on the various elements struggling to determine whether China was to develop a long democratic or authoritarian lines. Public pressure compelled Chiang, who was the strongest of these elements, to become the symbol of a unified national will. The internal conflict was suspended.

This situation continued so long as the Japanese attempted to bring China to its knees by military means. But after the fall of Hankow in 1938 the war entered a period of military stagnation which has continued until now. Japan adopted instead a shrewd policy of political and economic offensives designed to bring about Chinese disintegration and collapse. Confronted with this new Japanese tactic, which promised him some respite at the expense of other Chinese elements, Chiang chose to abandon Chinese unity and retrogressed to his pre-war position as a Chinese militarist seeking to dominate rather than unify and lead.

The Generalissimo seeks to dominate because he has no appreciation of what genuine democracy means. His philosophy is the unintegrated product of his limited intelligence, his Japanese military education, his former close contact with German military advisors, his alliance with the usurious banker-landlord class, and his reversion to the sterile maxims of the Chinese classics. The primitive power complex which was his original motivation has developed into a bigoted conviction that China can realize its destiny only under his preceptorship.

Chiang's technique of domination is adroit political manipulation of the various elements of the Chinese political scene and, subsidiarily, employment of a gangster secret police headed by Tai Li. He is the leader of the Kuomintang, which he would wish to make his totalitarian party. But the Kuomintang, once an expression of genuine nationalist feeling, is now an uncertain equilibrium of decadent, competing factions, with neither dynamic principles nor a popular base. Such control as Chiang has over the Kuomintang is achieved through playing the factions within the party one against the other.

Likewise in the larger national scene Chiang, often utilizing the Kuomintang, manipulates a political balance among the residual warlords, dissident groups in his own army, provincial cliques, the so-called "Communists", minor parties and even the Japanese-created puppets. The unorganized liberals and intellectuals are a potential, not an immediate threat.

- 2 -

Chiang's paramountcy is, therefore, insecure and unsound. His reluctance to expend military strength against Japan, his anxious preoccupation with securing domestic supremacy, his suspicion of everyone around him and his increasing emotional instability betray a subconscious realization of this.

Because his Kuomintang Government has no popular base, because the centrifugal forces in China are growing under prolonged economic strain and because the Soviet Union may join the war against Japan and enter Manchuria and North China, the Generalissimo faces next year the gravest crisis of his career.

What form and course the crisis will take is impossible to predict. Certain contributory factors, however, are clear. One is the increasingly independent attitude of the Chinese Communists, who now say that they no longer fear Chungking. "If Chiang wants to commit suicide on us, that suits us." Another is the accelerating economic disintegration. A third is the growing restiveness of certain provincial and military factions. Any one or a combination of these may be sufficient to accomplish Chiang's downfall.

By reversing his policy of 16 years' standing, reforming the Kuomintang and taking the lead in a genuine united front, Chiang could surely survive the crisis. But he is not only personally incapable of this, he is a hostage of the corrupt forces he manipulates.

In this uncertain situation we should avoid committing ourselves unalterably to Chiang. We should be ready during or after the War to adjust ourselves to possible realignments in China. We should wish, for example, to avoid finding ourselves at the close of the War backing a coalition of Chiang's Kuomintang and the degenerate puppets against a democratic coalition commanding Russian sympathy.

The adoption of a more realistic policy toward Chiang does not mean abandonment of our objectives (1) to capitalize during the War on China's position on the Japanese flank, and (2) to build up after the War a strong and independent China. On the contrary, it will mean that we shall be more likely to achieve these objectives. A realistic policy toward Chiang would be based on (1) recognition by us that the Generalissimo is highly susceptible to firm coordinated American pressure, (2) stern bargaining (in consultation with American representatives in China), and (3) readiness to support a strong new coalition offering cooperation mutually more beneficial to China and the United States.

December 31, 1943.

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, CHUNGKING  
TO: SECRETARY OF STATE, WASHINGTON  
DATED: January 26, 1944  
NUMBER: 166

EX-PTP  
EX-PK 697-256-A  
25-E

SECRET

From Adler to the Secretary of Treasury.

Reference your 75 of January 15.

At the request of Doctor Kung I am transmitting the following message:

Appreciative of your candidly communicating with me in regard to the reports reaching you concerning the building of air bases in China, I shall answer in the same spirit. Specifically, I know there has never been any deliberate delay in such building as my Government's policy is to cooperate fully with the American war effort in China. In pushing these projects, however, it is necessary to realize the tremendous difficulties, as we have scarcely any power machinery for this work, almost all of which must be performed by laborious manual labor of tens of thousands of men gathered for this purpose. Besides, rock has to be cut and broken and moved some distance by this means and of consequence progress is slower than we should like.

The legal procedure pursued by us with respect to the national Treasury disbursements is that all orders issued by the Government for making authorized payments must

-2-

must be checked and countersigned by the Comptroller General and the Government's auditing department, respectively, before money can be drawn from the bank. Although within this legal pattern first choice is given to military requirements and my Ministry tries to effect prompt payment, to furnish actual cash is not so easy. It is disclosed by 1944 estimates that only about half of our large war expenditures will be met by non-borrowed receipts, and the consequent sizeable deficits covered by Central Bank loans bringing about expansion of note issue. Therefore, with higher American Army disbursements in China, there is a greater need for a further rise in note issue. The 80 million notes of fifty fapi and 200 million of twenty fapi which are equivalent to the currently estimated cost of CN dollars 4 billion of the airfields and the related work in the Chengtu area alone entailed approximately 60 and 150 plane loads from India respectively.

So far China has appropriated the sum of 9,278 million fapi for airports and other war outlays on behalf of the American Army, of which 5,454 million has already been paid out, including 3,725 for building airfields, 532 million for subsistence, 507 million for roads, 334 million for transportation, and 3 million for housing. The remainder of 2808 million yuan is for air bases. As the

Chengtu

-3-

Chengtu area projects are likely to be higher than originally estimated the overall cost of work done and now in hand probably exceed ten million fapi. On the basis of the existing official rate which the Stabilization Board set with participation of US and British members, this sum already equals US half billion and does not include roughly CN 2 billion spent directly by American Army acquisition of Chinese currency for US currency.

GAUSS

NOT TO BE RE-TRANSMITTEDU.S. SECRET  
BRITISH MOST SECRETCOPY NO 12OPTEL No. 30

Information received up to 10 A.M. 26th January, 1944

1. NAVAL

On 24th evening during an attack on our shipping in the GAETA area at least 7 enemy aircraft were shot down by ships' A.A. and Beaufighters. 2 U.S. destroyers and a U.S. Minesweeper were damaged. H.M. Ships continue to bombard roads in the FORMIA Area.

Aegean One of H.M. Submarines on return from patrol reports having sunk 5 Caiques and shelled a light-house.

2. MILITARY

Italy 6th. Corps. Our troops have now crossed the ROME-NAPLES Railway 13½ miles North of ANZIO. 5th Army In the centre of the front a U.S. attack is making slow progress.

Burma Arakan. Japanese are continuing small and unsuccessful counter-attacks against our positions East of MAUNGDAW - BUTHIDAUNG Road 4 miles west of latter. In the KALADAN Valley our forces have continued to advance meeting only weak patrols and are now within 4 miles of PALETWA.

3. AIR OPERATION

Western Front 25th. Total 83 fighter bombers attacked 3 airfields in HOLLAND and NORTHERN FRANCE while 47 medium and light bombers and 70 fighter bombers attacked military constructions; 1 fighter bomber and 1 fighter missing. 25th/26th. Aircraft despatched: Military constructions NORTHERN FRANCE 76, AACMEN 14, Leaflets 23, (1 missing) Intruders 3.

Italy 24th. 77 light and 475 fighter bombers attacked objectives in the battle area. Enemy casualties 7:1:3, ours 3 fighters missing.

Balkans 23rd/24th. 18 Wellingtons dropped 28 tons on an aircraft factory at MARIBOR; 2 Wellingtons missing. 24th. 60 escorted Liberators dropped 137 tons on the railway centre and airfield at SKOPLJE. Enemy casualties 6:2:4. Ours one Liberator, 2 fighters missing. 80 Fortresses dropped 101 tons on VRATSA, North of SOFIA. 8 did not return.

TREASURY DEPARTMENT

1944 JAN 27 PM 1 28

Regraded Unclassified