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March 22, 1944  
10:29 a.m.

1

HMJr: Hello.

Operator: She's coming on.

Other  
Operator: Here's Mrs. Brady.

Dorothy  
Brady: Hello, Mr. Secretary.

HMJr: How are you all?

B: All right. How are you?

HMJr: Fine. Look, Dorothy, have you got a pencil?

B: Yes, sir.

HMJr: The President has with him a declaration about the refugees and -- uh -- directing it at the Germans and so forth -- that they should treat them better. You see?

B: Uh huh.

HMJr: He's had that for a week or ten days and when I saw him Saturday -- then Saturday afternoon Sam saw him -- and they sent it over to the State Department and they gave the English two days to say that they'd join them. You see?

B: Uh huh.

HMJr: Now, when I saw the President, he said he needed something to hang it onto. You see?

B: Uh huh.

HMJr: Well, now that the Germans have marched into Hungary, it's an ideal time to issue such a statement.

B: Uh huh.

HMJr: You see?

B: Uh huh.

HMJr: And I just would like to bring that to his attention.



- 2 -

B: Uh huh.

HMJr: That this would be perfect timing.

B: Uh huh.

HMJr: And, of course....

B: You mean, to release it to the Press?

HMJr: That's right.

B: Uh huh.

HMJr: And he -- Mr. Hull told us yesterday that -- that his instructions were only to give the English two days.

B: Uh huh.

HMJr: But this is a late afterthought -- of course, if it could come -- if this statement could not only come from Roosevelt and Churchill, but also from Stalin, it would be pretty strong notice that they -- the Germans can't murder all these people in Hungary and Rumania. You see?

B: Uh huh. Uh huh.

HMJr: And if somebody doesn't say something, there's going to be a million or more people most likely murdered in Hungary and Rumania.

B: Uh huh. All right, well, I'll get -- make a memorandum of this and get it to the President.

HMJr: Would you? And....

B: Yes, sir.

HMJr: And then one other thing -- I spoke to the President about making John Pehle full Director. He's only Acting Director.

B: Uh huh.

HMJr: And the President also said that he wanted some occasion. Well, you can tell the President I've brought it up at the War Refugee Board meeting yesterday and -- making Mr. Pehle permanent is both agreeable to Mr. Hull and to Mr. Stimson.

- 3 -

B: Uh huh.

HMJr: See?

B: Uh huh.

HMJr: And I think if he tied the whole thing up in one package....

B: Uh huh.

HMJr: You see?

B: Uh huh.

HMJr: ....would be....

B: All right.

HMJr: This would be -- and he -- would be -- and he said he wanted to do the Pehle thing when there was some occasion to do it. You see?

B: Yes.

HMJr: So....

B: All right. Well, I'll get word to him.

HMJr: I thank you.

B: ~~U~~ You're welcome.

HMJr: Hello.

March 22, 1944  
2:36 p.m.

HMJr: Hello.

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

HMJr: Okay.

Operator: All right.

HMJr: Hello.

Dorothy Brady: Hello.

HMJr: Hello, Dorothy.

B: Yes, sir.

HMJr: Have you a pencil handy?

B: I have.

HMJr: Last Saturday when I saw the President, I discussed with him at great length the fact that Mr. Randolph Paul wanted to resign as General Counsel.

B: Uh huh.

HMJr: And the President told me to accept his resignation promptly. As he is a Presidential appointee....

B: Uh huh.

HMJr: ....he resigns to the President.

B: Uh huh.

HMJr: I have his resignation here....

B: Uh huh.

HMJr: ....and a suggest -- a draft of a letter....

B: Yes.

HMJr: ....for the President to sign.

B: Uh huh.



- 2 -

HMJr: I would like to send that over to you.

B: I would be happy to receive it.

HMJr: And get the President to sign it.

B: Uh huh. All right.

HMJr: Now, when they want to give it out, if Mr. Early would collaborate with Mr. Gaston over here....

B: Uh huh.

HMJr: ....they can decide how they want to give it out.

B: All right.

HMJr: Now, do you think -- if Grace is with the President, does that mean that you won't get to him today to sign anything more?

B: No, sir, it does not mean that.

HMJr: I see.

B: I will -- as soon as you send it over to me, I will send it over to her and I'll put a little note -- I think it will probably be a good idea if I took your draft and wrote it up so that if he likes, it, he can sign it.

HMJr: Well, it's on White House stationery already.

B: Oh, it's already -- uh huh -- but it doesn't say "draft"?

HMJr: No.

B: Uh huh. So thay in case he wants to sign it, he can.

HMJr: He can.

B: All right. Well, that will be fine. Then I'll just put a little note on it for -- if it's to be released, for Mr. Early to get in touch with Mr. Gaston and we'll let you know.



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HMJr: It will be there within fifteen minutes.

B: All right, sir. Thank you.

HMJr: Thank you.



THE GENERAL COUNSEL OF THE TREASURY  
WASHINGTON

March 22, 1944

My dear Mr. Secretary:

I transmit herewith the original of my letter to the President, resigning as General Counsel.

I assume that you will see that the letter is forwarded to the President.

I should like to accept your kind offer to make a temporary appointment as Assistant to the Secretary. In doing so, I would like to be free to resign from this appointment on short notice.

So far as I know, I shall be around town for a period, and I shall be very glad to do whatever is necessary to help my successor in the assumption of his new duties.

Sincerely,

General Counsel

Hon. Henry Morgenthau, Jr.,  
Secretary of the Treasury.

Enclosure



*Paul's draft -  
Not used*

MAR 22 1944

My dear Mr. Secretary:

I transmit herewith the original of my letter to the President, resigning as General Counsel.

I assume that you will see that the letter is forwarded to the President.

I should like to accept your kind offer to make a temporary appointment as Assistant to the Secretary in order that I may for the present draw leave pay. In doing so, I would like to be free to resign from this appointment on short notice.

So far as I know, I shall be around town for a period, and I shall be very glad to do whatever is necessary to help my successor in the assumption of his new duties.

Sincerely,

*(Signed)* Randolph Paul  
General Counsel

Hon. Henry Morgenthau, Jr.,  
Secretary of the Treasury.

Enclosure

REP/kfa



March 22, 1944

My dear Mr. President:

I came to Washington in 1941 with a commitment to devote myself to the then forthcoming Revenue Bill. Since that time I have represented the Administration and the Treasury before Congress on three tax bills. The fourth one, a technical measure to simplify the individual income tax, is, I am glad to say, well on its way to enactment. I believe I can contribute little more at present in this special field and I should, therefore, like to submit my resignation as General Counsel of the Treasury.

I take this occasion to express again my warm admiration for your steadfast courage in advocating the realistic tax program which the times demand. It has been a great pleasure and satisfaction to work under your leadership and that of Secretary Morgenthau.

Please believe me always at your service for any further contribution I can make to the war effort.

Sincerely yours,

(Signed) Randolph Paus  
General Counsel.

The President,

The White House

RBP/kfa



Acceptance letter prepared  
for President's signature

March 22, 1944.

Dear Randolph:

In view of your decision as expressed in your letter of March 22, I accept with great regret your resignation as General Counsel of the Treasury Department.

The difficult labors you have performed during the last three years, particularly in the field of tax policy and in the formation and presentation to the Congress of a wartime revenue program, have been of the highest value to your country.

You have my personal gratitude and good wishes.

Sincerely,

Mr. Randolph Paul  
General Counsel, Treasury Department  
Washington, D.C.

WSA

March 22, 1944.

Dear Randolph:

I am forwarding your letter of resignation as General Counsel to the President as you requested.

This I do with a great deal of reluctance, as I have already indicated to you. You have done invaluable work in your career in the Treasury and I am personally grateful for it.

I appreciate also your offer to help your successor when he is chosen. We shall naturally want to take advantage of it.

Sincerely,

(Signed) Henry Morgenthau, Jr.

Secretary of the Treasury.

Mr. Randolph Paul  
General Counsel, Treasury Department  
Washington, D.C.

HEG/mah



March 22, 1944

MEMORANDUM FOR THE SECRETARY'S DIARY:

Secretary Morgenthau called me at 5:42 p.m. today and said that Miss Tully had called him at 5:40 p.m. and indicated that the President was going to give out his statement at his Friday press conference, and that he was not going to wait for the British or anyone else to join in the statement.

Secretary Morgenthau asked Miss Tully whether the President would, at the same time, announce the "Acting" had been dropped from my title. Miss Tully said that she had not heard of this and the Secretary told her of his previous conversation with Mrs. Brady. Miss Tully had not heard of this conversation but said that she would pass along to the President the thought that the issuance of his statement would be a good time for him to make the announcement concerning the change in title.





March 22, 1944

Dear Mr. Jones:

In accordance with your request, I am enclosing herewith, for your confidential information, a copy of the stenographic minutes of the meeting held in Secretary Morgenthau's office Friday, March 17, 1944.

Very truly yours,

(Signed) Joseph J. O'Connell, Jr.

Joseph J. O'Connell, Jr.  
Assistant General Counsel

Mr. Howard T. Jones  
Executive Secretary  
Distilled Spirits Institute  
Room 1137 National Press Building  
Washington, D. C.

Attachment

JJO'C.Jr/lsw

(All sent by  
messenger at noon today)  
3-22-44.

March 22, 1944

Dear Mr. Baldrige:

In accordance with your request, I am enclosing herewith, for your confidential information, a copy of the stenographic minutes of the meeting held in Secretary Morgenthau's office Friday, March 17, 1944.

Very truly yours,

(Signed) Joseph J. O'Connell, Jr.

Joseph J. O'Connell, Jr.  
Assistant General Counsel

Mr. Holmes Baldrige  
Special Assistant to the  
Attorney General  
Department of Justice  
Washington, D. C.

Attachment

JJO'C.Jr./lsw

March 22, 1944

Dear Mr. Emerson:

In accordance with your request, I am enclosing herewith, for your confidential information, a copy of the stenographic minutes of the meeting held in Secretary Morgenthau's office Friday, March 17, 1944.

Very truly yours,

(Signed) Joseph J. O'Connell, Jr.

Joseph J. O'Connell, Jr.  
Assistant General Counsel

Mr. Thomas I. Emerson,  
Deputy Administrator  
Office of Price Administration  
Washington, D. C.

Attachment

JJO'C.Jr/lsw



March 22, 1944

Dear Mr. Sourwine:

In accordance with your request, I am enclosing herewith, for your confidential information, a copy of the stenographic minutes of the meeting held in Secretary Morgenthau's office Friday, March 17, 1944.

Very truly yours,

(Signed) Joseph J. O'Connell, Jr.

Joseph J. O'Connell, Jr.  
Assistant General Counsel

Mr. J. G. Sourwine  
Counsel  
Liquor Investigating Subcommittee  
Senate Judiciary Committee  
United States Senate  
Washington, D. C.

Attachment

JJO'C.Jr/lsw

March 22, 1944

Dear Dr. Morgan:

In accordance with your request, I am enclosing herewith, for your confidential information, a copy of the stenographic minutes of the meeting held in Secretary Morgenthau's office Friday, March 17, 1944.

Very truly yours,

(Signed) Joseph J. O'Connell, Jr.

Joseph J. O'Connell, Jr.  
Assistant General Counsel

Dr. D. P. Morgan  
War Production Board  
Room 1007 Temporary S  
Sixth and Jefferson Drive s. w.  
Washington, D. C.

Attachment

JJO'C.Jr/lw



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# TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau  
FROM Joseph J. O'Connell, Jr.

March 22, 1944

Mr. Haas has asked me to advise you whether there is authority under existing law to distribute prizes to holders of outstanding savings bonds as an inducement for the continued holding of such bonds; and also as to whether there is authority under existing law to make a similar arrangement with respect to bonds still to be issued.

Unfortunately, we are confronted at the very outset with the Federal anti-lottery statute (section 213 of the Criminal Code). The statute is quite uncompromising in its terms and, in my judgment, operates as an effective bar to any plan involving a lottery feature.

The statute provides that "no letter, package, postcard, or circular concerning any lottery, gift, enterprise, or similar scheme offering prizes dependent in whole or in part upon lot or chance \*\*\* shall be deposited in or carried by the mails of ~~the~~ United States, or be delivered by any postmaster or letter carrier." A similar provision exists with respect to the use of the radio.

In this connection, you might be interested in a bill introduced several months ago by Congressman Gale, a Republican Congressman from Minnesota, which was referred to the Committee on Ways and Means (where it has remained inactive up to the present time), a copy of which is attached. This bill would, if enacted into law, authorize the practice of distributing prizes as an incentive to individuals to purchase and to hold Series E bonds.

Attachment

Joseph J. O'Connell, Jr.



78TH CONGRESS  
1ST SESSION

# H. R. 3784

---

## IN THE HOUSE OF REPRESENTATIVES

DECEMBER 6, 1943

MR. GALE introduced the following bill; which was referred to the Committee on Ways and Means

---

### A BILL

To promote the sale of United States savings bonds by means of a premium plan.

1 *Be it enacted by the Senate and House of Representa-*  
2 *tives of the United States of America in Congress assembled,*  
3 That the Secretary of the Treasury is hereby authorized and  
4 directed to pay premiums to individuals who are registered  
5 owners of United States savings bonds, series E, which may  
6 have been heretofore issued or which may be issued in the  
7 future.

8 SEC. 2. From among all the bonds of the issue or issues  
9 heretofore described in section 1, the Secretary of the  
10 Treasury shall select by number or symbol, and by lot, in  
11 an impartial manner, those bonds which shall be entitled to

1 premiums, except that no bond which has been selected for  
2 any premium shall be eligible for participation in any sub-  
3 sequent selection.

4       SEC. 3. In making selections by lot, every United States  
5 savings bond, series E, as described in section 1 and bear-  
6 ing a maturity value of \$25, shall have an equal chance of  
7 selection. Bonds of the issue described in this section, but  
8 of greater maturity value than \$25, shall have as many  
9 chances of being selected by lot as the number twenty-five  
10 is contained in the maturity value of the bond.

11       SEC. 4. Beginning within ninety days after the enact-  
12 ment of this Act, selections shall be made from time to time  
13 at stated intervals by the Secretary of the Treasury, but shall  
14 not be made more than ninety days apart.

15       SEC. 5. The Secretary shall, by regulations, prescribe a  
16 schedule of premiums for the bonds so selected except that  
17 the first premium shall not be less than \$25,000, and no  
18 premium shall be less than \$100.

19       SEC. 6. The premiums provided for in section 1 shall be  
20 paid in the form of bonds of the United States issued under  
21 the Second Liberty Bond Act, as amended, and the purposes  
22 for which bonds may be issued under that Act are hereby  
23 extended to include the purposes for which bonds may be  
24 issued pursuant to this section. The bonds issued pursuant to  
25 this section shall have maturities and bear interest at such

1 rate (in no event less than  $2\frac{1}{2}$  per centum per annum) as  
2 the Secretary of the Treasury may prescribe.

3       SEC. 7. Premiums paid under this Act, and the proceeds  
4 of any bond issued pursuant to this Act upon redemption or  
5 sale by the person to whom issued shall not be includible in  
6 gross income for the purpose of chapter 1 of the Internal  
7 Revenue Code.

8       SEC. 8. There are authorized to be appropriated such  
9 sums as may be necessary to carry out the provisions of this  
10 Act.



MAR 22 1944

25

My dear Mr. Chairman:

Receipt is acknowledged of your letter of March 15, 1944, enclosing copy of a proposed additional report of the Joint Committee on Reduction of Nonessential Federal Expenditures entitled "Report on the Budget and Unexpended Balances of the Federal Government" and requesting my comments and suggestions.

With respect to the proposed report, it seems to me that its general tenor is one of criticism, either directly or by implication, of the Appropriations Committees of the Congress. I refer, for example, to page 3 where attention is called to the fact that appropriations are outrunning expenditures to an inordinate degree, resulting in large and unwarranted unexpended balances being available to the agencies of the Government engaged in war activities, and to page 4 where the statement is made that such large continuing excesses can result only in unjustifiable extravagance and waste. I am sure you appreciate that as Secretary of the Treasury I would not want to join in any direct or implied criticism of the Appropriations Committees, even if such criticism should be warranted, and I do not believe any criticism of these Committees is warranted.

The nature and size of our far-flung war activities make it imperative that the armed forces be given ample appropriations with which to plan their programs. The War and Navy Departments must formulate long-range plans for the complete mobilization of our combat forces and for the provision and equipment of our Army and Navy, and before they can make contracts or incur obligations under our laws, Congress must first make the necessary appropriations for such purposes. The size of our armed forces and the extent of our participation in the war require that huge appropriations be placed under their control. The Appropriations Committee of the Congress have recognized this situation and have granted to the services appropriations of sums that are needed for a successful prosecution of the war. There may be cases where subsequent events show that too many funds have been granted for particular purposes, but on the whole I believe the Committees have performed a wonderful job in support of our armed forces. These matters are under constant scrutiny by the Budget Bureau and the Committees from time to time and adjustments in appropriations are made as the situations warrant. It seems to me that this is as it should be.

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There are other phases of the Committee report on which I should like to comment.

On page 1 the estimated public debt is projected far beyond the President's budget for the fiscal year ending June 30, 1945, which is predicated upon a continuance of the war, and a figure of a potential debt of over 400 billion dollars is arrived at. I do not think that it is practical at this time for any agency to endeavor to project the public debt or the state of the Federal finances beyond June 30, 1945 in view of the many uncertainties which such projections involve. The paramount factor in these projections depends on the termination of the war.

On page 5 the statement is made that "we are rapidly reaching a situation whereby the magnitude of our public debt is a great peril to our future security." I do not believe that any committee, especially one which has enjoyed such prestige as the Joint Committee on Reduction of Nonessential Federal Expenditures, should make any statements which might raise questions in the minds of the general public as to the integrity of the public debt without a searching inquiry and a precise statement of the resulting conclusions. The securities representing our debt are owned by the American people and their institutions. The individual citizen of this country now holds a greater proportion of our debt than ever before in its history. We are constantly being advised of rumors with which enemies at home are undoubtedly trying to influence our people to lessen their support of the war effort by not purchasing war bonds. I am sure you appreciate that the continuance of confidence in the public credit is of the highest necessity for our security.

On page 5 of the proposed report, a recommendation is made that the Appropriations Committees analyze the unobligated balances submitted by all agencies to determine wherein their requests for appropriations were excessive. This seems to me to be unnecessary at this time because it has been my experience that the Appropriations Committees go thoroughly into all requests for appropriations, and in this operation they have access to all data with respect to appropriations and expenditures of the executive agencies.

It is my opinion that the second recommendation that unobligated balances of annual appropriations be lapsed and returned to the Treasury at the end of each fiscal year is not practicable. Experience has shown that it is not possible to arrive at a definite amount of unliquidated obligations on the last day of a fiscal year, and the present law recognizes this situation by providing a two-year period during which the amount of such



- 3 -

obligations can be determined and liquidated. Even if such unobligated balances could be accurately ascertained I do not see that any money would be saved because no further obligations can be incurred after the close of the year.

It is not clear as to what is contemplated by the third recommendation that the practice of granting deficiency and supplemental appropriations during the fiscal year be reorganized and a more practical procedure be put into effect immediately. By virtue of the fact that new situations and changed conditions are constantly developing, and during the war more so than in ordinary times, it is impossible to foresee all requirements for appropriations in advance of their actual need.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Honorable Harry F. Byrd  
Chairman, Committee on Reduction of  
Nonessential Federal Expenditures  
Congress of the United States  
Washington, D. C.



U.S. GOVERNMENT PRINTING OFFICE: 1943

**Congress of the United States**

JOINT COMMITTEE ON INVESTIGATION OF MISMANAGEMENT OF  
FEDERAL RESOURCES  
ORGANIZED PURSUANT TO SEC. 201, OF THE FEDERAL  
ACT OF 1942

March 15, 1944 r

Honorable Henry Morgenthau, Jr.  
The Treasury Department  
Washington, D. C.

My dear Mr. Secretary:

I am enclosing a copy of the Committee's  
report on Unexpended Balances. I should appre-  
ciate your comments, suggestions and approval.

It is our hope that it can be presented  
to Congress within the next few days.

With kindest regards, I am

Faithfully yours,

*Harry F. D...*

DEPT. OF THE TREASURY  
MAR 17 1944

RECEIVED  
MAR 17 1944  
U.S. GOVERNMENT PRINTING OFFICE

March 22, 1944

FROM: SECRETARY MORGENTHAU  
TO: DR. WHITE

All matters between the Treasury and the Bureau of the Budget must be cleared through the office of the Under-Secretary. I have, therefore, sent your letter giving the Treasury's views on the proposed Executive Order "establishing the Executive Committee on Economic Foreign Policy" to Mr. Bell for clearance.



26  
Taken from the Wednesday, March 22, 1944  
Congressional Record.



A. A. A. to act as a board or an agency to determine who is entitled to farm machinery, or has the Congress ever authorized the A. A. A. to determine under the A. A. A. program which farmers are entitled to gasoline to be used not in their tractors but on the highways? If the gentleman can answer those questions and say that those of us who have criticized the A. A. A. for sending out information to farmers now that these things I have just mentioned will be used in considering whether they are going to permit a farmer to have machinery or whether they are going to permit him to be deferred, that is another thing entirely. I have criticized the A. A. A. for that and I still criticize it. I do not know where the Congress has ever authorized them to do anything of that kind.

Mr. MURRAY of Wisconsin. I may say to the gentleman from Oklahoma that he has not asked one question, but several questions. If I were to answer the questions from the knowledge I have at this moment, I would say: I presume what the gentleman refers to are the activities of the War Food Administration which do not necessarily come under the A. A. A. In most, if not all the States, the Chairman of the A. A. A. happens to be the head of the War Food Board. I presume that those things that the gentleman complains of are done under the War Food Boards rather than by the A. A. A. set-up. That would be my understanding of the organization at the present time. In most cases they are the same individuals. If there is any law it comes under the powers that have been delegated to the War Food Administrator by Executive order and is not part of any law passed by the Congress.

Mr. RIZLEY. Does the gentleman say that by Executive order the War Food Administration has now been given authority to determine who is entitled to a draft deferment as an essential farmer?

Mr. MURRAY of Wisconsin. I would say it may have been so construed. There is a rather broader interpreting of many laws and orders.

Mr. RIZLEY. Does the gentleman say further that the War Food Administration, by Executive decree, has been authorized to determine who shall be entitled to a quota of farm machinery?

Mr. MURRAY of Wisconsin. If the gentleman will look up the law under which this power has been delegated, I am sure he will find it is quite broad, and he will find that the interpretation of it is very, very broad. It will include most anything, as I found out last summer when a certain employee of the War Meat Board was telling all the farmer butchers in my particular district that, if they did not have a new slaughterhouse within 10 days, he would cancel their permit to slaughter. That is what I ran into last summer. I later found the writer of the letter did not have permission to write the letter from any superior officeholder. I did find out that he must have been a political appointee, as his service record showed no experience whatsoever in regard to meats, or

much of anything else. I did, however, find that I could not get the War Food Administrator, my friend, Mr. Marvin Jones, to write me that the employee had exceeded his legal authority. One of Mr. Jones' underemployees wrote me quoting the provisions of the Executive order, where this authority was supposed to come from. This is where these small people in big places can harm any program. They should be replaced by people who have the right attitude in regard to the public. I imagine that is part of the directive under which these other things you complain about operate, though I do not want to be too sure on that point.

Mr. CUNNINGHAM. Will the gentleman yield?

Mr. MURRAY of Wisconsin. I yield to the gentleman from Iowa.

Mr. CUNNINGHAM. What will the situation be in 1944 in regard to the farmers being able to get more machinery?

Mr. MURRAY of Wisconsin. It is going to be the same problem as to whether the farmer will get more overalls or not. There is plenty of steel for farm machinery. It is simply a matter of manpower. As far as the overalls are concerned, there is plenty of cotton, because we are pretty nearly giving it away to make insulating material. It is a matter of manpower and getting it into the cheaper garments. Those are problems we have to meet.

Mr. TARVER. Mr. Chairman, I ask unanimous consent to revise and extend the remarks I made in the Committee of the Whole.

The CHAIRMAN. Is there objection to the request of the gentleman from Georgia [Mr. TARVER]?

There was no objection.

Mr. TARVER. Mr. Chairman, I move that the Committee do now rise.

The motion was agreed to.

Accordingly the Committee rose; and the Speaker having resumed the chair, Mr. WHITTENBERG, chairman of the Committee of the Whole House on the state of the Union, reported that that committee, having had under consideration the bill H. R. 4443, the Department of Agriculture appropriation bill, 1945, had come to no resolution thereon.

#### EXTENSION OF REMARKS

Mr. HARE. Mr. Speaker, I ask unanimous consent to extend my own remarks in the Record at the conclusion of the debate on the rivers and harbors bill.

The SPEAKER. Is there objection to the request of the gentleman from South Carolina?

There was no objection.

Mr. MURRAY of Wisconsin asked and was given permission to extend his own remarks in the Record.)

Mr. PATMAN. Mr. Speaker, I ask unanimous consent that the gentleman from Texas [Mr. LYNN A. JOHNSON] be permitted to revise and extend the remarks he made today and include therein a letter from Mr. Leo Crowley.

The SPEAKER. Is there objection to the request of the gentleman from Texas?

There was no objection.

#### PERMISSION TO ADDRESS THE HOUSE

Mr. DIBROSEN. Mr. Speaker, I ask unanimous consent that on tomorrow, at the conclusion of the legislative program of the day and following any special orders heretofore entered, I may be permitted to address the House for 15 minutes.

The SPEAKER. Is there objection to the request of the gentleman from Illinois?

There was no objection.

#### MONETARY STABILIZATION

The SPEAKER. Under a previous order of the House, the gentleman from Ohio [Mr. SMITH] is recognized for 1 hour.

[Mr. SMITH of Ohio asked and was given permission to revise and extend his remarks in the Record.]

A FURTHER STUDY OF THE BRITISH SCHEME TO SECURE CONTROL OF UNITED STATES GOLD, COMMONLY REFERRED TO AS THE KEYNES-MORGENTHAU PROPOSAL FOR AN INTERNATIONAL STABILIZATION FUND

Mr. SMITH of Ohio. Mr. Speaker, the present study should be considered in connection with a paper I presented on this subject to the House November 1, 1943. In that paper I established what I believe to be conclusive proof that there are not two plans, a British plan for an international clearing union and an American plan for a united and associated nations stabilization fund, but that there is in reality only one plan; namely the British plan. Benjamin M. Anderson has asserted as much—Anderson, Benjamin M., Post-war Stabilization of Foreign Exchange; the Keynes-Morgenthau Plan Condensed; Outline of a Fundamental Solution, in the Economic Bulletin, Capital Research Co., Los Angeles, Calif., May 11, 1943. For many years economic advisor to the Chase National Bank in New York, Dr. Anderson is now professor of economics, University of California at Los Angeles.

Dr. Melchior Palyi states that the two plans "deal practically only with the problem of Great Britain—Palyi, Dr. Melchior, Some Implications of the Keynes-Morgenthau International Clearing Pool, an address delivered at Union League Club, Chicago, April 28, 1943, and reprinted from the Great Lakes Banker, July 1943.

Indeed, I think the proof is clear in that paper that the officials of the administration who are responsible for having drawn up the draft for a "united and associated nations stabilization fund" did practically nothing but copy from and reword and rephrase the text of the British proposal for an international clearing union as outlined in the British white paper.

Several other points contained in the November 1 paper should be kept in mind in considering the present study. The scheme would involve the complete abandonment of the international gold standard as this term has been used and understood since gold has been used in international trade and commerce down to the present time—all protests by the promoters of the scheme to the contrary notwithstanding. It would substitute for the gold standard a fictitious



international monetary unit called "unitas" which would not be gold but whose value would be fixed by politicians in terms of gold, but not unalterably. The currency of each country belonging to the scheme would in turn be arbitrarily fixed by politicians in terms of unitas, but also not unalterably. The main characteristic of this device would be its high degree of political variability which would give it the desired political manipulability aimed at by Lord Keynes and his coworkers. Along with the destruction of the international gold standard, this artifice would, of course, also destroy the supremacy which the United States dollar now holds in international trade, which is no doubt one of the objectives of the scheme.

The scheme would also involve the assumption by the United States of perhaps \$5,000,000,000 or more of British debts which Britain owes South American countries, Belgium, Scandinavian countries, and her colonies and dominions. This would be accomplished substantially with United States gold. Although the United States would furnish the vast bulk of the capital in the form of gold, yet our country would be helplessly in the minority in respect to control. The present study will show this picture to be even more unfavorable to the United States than was shown in my previous paper.

Control of our money, which is vested in Congress by the Constitution, would be given over to an international monetary authority which would also have far-reaching and dictatorial powers over our domestic economy. Great Britain would be the dominating power in the scheme.

The computations in the November 1 paper relating to contributions were based on a total capitalization of \$5,000,000,000. Since then, as stated in a letter to me by the Treasury, the administration has changed this figure to \$8,000,000,000. Accordingly the computations will in the present study be based on the latter figure.

It will be noted in referring to column 2 in the table which is to follow that the aggregate of contributions listed does not come to \$3,000,000,000 but only \$2,560,000,000. The aggregate of the contributions of the countries not shown on the table would apparently not be sufficient to make up this difference. However, Treasury officials inform me that the percentage figures given me for computing contributions are tentative and subject to change. Further, that "before computing individual quotas there shall be reserved an amount equal to 10 percent of aggregate quotas to be used as a special allotment for equitable adjustment of quotas," as provided in II-4 of the administration's revised draft. The irreconcilability of these figures would seem to be of no particular importance to the results of this study.

In my November 1 paper I raised the question of the availability of free or unpledged gold in the countries that would belong to the scheme for their allegedly assigned contributions to the fund. By free or unpledged gold is meant gold in excess of that pledged as cover for de-

mand liabilities. The primary purpose of the present study is to show which countries have and which countries do not have free gold to meet their proposed gold quotas.

The accompanying table shows the pertinent data relating to this problem for 31 of the 43 so-called United and Associated Nations which we are told would become members of the scheme.

Data relating to the amount of circulating notes and other demand liabilities and gold holdings were furnished me by the Federal Reserve. Data relating to contributions to the scheme were furnished me by the Treasury.

Four sources showing the legal requirements for gold reserves against demand liabilities have been made available to me, namely, the Federal Reserve Bulletin for July 1936; Treasury data for about 13 Latin-American countries; the Law Library of the Library of Congress; and Moody's Manual of Investments for 1943.

A footnote will be appended to the name of each country on the table showing the legal reserve requirements as furnished me by one or more of the above-mentioned sources. As will be noted, the data for some countries are incomplete, uncertain, and apparently conflicting. Where doubt or uncertainty exists I have sought to use the data which provide the least amount of reserves and to apply the statute of the most recent date.

I have quoted the several sources showing legal reserve requirements for the purpose of presenting the apparent uncertainties, lack of uniformity and generally unsatisfactory conditions in this part of the monetary field. However, I have done this more expressly to indicate something of the progressive deterioration of the standard unit of value and the gravity of the monetary pathology that now afflicts nearly if not all of the countries we are to believe would become participants in the scheme.

The 31 countries represented on the table are divided into 3 categories, namely, (a) those countries having no free gold, which number 14; (b) those countries having free gold, which number 16; (c) the United States.

With respect to the remaining countries that would become members of the scheme, I have been unable to obtain any data that are of value to this study. Those countries are Iceland, the Philippines, Panama, Luxemburg, Iraq, Honduras, Haiti, Ethiopia, Dominican Republic, Paraguay, Nicaragua, and Iran. According to Federal Reserve and Treasury data, though sometimes conflicting with each other, Panama, Iraq, Ethiopia, and Dominican Republic make no reports of their gold holdings, while in the case of some of the others no figures respecting gold holdings are at present available. Paraguay and Nicaragua require no gold reserves against their demand liabilities. From such data as are available to me it would appear that all of these countries together must possess such a very small amount of gold that leaving them out of consideration could not possibly make any material difference in the results of this study.

In further explanation of the figure (2) which precedes the percentage figures in column 2, it should be stated that gold exchanges, as defined on page 347 in the July 1936 Federal Reserve Bulletin, means exchange convertible into gold.

The percentage figure shown in column 2 does not always correspond with the figure actually used in computing reserve requirements because of certain qualifying factors. This apparent discrepancy is classified in the footnotes relating to the country concerned.

Observe that, although both the circulating notes and other demand liabilities are shown for each country in columns 4 and 5 that the percentage figure in column 2 has not always been applied to both of the above two figures. Some countries require gold reserves against circulating notes only and others against both circulating notes and other demand liabilities. Furthermore, the requirement for notes may be different than the one for other demand liabilities. The footnotes for each country will clarify these points.

It should be understood that the computations showing the amount of gold-reserve requirements against demand liabilities as well as the amount of free or unpledged gold or lack of same are of necessity quite inexact. This is true because in most cases up-to-date data and in many complete figures are unavailable. Figures showing gold holdings and circulating notes and other demand liabilities are frequently of different dates. Numerous other qualifying factors are involved. In several cases I could not be certain as to the correct percentage figure to be applied for computing the amount of required gold reserves and accordingly some errors are likely to be found in those computations. The best I have been able to do with the material at hand is to give a rough approximation of the true picture. But whatever inexactness and error may be involved in the figures which would show conditions to be worse than they really are, this would be more than offset by the fact that they are now much worse than the table shows and are continually growing worse at an accelerated rate of speed.

Neither in this nor my paper of last November has the administration's formula for determining gold quotas for member countries been strictly adhered to. Section II-3 of the administration's revised draft of the Keynes scheme provides in most cases that the amount of free foreign exchange held by a country is to be given a certain amount of weight in determining the gold quotas. Both the Treasury and Federal Reserve informed me that they had no data relating to this item. This, however, could not materially affect the results of the study.

With respect to several countries, because of incomplete and unsatisfactory data, principally in Latin America, no attempt has been made to compute the amount of required gold reserves.

By referring to columns 4 and 5 on the table it will be seen that the grand total of circulating notes and other demand liabilities of the 13 nonfree gold-holding



countries—China not included—is \$28,000,000,000. By referring to column 6 it will be noted that the amount of gold reserves required against their total demand liabilities—omitting gold reserves required by United Kingdom—would be \$7,300,000,000. By now referring to column 8 it will be seen that the total amount of gold holdings of those 13 nonfree gold-holding countries is only \$2,300,000,000. Thus it will be seen that those 13 nonfree gold-holding countries have a shortage of \$3,500,000,000 for meeting their statutory reserve requirements.

Looking now at column 13 we see that the total amount of gold contributions of the 13 nonfree gold-holding countries would come to roundly \$264,000,000. Since, however, those countries are deficient in gold to the amount of \$3,500,000,000 for their demand liability coverage as shown in column 9—taking into consideration that no figure for China is possible for this column—those countries would, of course, have no available gold for international use in the form of such contributions.

Let us now look at column 14 and compare the amount of gold the United States would be called on to contribute with that which the other 30 nonfree and free gold-holding countries combined would have available to meet their gold quotas, leaving out of consideration for the moment the paper portion of the contributions that would be made by the United States as well as that of all the other countries.

The United States would contribute in gold \$1,172,000,000. The 30 other countries would have available for international use only approximately \$420,000,000 in gold to meet their quotas. On this basis the United States would contribute 73-plus percent of the gold capital of the scheme while all the other countries combined would contribute only 26-plus percent. Yet the United States would be given a voting strength of only 20 percent while the other countries would have 80 percent. But this by no means shows the picture to be as bad as it really is.

In my paper of last November, before I had completed the present study, I stated:

The gold liability of the United States would be nearly four times that of the whole British Empire, yet the United States would have only 20 percent of the votes while the Empire would have 19 percent.

I now find the United States would be in a much more unfavorable position than was indicated at that time. The Union of South Africa is the only component of the entire British Empire which possesses any free gold. She is given a gold quota of \$72,000,000. The gold quota of the United States would be \$1,172,000,000. Thus it is seen that, on the basis of available free gold the United States would contribute more than 16 times as much gold as the entire British Empire, yet the United States would be given only approximately the same percentage of basic votes as the Empire, 20 and 19 percent, respectively.

Since United States paper dollars from an international standpoint are convert-

ible into gold on demand, the United States would actually contribute in gold \$2,365,000,000. Her total gold liability would be the same as her total contribution. The nonfree gold-holding countries, number 14, would have no gold liability whatever. We stated the total gold that would be available for contributions by the 16 free gold holding countries would be \$430,000,000. Now what would be the total gold liability of the 16 free gold-holding countries? Would it be any more than the aggregate of their gold contributions? Conceivably it might be more. But here we run into some questions which show this whole proposal to be positively preposterous.

Let us consider the case of Russia. Her paper and gold contributions are set at \$482,000,000 and \$184,000,000, respectively. The Treasury informed me that Russia makes no reports of her gold holdings. November 22, 1943, the Federal Reserve gave me the figure of \$829,000,000 as the amount of gold Russia held September 1935.

The Soviet Union is an absolutist state. It is conceivable that she might pool a portion of her gold on paper, or even by delivering it into the physical possession of some other country. That would depend on the benefits she could see accruing to her by doing so. Lend-lease and United Nations Relief and Rehabilitation gifts and "loans" for reconstruction and development, which latter might be available to her in case the proposed international bank should be created, would no doubt be deciding factors. But it is unthinkable that the Soviet Union would consent to giving over to an international body any power whatsoever over her money, or any other part of her economy.

The basis of the whole Soviet economy is the political ownership and control of her gold and paper currency, just as this is the basis of all dictatorship. Lewis Haney, professor of economics, New York University, in an article in the Washington Times-Herald December 11, 1943, in commenting on a certain press dispatch from Moscow relating to "world banks and such things" gives the impression that Russian participation in the Keynes scheme is impossible. "Russia balks" is the caption of an article by Ralph Hendershot in the New York World-Telegram December 7, 1943, of which he is financial editor. He then goes on to say of Russia:

And she wants nothing to do with schemes for an international bank, preferring to do business on a gold basis. The chances are this will put a crimp in Britain's plans to stabilize international currencies by placing various and varied assets into an international bank and issuing a new currency against these assets, to be used in the settlement of trade balances between participating nations. And it may very well give our Treasury officials reason to stop, look, and listen before throwing in with the British idea.

Furthermore, it would seem another complication may have arisen in connection with Russian participation in this British scheme. I refer to the announcement that recently came from Russia to the effect that the Russian state is to be divided up into 16 "republics," each of which is to have power to separately enter into "direct relations with foreign

states and conclude agreements with them." See full text of Molotov Plan Enlarging Autonomy of 16 of the Soviet Republics, New York Times, February 7, 1944.

What the purpose of this new arrangement may be is as yet not clear but it could be used to somehow match the control of other nations, particularly that of Great Britain and the United States, in order to secure greater advantage to herself in any international financial arrangements that might be created. But whatever may be the object of this move, it is safe to say the Soviet Union could not in any event give her consent to any proposal which would involve outside interference with the price at which she might be willing to buy or sell gold outside of her borders, or with her domestic currency or any part of her internal economy. Since the Keynes-Morgan-thau scheme would definitely involve control by an international body over all of those things in Russia, we can safely conclude that she would not become a full-fledged participant in it. Hence the gold contribution assigned to her becomes more of a fiction than a reality.

Having eliminated Russia as anything but a possible limited partner in the plan, let us look for a moment at the other countries in the free gold holding category with a view of determining the extent to which they could be expected to actually make their gold available to the scheme. The extent to which this could be expected would of course, as in the case of Russia, depend upon the amount of concrete benefits they could see in it for themselves. We may be sure that the other countries that would join this proposed scheme would be realistic, that they would do so understandingly and with their eyes glued to their material interests. The United States seems to be the only country in the world that not only has lost much of its mechanism for protecting its own material interests against foreign exploitation, but whose trusted government officials willfully assist foreign interests to insinuate themselves into our economy and government and intrude themselves upon our rights as a sovereign power.

Section V-3 of the administration's revised draft holds out a promise of considerable benefit to at least some of the free gold-holding countries. This is particularly true with respect to those Latin-American countries which have large sterling balances in London. The assumption by the scheme of the British debt which comprise those sterling balances would place those Latin-American countries in a position of being able to collect them from the United States.

Like Russia, lend-lease, Export-Import Bank loans, and loans which might be made available to them through the creation of an international bank for reconstruction and development would undoubtedly be further inducements to the Latin-American countries to contribute some of their gold to the scheme. The extent to which the United States would indirectly, through these means, furnish to the Latin-American countries the very assets they would contribute to the scheme could not help but be substantial.



Can believe certain news items, the Treasury is even now giving away gold to certain countries which would be used in making up their gold quotas to the scheme. See Reader's Digest, February 1944, pages 12-14.

In my November 1, 1943, paper, I also raised the question of whether the scheme would actually have physical possession of all of the gold assets contributed to it, or whether each country would keep its gold quota in its central bank and government vaults, and the whole operation of the plan, except the gold contributed by the United States, be one of bookkeeping.

It is important to know the answer to this question, for unless the international body would actually have in its physical possession the gold contributions of the so-called member countries, it is difficult to see how they could serve either as a true credit base or be of any value in maintaining the liquidity of its assets. The soundness—that is, the liquidity—of the plan would always be dependent upon the availability to it of its gold assets. There is no such thing as absentee liquidity any more than there is liquidity in futurity.

The paper contributions that would be made to the scheme constitute in reality nothing but overdrafts, except those made by the United States and other countries whose currencies are internationally convertible into gold. Lord Keynes, in expounding his scheme to the House of Lords, touched upon this point, but apparently was very careful to refrain from distinguishing between the paper which would be contributed by countries whose position is such as to make it fully redeemable in gold at all times and those countries whose gold position is not such as to make their paper fully redeemable in gold at all times. He said:

The American plan requires the member States to provide so-called security against their overdrafts, a requirement which could certainly be met if it is thought useful; but the security in question only to a very small extent consists in an outside security in the shape of gold. It consists mainly of an I O U engraved on superior notepaper, better than would be the case, perhaps, under our own scheme. I have said that, if that is thought useful and worth while, it does not involve any particular problem (p. 21, Parliamentary Debates on an International Clearing Union, British Information Service).

The paper portion that would be contributed by the United States would not consist mainly of an I O U engraved on superior notepaper but would be a bond underwritten by the Government of the United States for the delivery of gold on demand, backed by the actual possession of said gold. But the paper portion that would be contributed by the United Kingdom would not be possessed of this liquid quality. It would be a political I O U in the truest sense, with no gold backing it to assure its redemption, and without recourse to any other means or source of payment.

To what extent would the gold contributions made by countries other than the United States actually be made available to the scheme? Would any gold except that supplied by the United States

be made available for use in the operation of the scheme in the sense in which the term "use" is applied to the capital of a bank or any other financial institution? The capital and assets of any financial institution must either be in its actual physical possession or in some manner subject to physical possession by it. This proposition holds with respect to international financial institutions as well as domestic ones. If the scheme does not comprehend actual physical possession of all its capital assets, if the shares of some are represented by paid-in gold and of others by political promissory notes, only then it becomes a sham and a fraud of the worst sort.

On November 10, 1943, I addressed the following letter to Mr. Morgenthau, Secretary of the Treasury:

Some days ago Mr. E. M. Bernstein, in company with Mr. Brendler (Mr. Edward M. Bernstein is an assistant director, Division of Monetary Research, Treasury Department; Mr. Richard B. Brendler is an attorney in the Treasury Department), in my office, gave me to understand, in answer to a direct question, that the operation of the United and Associated Nations Stabilization Fund would be only a matter of bookkeeping, that the assets of the fund would remain in the central banks and government institutions of the member countries.

Wishing to have this statement confirmed in writing by the Secretary of the Treasury, I wrote him in that letter as follows:

I desire from you, the Secretary of the Treasury, a direct answer to the following:

Does the "Preliminary Draft Outline of a Proposal for a United and Associated Nations Stabilization Fund, United States Treasury Department, Revised Draft, July 10, 1943," provide for the physical delivery of the gold assets of the fund at some central point within the geographic boundary of one of the United and Associated Nations? Or, is it contemplated that the gold assets of the fund will remain in the physical possession of the member countries of the fund within their territorial boundaries?

On November 13, 1943, Mr. Morgenthau replied to the above as follows:

It is my understanding that the discussions among the technical experts of other countries did not touch on the point of the manner in which the gold contributed by a member country would be physically delivered to the fund. I presume, however, it is likely, with respect to the larger countries at least, that their respective gold contributions would be kept available on earmark for the fund at the central banks of those countries.

This is of course an attempt to evade answering my question. In the first place how could there be any question about the manner in which the gold should be physically delivered to the scheme? Is there any other way this could be done except by the simple act of shipping? Surely it would not require the services of any technical experts to figure that out.

If we are to infer from Mr. Morgenthau's answer that these technical experts have not discussed with the other countries the question of whether they would be willing to ship their gold quotas to one or possibly even several of the other member countries, it should be interesting to know what they have discussed. Do administration officials who

are lending their support in the promotion of this scheme believe we are either so naive as to simply take it for granted that the member countries would be willing to ship their gold to some central depository, or so completely uninformed and unconcerned about the matter as to ask no questions?

One thing certain, however, does emerge from Mr. Morgenthau's answer, namely, that each one of the larger countries would retain physical possession of its gold contribution. Furthermore, the phrase "with respect to the larger countries at least," would certainly imply that the smaller countries might be given the choice to do likewise.

It should be interesting to have Mr. Morgenthau's formula which he used to classify the United and Associated Nations in two categories, the larger countries on the one hand and the smaller ones on the other, but it would be more interesting still to know how and why he arrived at determining that the larger nations would keep their gold contributions at home in their own vaults, yet seem undecided or unwilling to say whether or not the smaller countries would be permitted to keep their gold contributions at home, too.

We wonder also which countries have been selected as the elect. The United States, Great Britain, China, and Russia have been officially designated as the "big four" powers so it is reasonable to suppose none of these countries would be called on to let loose of its gold contribution to be shipped off to any of the other member countries, though neither Great Britain nor China has any gold to let loose of.

If it is proposed that the smaller countries should hand their gold contributions over to the scheme, to which of the self-chosen few would they be expected to deliver them; to one or more of them; and, if so, which one or ones? Since the Soviet Union would be no more than a limited partner in the scheme, it is hardly likely that country would be selected as the gold depository for the smaller nations. China being so far away from the financial and industrial center of the world and for obvious, various, and sundry other reasons would hardly do as a depository of the gold assets of the smaller countries. That would leave only England and the United States to be considered as suitable places for holding and guarding those gold assets. To which of these two would the gold contributions from the smaller countries be made to flow, or would they be made to gravitate toward both?

These would not be idle questions if the scheme really contemplated that the proposed gold subscriptions of the smaller countries would actually have to be delivered at some central point within the geographic boundary of one of the so-called member countries. Indeed, these questions would then become vital as they would go to the very root of the matter.

These questions, of course, answer themselves, and they are not asked so much for the purpose of determining whether or not the smaller countries would actually deliver their gold quotas



to some central depository within one of the member countries, but are asked more particularly to show both the deception and bizarreness of this scheme. With respect to the countries having no free or unpledged gold, the scheme would have nothing more than a second mortgage on any gold contributions that might be promised and with no recourse at that. Is it not likely that the free gold-holding countries, nearly all of which come within the category of smaller countries, would prefer to keep their gold quotas in their own pockets when the nonfree gold-holding countries had nothing more to offer than a second mortgage on their gold quotas without recourse, and when the so-called larger countries preferred to retain their gold contributions at their homes in their own vaults? Is it possible to draw any other conclusion than that the operation of the scheme would be one of bookkeeping, and the allegedly assigned gold contributions for both the nonfree and free gold-holding countries, except with respect to the United States, would consist almost, if not entirely, of political promises, not to even pay in any part of such gold contributions, but simply to agree to earmark them in their own countries for the account of the scheme?

Up to the present we have considered only the initial amount of gold liability the scheme would impose upon the United States. In the paper heretofore referred to of last November, I mentioned that the initial subscription of gold by the United States would likely be no more than a starter, that once the program were put in operation we should expect to be called upon to pour additional amounts into it. In that paper I said of the scheme:

We are to believe it is something that could be started and stopped like a watch; tried out and, if found ineffective, abandoned to its own fate. But it just would not work that way. Once the scheme were in operation it would quickly generate forces that would make for self-perpetuation and expansion, as is the nature of all political machinery. . . . A whole congeries of vested international interests would quickly spring up and concurrently the protective mechanisms for maintaining them.

In this connection we should read some of the provisions of the administration's draft under section V, Powers and Operations, wherein are provided the following powers:

To buy, sell, and hold gold, currencies, and government securities of member countries; to earmark and transfer gold; to issue its own obligations, and to offer them for discount or sale to member countries.

To buy from the governments of member countries, blocked foreign balances held in other member countries.

To sell member country obligations owned by the fund.

To use its holdings to obtain rediscounts or advances from the central bank of any country whose currency the fund needs.

With the approval of the representative of the government of the country concerned, sell its own securities, or securities it holds, directly to the public or to institutions of member countries.

With these far-reaching powers the scheme could be greatly expanded beyond its initial functions and organization. J. H. Riddle, economic adviser to the Bankers Trust Co. in New York, says of

the administration's draft of the scheme that:

It could lend and borrow money, and deal in securities. The fact that it could borrow money and issue its own obligations might bring the fund's activities nearer the scope of the Keynes Union.

Of the Keynes Union he says:

Under the Keynes plan foreign countries could in theory accumulate debts of nearly \$28,000,000,000. That is a theoretical limit based on the assumption that the United States would be the only creditor country and all others would be debtor countries, and further than none of the safeguards provided for worked. That would not occur, of course, but it might be possible after a period of years for debit balances to reach half that figure, or even more, if creditor countries should continue to supply the funds without making any use of their credit balances.

That is, the Keynes-Morgenthau scheme could in time involve the United States in a liability to the extent of upward of perhaps \$15,000,000,000. Many conditions must be taken into consideration in determining the probable extent to which the scheme would be expanded. It would be in control of the debtor countries who would determine its operations and formulate its lending policies. Keynesian monetary and financial thinking, with its fiat credit and currency, its pyramiding of credits, its unlimited government deficit financing, its totalitarian approach, and, in this instance at least, its lack of integrity, would give direction to all of its procedures.

Then we must keep in mind that this proposed plan is only a part of a larger and more grandiose scheme that is envisioned by its promoters. Indeed, this is frankly stated by its prime mover and spearhead, Lord Keynes, when he says:

It is possible that taken together—

1. The mechanism of currency and exchange.
2. The framework of a commercial policy regulating conditions for exchange of goods, tariffs, preferences, subsidies, import regulations, and the like.
3. Orderly conduct of production, distribution, and price of primary products . . . .
4. Investment aid, both medium and long term, for countries whose economic development needs assistance from outside.

. . . . may help the world to control the ebb and flow of the tides of economic activity which have, in the past, destroyed security of livelihood and endangered international peace.

Lord Keynes looks upon his international stabilization scheme as the nucleus for the construction of a universal and all-pervasive centralized international power to regulate the economies, governments, and individual lives of the people of the whole earth. To the foregoer he adds that it "might become the instrument and the support of international policies in addition to those which it is its primary purpose to promote" that it "might become the pivot of the future economic government of the world" that "without it, other more desirable developments will find themselves impeded and unsupported" that "with it, they will fall into their place as parts of an ordered scheme" that it "might set up a clearing account in favor of international bodies charged with post-war relief, rehabilitation, and reconstruction" which segment of his scheme is already

in operation in the form of the United Nations Relief and Rehabilitation Administration. Further, that his stabilization scheme "might set up an account in favor of any supra-national policing body which may be charged with the duty of preserving the peace and maintaining international order" that "this would provide an excellent machinery for enforcing a financial blockade" that it "might set up an account in favor of the international bodies charged with the management of a commodity control, and might finance stocks of commodities held by such bodies, allowing them overdraft facilities on their accounts up to an agreed maximum."

Also that it "might be linked up with a board for international investment," that "there are various methods by which this clearing union could use its influence and its powers to maintain stability of prices and to control the trade cycle," that "if an international economic board is established this board and the clearing union might be expected to work in close collaboration to their mutual advantage," that "if an international investment or development corporation is also set up, together with a scheme of commodity controls for the control of stocks of the staple primary products, we might come to possess in these three institutions a powerful means of combating the evils of the trade cycle, by exercising an expansionist or expansionist influence on the system as a whole or on particular nations," and, finally, "the facility of applying the clearing-union plan"—that is, the Keynes-Morgenthau scheme which we are here considering—"to these several purposes arises out of a fundamental characteristic which is worth pointing out, since it distinguishes the plan from those proposals which try to develop the same basic principle along bilateral lines and is one of the grounds on which the plan can claim superior merit," which he clinches with this epiphany: "This might be described as its 'anonymous' or 'impersonal' quality."

What else could it possibly be that is envisioned here but a supra-national brain trust with authority, as Benjamin M. Anderson has designated it?

As all mentioned, one of the parts of this all-embracing scheme has already been perfected, namely, the United Nations Relief and Rehabilitation Administration, which, according to resolutions adopted at the Atlantic City conference, is to undertake everything, from the furnishing of soup kitchens to the construction of railroads in all the war-stricken areas of the world; further, still another part of this global program, an "international bank for reconstruction and development" with an initial capitalization of \$10,000,000,000, is now in the process of concoction by the Administration.

Then there is a vast assembly of related forces and conditions which are giving impetus or allowing freedom to this movement, though perhaps not so directly or manifestly connected with it, such as the totalitarian planning cult, which in conjunction with the Federal bureaucracy all but completely constitutes our economy and government, the disordered and corrupt currency and the long way our Nation has already gone



in substituting a society of status for that of contract.

There is one more point which is of great importance to the consideration of the Keynes-Morgenthau scheme and which is very pertinent to this study. Seldom if ever are the expectations or promises of legislators in setting up political agencies fulfilled. It is an almost unbroken law that such bodies are, when once established and put in operation, never limited to their original size and functions, but tend always to enlarge and expand the scope of their activities.

This is so universally true and so self-evident that it should require no substantiating proof, though a thousand illustrations are ready at hand to support this contention, if that should be deemed necessary. But look at the growth of bureaucracy that has taken place in the Federal Government in recent years.

Who in 1887 would have thought that the Interstate Commerce Commission, which was created at that time, would develop to its present size, complexity, and power, and that the interstate commerce clause of the Constitution would be construed by the Supreme Court so as to make the growing of wheat interstate commerce and empower a Federal bureau to dictate to the farmer how much wheat he can grow?

The Congress devotes nine-tenths of its time trying to restrain the political machinery which it has created and to confine its functions within the bounds of the laws it has itself written. Now especially, it scolds the O. P. A., C. C. C., A. A. A., and the other political alphabetical agencies for using their powers to change the economy, for taking on functions that were not intended and for disobeying the laws which brought them into existence.

The Keynes-Morgenthau scheme would be no exception to the law of endogenous growth of political machinery. That it would go the way of all bureaucracy, take on new functions and expand in directions not now thought of or intended, most likely even by Lord Keynes and some of his coworkers, should be a foregone conclusion. Indeed, the nature of this scheme is such as to make it particularly liable to anarchic growth.

It is plainly seen that the meat of the Keynes-Morgenthau scheme, stripped of its pretense and window dressing, is, perhaps along with other highly important objectives, an attempt to inveigle the United States into handing over to Great Britain the control and use of the United States stock pile of gold; to finance \$5,000,000,000 or more of debts Britain owes to a large number of countries; to restore London as the world's banker and financial center; to finance her world trade and pay for her Beveridge plan.

The scheme seeks to accomplish these objectives by destroying the dollar as the leading international standard unit of value and settler of accounts and what is left of the orthodox international gold standard by substituting therefor a fictitious and political paper unit of account called unitas, in terms of which international pecuniary contracts would have to be made. It is sheer nonsense for Lord Keynes to say:

The existence of the clearing union does not deprive a member state of any of the facilities which it now possesses for receiving payment for its exports. In the absence of the clearing union, a creditor country can employ the proceeds of its exports to buy goods or to buy investments, or to make temporary advances and to hold temporary overseas balances, or to buy gold in the market. All these facilities will remain at its disposal. (Proposals for an international clearing union, British Information Services, April 8, 1943, p. 11.)

And for the Secretary of the Treasury, Mr. Morgenthau, to chime in with Lord Keynes by saying:

The fund would deal only with treasuries and central banks. It would not compete with private banks or existing agencies. Its operations would be maintained only to supplement the efforts made by each member government to maintain monetary stability. The established channels of international trade and international banking would be retained in full for all international transactions. (Statement of Secretary Morgenthau before the Senate Committee on Foreign Relations and Banking and Currency and the Special Committee on Post-War Economic Policy and Planning, April 8, 1943, p. 3.)

If these gentlemen mean that gold could still be used in the settlement of international trade balances in the orthodox way. That view postulates the

impossible, namely, the existence simultaneously of two kinds of international units of value and media for settling trade balances, a definable weight of gold on the one hand and an indefinable paper "unitas" of account on the other. Would not Gresham's law operate the same in the international field as it always has in domestic economies? Would not the bad unitas money drive out the good gold money? What earthly chance would gold have to remain in circulation internationally and compete with the cheap money, the politically manipulable paper unitas? None, of course.

It is of the utmost importance to a full comprehension of the Keynes-Morgenthau scheme to grasp the fact that it would involve not merely the amount of gold the United States would contribute to it but our entire stock pile of gold. It envisions the complete demonetization of our total gold reserves for international use just as they have been demonetized for domestic use within our own economy and the economies of other countries. It would do exactly what Lord Keynes formally denies it would do when he says:

Nor is it reasonable to ask the United States to demonetize the stock of gold which is the basis of its impregnable liquidity.

This would in one single stroke destroy in large measure if not entirely the superb international gold position the United States now holds, in international trade and commerce. It would at the same time yield to the debtor countries and, of course, to Great Britain in particular an unearned, precious, and vital national resource.

The alleged capital formation of the Keynes-Morgenthau scheme is a fraud. The dishonesty and deception which underlie it condemn it utterly. This is not a proposal for international cooperation if the word "cooperation" still means what the dictionary up to now has always said it meant—"collective action in the pursuit of common well-being." On the contrary, this is a proposal by Great Britain, supported by other countries and aided by our present administration, not only to bleed the United States white but to destroy her very blood-making organs.

Table showing the countries which would have no free or unpledged gold and the countries which would have free or unpledged gold for gold contributions to the Keynes-Morgenthau scheme, and other pertinent data relating thereto

PORTION OF 14 COUNTRIES HAVING NO FREE GOLD

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Country	Percent of gold (1) or gold and gold exchange (2) legally required against circulating notes or circulating notes and other demand liabilities in central banks	Date of circulating notes and other demand liabilities as shown in columns 4 and 5	Amount of circulating notes (in dollars, 000 omitted)	Amount of other demand liabilities in central banks (in dollars, 000 omitted)	Amount of gold, or gold and gold exchange required against circulating notes and other demand liabilities in central banks	Date of gold holdings as shown in column 6	Amount of gold holdings (in dollars, 000 omitted)	Amount of free gold (+) or gold deficiency (-) for circulating notes, or circulating notes and other demand liabilities in central banks (in dollars, 000 omitted)	Alleged percent of aggregate gold holdings (30,000,000,000 gold and paper) allotted by scheme (in dollars, 000 omitted)	Alleged share of aggregate contributions (30,000,000,000 gold and paper) allotted by scheme (in dollars, 000 omitted)	Alleged percent of gold contributions of total contributions of each country allotted by scheme	Alleged amount of gold contributions allotted by scheme (in dollars, 000 omitted)	Free gold (+) or deficiency of free gold (-) for gold contributions to fund (in dollars, 000 omitted)
Australia.....	(2) 20	Sept. 27, 1943	654,290	557,200	121,090	April 1943.....	5,000	-116,000	2.5	126,000	1.3	1,500	-1,500
Belgium.....	(2) 40	Aug. 26, 1943	3,812,596	975,111	855,411	August 1943.....	794,000	-181,411	2.4	190,000	37.5	72,000	-72,000
Bolivia.....	(2) 40	Sept. 30, 1943	-34,204	18,211	13,088	September 1943.....	15,000	-24	.1	5,000	6.6	3,200	-3,200
Canada.....	(2) 25	Oct. 20, 1943	705,535	402,254	293,279	October 1943.....	5,000	-284,976	2.0	294,000	2.0	5,000	-289,000



Table showing the countries which would have no free or unpledged gold and the countries which would have free or unpledged gold for gold contributions to the Keynes-Morgenthau scheme, and other pertinent data relating thereto—Continued

POSITION OF 14 COUNTRIES HAVING NO FREE GOLD—Continued

1	2	3	4	5	6	7	8	9	10	11	12	13	14
Country	Percent of gold (1) or gold and gold exchange (2) legally required against circulating notes or other liabilities in central banks	Date of circulating notes and other demand liabilities in central banks as shown in columns 3 and 4	Amount of circulating notes (in dollars, 000 omitted)	Amount of other demand liabilities in central banks (in dollars, 000 omitted)	Amount of gold, or gold and gold exchange required against circulating notes, or circulating notes and demand liabilities in central banks	Date of gold holding as shown in column 6	Amount of gold holding (in dollars, 000 omitted)	Amount of free gold (3) or gold deficiency (4) or gold deficit (5) or circulative notes and other demand liabilities in central banks (in dollars, 000 omitted)	Allowed percent of aggregate circulation (6,000,000,000) gold and paper) against gold reserve	Allowed share of aggregate circulation (in 60,000,000,000 gold and paper) allocated by scheme (in dollars, 000 omitted)	Allowed percent of gold contributions (7) or percentage of each country allotted by scheme	Allowed amount of gold contributions (in dollars, 000 omitted)	Free gold (4) or deficiency of free gold (in dollars, 000 omitted)
China	(1) 25	Aug. 31, 1943	392,446	142,756	251,690	March 1939	21,000	-170,690	4.0	439,000	22.5	72,000	-72,000
Czechoslovakia	(1) 25	do	356,294	484,840	178,547	Aug. 1943	61,000	-120,167	1.2	98,000	14.0	13,725	-13,725
Egypt	(1) 25	do	255,252	2,688,982	2,433,730	do	62,000	-1,088,167	0.5	49,000	27.0	15,000	-18,000
France	(1) 25	Oct. 28, 1943	8,317,323	1,022,000	9,339,323	Apr. 1940	2,000,000	-1,088,167	5.5	440,000	27.4	105,000	-165,000
Greece	(2) 40	Mar. 31, 1941	129,799	140,083	107,759	Mar. 1941	28,000	-79,700	1.2	32,000	22.5	7,200	-7,200
India	(2) 40	Aug. 27, 1943	2,372,964	315,990	2,688,954	Aug. 1943	271,000	-633,155	2.5	168,000	23.0	62,000	-52,000
Netherlands	(1) 40	Aug. 30, 1943	1,842,053	423,047	2,265,100	Aug. 1943	823,000	-1,442,053	2.5	40,000	17.0	6,000	-6,000
New Zealand	(2) 25	Sept. 27, 1943	109,122	130,241	62,000	July 1943	23,000	-89,122	1.5	40,000	20.0	30,000	-30,000
United Kingdom	(1) 100	Oct. 27, 1943	4,028,794	1,003,827	5,032,621	Aug. 1943	1,000	-4,028,794	12.5	1,024,000	20.0	307,200	-307,200
Yugoslavia	(1) 25	July 1, 1943	713,846	91,845	201,200	February 1941	93,000	-118,200	1.2	24,000	30.0	7,200	-7,200
Total			23,315,244	5,114,418	7,300,263		4,801,000	-3,508,263		2,902,000		693,725	-593,725

POSITION OF 15 COUNTRIES HAVING FREE GOLD

Brazil	(1) 25	Apr. 30, 1943	815,643	473,200	342,443	September 1943	223,000	-593,243	1.2	95,000	45.0	36,400	+58,600
Chile	(2) 20	Aug. 31, 1943	107,229	30,208	80,379	Aug. 1943	54,000	-56,379	4.0	22,000	40.0	8,800	+8,800
Colombia		Oct. 30, 1943	63,748	65,915	2,167	September 1943	55,000	-10,915	3.0	24,000	40.0	9,600	+9,600
Costa Rica		July 31, 1943	12,000	7,219	4,781	do	6,000	-6,219	0.4	3,200	30.0	1,000	+1,000
Cuba		do				do							
Ecuador	(2) 20	July 20, 1943	14,438	13,997	441	Apr. 1943	31,000	-16,559	4.0	32,000	38.0	9,200	+9,200
El Salvador	(1) 25	Aug. 31, 1943	12,972	8,819	4,153	July 1943	11,000	-1,953	0.5	4,000	42.0	1,600	+1,600
Guatemala		May 21, 1943	12,436	13,413	977	December 1942	19,000	-11,477	0.7	2,000	30.0	5,000	+5,000
Honduras		Aug. 31, 1943	255,620	128,556	127,064	October 1943	29,000	-126,564	1.2	16,000	30.0	4,800	+4,800
Mexico	(1) 100	Mar. 30, 1940	138,028	25,468	112,560	October 1943	84,000	-53,468	1.1	68,000	31.0	23,900	+23,900
Norway		July 31, 1943	49,553	21,051	28,502	February 1940	34,000	-15,553	1.2	16,000	30.0	4,800	+4,800
Peru		Aug. 27, 1943	365,705	17,934	347,771	July 1939	24,000	-340,771	1.1	14,000	21.0	5,000	+5,000
Poland	(1) 40	Aug. 27, 1943	181,002	494,051	313,049	Aug. 1943	628,000	-447,049	1.1	144,000	23.0	72,000	+72,000
South Africa	(1) 30	Aug. 27, 1943	181,002	494,051	313,049	Aug. 1943	628,000	-447,049	1.1	144,000	23.0	72,000	+72,000
Union of Soviet Socialist Republics													
Uruguay	(1) 100	June 30, 1943	78,000	122,244	44,244	September 1935	829,000	-751,000	7.7	618,000	30.0	194,000	+194,000
Venezuela	(2) 60	Oct. 31, 1943	73,233	23,956	49,277	June 1943	101,000	-27,723	2.2	10,000	50.0	8,000	+8,000
Total			1,982,430	1,424,720	557,710		4,453,000	-3,895,290		1,224,800		427,400	+427,400

GOLD POSITION OF THE UNITED STATES

United States	140-35	Oct. 1, 1943	15,550,000	14,123,804	11,187,000	October 27, 1943	918,857,000	+8,314,000	20.3	4,344,000	80.0	1,172,000	+1,172,000
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The United States statute provides that: Every Federal Reserve bank shall maintain reserves in gold certificates or lawful money of not less than 35 per centum against its deposits and reserves in gold certificates of not less than 40 per centum against its Federal Reserve notes in actual circulation.

Requires a 25-percent gold and gold exchange reserve against notes.

Exchange included limited to English sterling. (Federal Reserve Bulletin, July 1936, p. 542.)

The bank is obligated by law to maintain a 25-percent gold reserve against notes in circulation. By the Commonwealth Bank Act of 1932 (amended to May 31, 1933), it was provided that the reserve may be held in gold coin or in English sterling or partly in gold and partly in English sterling. (Moody's Manual of Investments, 1943, p. 1652.)

The maintenance of reserves in the Commonwealth of Australia, provided for in the Commonwealth Bank Act, 1911-52, is as follows:

"Sec. 60K. (1) The Board shall hold in gold or in English sterling or partly in gold and partly in English sterling a reserve of an amount not less than 15 percent of the amount of Australian notes on issue during the 2 years ending on the 30th day of June 1933, not less than 18 percent of such notes on issue during the year ending on the 30th day of June 1934; not less than 21 1/2 percent of such notes on issue during the year end-

ing on the 30th day of June 1935; and not less than 25 percent of such notes on issue after the 30th day of June 1935." (Library of Congress, law library, November 15, 1943.)

Only gold held by Australia can be considered as reserve against notes since English sterling exchange owned by Australia cannot be considered as gold exchange.

BELGIUM

Thirty percent gold or 40 percent of gold and gold exchange against demand liabilities—Federal Reserve Bulletin, July 1936, page 542.

Prior to the occupation of the country by the German Army in May 1940, the National Bank of Belgium had the sole right to issue bank notes; its reserves, in gold or gold foreign exchange had to equal 40 percent of its sight engagements and 75 percent of the reserve had to be in gold. (Moody's Manual of Investments, 1940, p. 1622.)

Moody's Manual of Investments data used for computing amount of gold reserve required.

BOLIVIA

Requires a 50 percent of gold and gold exchange reserve against notes and deposits.

May legally include silver. Silver included limited to one-fifth of required reserve. Exchange included limited to deposits payable in gold on demand or on 3 days' notice in New York or London, except that since September 8, 1932, domestic and foreign prime commercial bills may, with the consent of the superintendent of banks, be included up to one-tenth of required reserve. Bank includes drafts payable, dividends, and other obligations with deposits against which reserves are required. (Federal Reserve Bulletin, July 1938, p. 643.)

Decree of June 21, 1941, requires 45 percent reserve in gold or foreign exchange against notes and deposits, all foreign exchange may be counted, but gold itself must equal 30 percent of notes and deposits. (Computation of required reserves in chart based on this 30-percent requirement.) The bank, however, follows its organic law of July 20, 1926, and counts only gold, dollars and sterling (plus a small amount of silver). (Treasury data as of June 30, 1943.)



## CONGRESSIONAL RECORD—HOUSE

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## CANADA

Canada requires 25 percent gold reserve against notes and deposits.

Government at bank's request may suspend reserve requirement for maximum period of 1 year. (Federal Reserve Bulletin, July 1939, p. 542.)

In connection with the Exchange Fund order of May 1, 1940, the bank's gold reserves were sold to the Foreign Exchange Control Board, and at the same time the bank's minimum gold reserve requirement was temporarily discontinued. (Moody's Manual of Investments, 1943, p. 1512.)

Excludes gold held by Foreign Exchange Control Board which on May 1, 1940, took over all the gold reserves of the Bank of Canada, amounting to \$206,000,000. (Federal Reserve data.)

## CHINA

According to information supplied me by the Federal Reserve Board, China held in March 1939, only \$21,000,000 in gold. Yet, according to data furnished me by the Treasury, China's gold contribution is set at \$72,000,000.

No attempt has been made to show the gold reserve requirements of China. The Law Library of Congress furnished me with almost seven pages of single-spaced typewritten data relating to this subject, which shows it to be impossible to determine much of value in respect to her reserve requirements.

China has no gold to contribute to the scheme. In this connection should be recalled the agreement made by the Treasury Department with China relating to the \$500,000,000 of financial aid extended to China. Under that agreement the United States has assumed a potential gold liability to the full amount of \$500,000,000. It is also necessary here to keep in mind the great inflation which is now raging in China. She needs all the gold she can possibly acquire to meet that situation, and for that reason alone would have none to spare for the Keynes scheme.

## CZECHOSLOVAKIA

A 25-percent gold reserve is required against demand liabilities.

Reserve may be permitted to fall below stated reserve requirements subject to the payment of a tax. (Federal Reserve Bulletin, July 1936, p. 543.)

When Czechoslovakia became divided into a protectorate of Bohemia and Moravia and the state of Slovakia, a separate Slovakian bank—Slovenska Narodna Banka—was established. (Library of Congress, Law Library, November 16, 1943.)

The demand liabilities of Slovakia were included with those of Bohemia and Moravia, but they amount to only about 10 percent of those of the latter, and would, for the purpose of this study, not materially affect any of the figures shown for Czechoslovakia.

## EGYPT

Requires a 50-percent gold and gold-exchange reserve against notes.

Excludes gold included must be held at home. Excludes gold included limited to British Treasury bills. (Federal Reserve Bulletin, July 1936, p. 542.)

The statutes of the National Bank of Egypt, approved by the decree of June 26, 1936, were amended several times, the last amendments being dated May 29, 1930, June 30, 1927, and August 10, 1940. This last decree was promulgated August 12, 1940 (Journal Officiel,

p. 109). Section 4 of the statute grants the National Bank of Egypt the privilege of issuing bank notes. Section 5 states that the issue of bank notes is a separate service distinct from the other operations of the bank. It states further:

"The amount of bank notes in circulation payable either to bearer or on sight must be always represented by (1) at least one-half in gold; (2) one-half in such securities owned by the bank and calculated at a rate not exceeding the daily quotations but with maximum at par, the choice of which is by law reserved to the government alone without any responsibility whatsoever on the part of the government. In default, either complete or partial, of such securities the reserve in gold held by the special issue service of the bank notes, must be increased proportionately in such a way that the amount of the bank notes in circulation shall always be covered completely."

This text is quoted from Pace, *Repertoire Permanent de Legislation Egyptienne*, which is a loose-leaf service of Egyptian legislation in force brought up to date to August 1940. (Library of Congress, Law Library, November 18, 1943.)

Required gold reserve computed in accordance with Library of Congress, Law Library, November 18, 1943, data. English exchange being not gold exchange, the result would be the same if Federal Reserve data had been used.

## FRANCE

Requires a 35-percent gold reserve against demand liabilities—Federal Reserve Bulletin, July 1936, page 542.

This 35-percent gold reserve requirement was suspended under the emergency decree of September 2, 1939—Moody's Manual of Investments, 1943, page 1777.

The amount of gold holding shown does not include the gold transferred to the Exchange Stabilization Fund—about \$700,000,000. See page 1003, September 1940 Federal Reserve Bulletin.

## GREECE

A 40-percent gold and gold-exchange reserve is required against "demand liabilities, minus holdings of national silver coin up to 150,000,000 drachmas."

Reserve net, i. e., minus gold exchange liabilities. Reserve may include certain gold bonds of the Greek state up to 650,000,000 drachmas. Reserve requirements suspended since April 26, 1932. (Federal Reserve Bulletin, July 1936, p. 542.)

Under section 61 of the Statute of the Bank of Greece of 1927, the bank had to maintain "a reserve of not less than 40 percent of the notes in circulation and other demand liabilities." The reserve may have consisted not only of gold bullion and coin, but also of "net foreign gold exchange." However, section 61, above quoted, was expressly suspended by section 1 of the law, No. 5422 of April 26, 1932 (Ephemera, 1932, p. 917). This law seems to be still in force down to 1939 as it is stated in the monograph, *Tsamia, L'Evolution Monetaire en Grece, 1925-38*, a Doctor's dissertation presented at the University of Nancy on October 19, 1939. The same work gives the following tabulation of the amount of coverage actually held by the bank (p. 96). (Library of Congress, Law Library, November 17, 1943.)

No consideration was given to the silver allowed as reserve by Greece because of the very small amount permitted to be used, nor to her foreign exchange which might be used by her as reserve because of the comparatively small amount

6646—4103,000, March 31, 1941, Federal Reserve figure.

## INDIA

A gold and gold-exchange reserve of 40 percent is required against notes.

Reserve may be permitted to fall below stated reserve requirements subject to the payment of a tax. Government consent is necessary in . . . India. Gold must not be less than 400,000,000 rupees; at least 55 percent of gold included must be held at home. Exchange included limited to deposits at Bank of England, sterling bills, or British Government securities maturing within 5 years. (Federal Reserve Bulletin, July 1936, p. 543.)

India held on August 27, 1943, \$2,155,071,000 of English sterling—Federal Reserve data.

Since English sterling exchange cannot be considered as gold exchange in the true sense, India's English sterling cannot be applied as reserve against her notes.

## NETHERLANDS

A 40-percent gold reserve is required against demand liabilities.

May legally include silver. Eighty percent of required reserve must be held at home. (Federal Reserve Bulletin, July 1936, p. 543.)

The Netherlands Bank is required to maintain against outstanding notes and other demand liabilities a revenue of 40 percent in gold and silver coin and bullion, and other legal tender coin. The law does not specify a fixed proportion of gold or silver. Foreign exchange is not permitted as reserve. (Moody's Manual of Investments, 1943, p. 1851.)

The latest comprehensive regulation concerning the bank is contained in the law of February 2, 1937 (Staatsblad, 1937, No. 400), and the royal decree of March 1, 1937 (Staatsblad, 1937, No. 401), by which the provision for issuing bank notes was prolonged for 5 years, beginning with March 31, 1937—that is, up to March 31, 1942. The last-named law also contained the following provision:

"Sec. 29. The proportion of bank notes, bank drafts, and balances of accounts current which must be covered by coin or bullion shall be established by royal decree and passed on recommendation of the management of the bank. This decree shall be promulgated in Staatsblad and changed as necessary from time to time."

The only royal decree disclosed in this respect is that of January 4, 1939 (Staatsblad, 1939, No. 6), which set the minimum proportion of the gold reserve in bullion and coin at 40 percent. Staatsblad, from 1929 to 1940, inclusive, does not contain any laws changing these provisions, so it seems that it was still in force by the end of 1940. (Library of Congress, Law Library, November 17, 1943.)

The amount of silver held in the Netherlands Bank in June 1943 was \$4,000,000—Federal Reserve Bulletin for October 1943, page 1040.

## NEW ZEALAND

A 25-percent gold and gold exchange reserve is required against demand liabilities.

Exchange may include sterling; liabilities in exchange must be deducted from gold exchange. Government at bank's request may suspend reserve requirements—Federal Reserve Bulletin, July 1936, page 543.

The Reserve Bank of New Zealand is the sole bank-note issuing authority. In October 1939 it was announced that the minimum reserve of 25 percent of the Reserve bank's note circulation and other demand liabilities may be varied or suspended, and authority was given to revalue the gold re-



serve up to market value. As of September 1, 1942, no action had been taken in either respect—Moody's Manual of Investments, 1943, page 1664.

As of February 1943, New Zealand owned English sterling exchange to the amount of £31,000,000—London Economist, April 7, 1943, page 180. But English sterling exchange cannot be considered as gold exchange, since it is not convertible into gold.

## UNITED KINGDOM

A 100-percent gold reserve is required against notes in excess of fiduciary issue of £260,000,000.

At bank's request treasury may decrease fiduciary issue or may, for a period up to 3 years, increase fiduciary issue. (Federal Reserve Bulletin, July 1936, p. 543.)

The principle of formula controlling the Bank of England's reserve is to be found in the Currency and Bank Note Act, 1928 (11 and 19 George V, ch. 13), section 2 (1):

"Sec. 2 (1). Subject to the provisions of this act the bank shall issue bank notes up to the amount representing the gold coin and gold bullion for the time being in the issue department, and shall in addition issue bank notes to the amount of £260,000,000 in excess of the amount first mentioned in this section, and the issue of notes which the bank is by or under this act required or authorized to make in excess of the said first-mentioned amount is in this act referred to as 'the fiduciary note issue.'

"(2) The treasury may at any time on being requested by the bank, direct that the amount of the fiduciary note issue shall for such period as may be determined by the treasury, after consultation with the bank, be reduced by such amount as may be so determined."

Section 2-(1) provides for the covering of the fiduciary note issue by securities as follows:

"Sec. 3 (1). In addition to the gold coin and bullion for the time being in the issue department, the bank shall from time to time appropriate to and hold in the issue department securities of an amount in value sufficient to cover the fiduciary note issue for the time being.

"(2) The securities to be held as aforesaid may include silver coin to an amount not exceeding five and one-half million pounds.

"(3) The bank shall from time to time give to the treasury such information as the treasury may require with respect to the securities held in the issue department, but shall not be required to include any of the said securities in the account to be taken pursuant to section 5 of the Bank of England Act, 1919." (Library of Congress, Law Library, No. 15, 1945.)

Gold held by England exclusive gold held by exchange equalization account which on September 1, 1941, the last date reported, amounted to \$151,000,000. (Federal Reserve data.)

The figure of 100 in column 2 showing the percentage of gold reserves required by the United Kingdom against her circulating notes was taken from the July 1936, Federal Reserve Bulletin, page 543. It should be noted, however, that this figure was not applied to the circulating notes, as will be seen in column 6 for the reason that the data here are too uncertain to be of any value.

Unless it could be shown that England considers that she no longer requires any gold in the exchange equalization account as well as any gold backing for her notes, she would have no free gold to con-

tribute to the fund. It has been suggested by one of the leading English financial journals that England might sell goods for gold to meet her gold contribution, but that such action would be objectionable. See London Economist, August 26, 1943, pages 261-262.

## YUGOSLAVIA

Requires a 25-percent gold reserve, or 35 percent of gold and gold-exchange reserve against demand liabilities.

Gold included must be held at home. Provisionally since January 31, 1935, reserve requirements are reduced from 25 and 35 percent to 30 and 25 percent, respectively, and bank is authorized, in computing these ratios, to value reserves at 25.5 percent above legal rate. (Federal Reserve Bulletin, July 1936, p. 543.)

The monetary law of May 11, 1931, provided with regard to the reserve as follows:

"Sec. 5. The bank must maintain a reserve in gold or foreign values legally or actually convertible into freely exportable gold. The amount of the reserve to be not less than 35 percent of the bank's sight obligation, of which at least 25 percent must be covered by gold in the vaults of the bank."

By section 68 of the financial law (Budget) for 1934-36 (Stuzhbene Novine, 1934, item 168, p. 330) the Council of Ministers was granted the power to issue decrees with the force of law for the regulation of economic situation in the country. On the basis of this authority, the Council of Ministers issued on January 15, 1935, a decree which being printed in No. 15 Stuzhbene Novine of January 21, 1935, took effect on that date.

The decree reads:

"Decree concerning liquidation of the revolving credit of the national bank.

"Section 1. The National Bank of the Kingdom of Yugoslavia, may provisionally, in defiance of section 5 of the law on currency of the Kingdom of Yugoslavia and for the purpose of a complete liquidation of its revolving credits abroad, maintain reserve in gold and foreign exchange which was accounted at the legal rate plus a 'prim' of 25.5 percent, so that the total reserve must cover 25 percent of the sight liabilities and at least 30 percent of sight liabilities of the bank must be covered in gold in the vaults of the bank."

No further change of this provision was disclosed by perusal of the Collection of Yugoslavian Laws (Stuzhbene Novine) down to the 22 of April 1941, the date of the last number of Stuzhbene Novine. (Library of Congress, Law Library, November 18, 1943.)

Computation of required gold reserves made on the basis that at least 30 percent of sight liabilities of the bank must be covered with gold in the vaults of the bank. (Library of Congress, Law Library, data used for computing reserve requirements.)

## BRAZIL

A 25-percent reserve of Government funds in gold or foreign exchange is required against cruzeiro notes. No gold or foreign exchange reserve is required against deposits. (Treasury data, as of June 30, 1943.)

The above being the only data available to me respecting the reserve requirements of Brazil, no effort has been made to supply all of the figures here. For the purpose of this study we shall assume that Brazil would have enough free gold to meet her gold contribution to the fund.

## CHILE

A 50-percent gold and gold exchange reserve is required against notes and deposits.

Reserve may be permitted to fall below stated reserve requirements subject \* \* \*

to the payment of a tax. Exchange limited to demand deposits payable in gold in New York or London. Exchange purchased under laws of April 18, 1939 (No. 5197) and February 13, 1939 (No. 3284), regarding official exchange control, and an equivalent amount of notes and deposits are excluded in computing ratio. While bank holds Treasury notes issued under law of Jan. 7, 1933 (No. 5025) and later consolidated in a long-term Government debt, reserve requirements are reduced to 25 percent. Bank includes cashier's checks and dividends payable with deposits against which reserves are required. (Federal Reserve Bulletin, July 1936, p. 543.)

Article 23: The Central Bank of Chile must maintain a gold reserve equal to 50 percent of the total of its notes in circulation and of its deposits. This may be in gold bars or coins deposited in the safes of the bank, or gold (bars or coins) deposited in the custody of first-class foreign banks; or in deposits payable on demand, and in gold in first-class banks in London and New York. The 50 percent guarantee also Treasury notes and bonds in circulation which the bank is obliged to exchange, cancel, or withdraw in accordance with law. (Library of Congress, Law Library, Nov. 18, 1943.)

Reserve requirements are "in suspense." (Treasury data, as of June 30, 1943.)

Chile employs a system of multiple exchange rates in its current trade, but at present the prevailing rate is P/31-31. P/317-400.557 of the outstanding notes are technically not subject to reserve requirements. (Treasury data as of June 30, 1943.)

These factors were taken into consideration in determining the reserve required. Chile owned on August 31, 1943, \$18,331,000 of foreign exchange—Federal Reserve data—which was added to her gold holding in computing the amount of reserve required against her notes and deposits. However, no data are available to show the distribution of Chile's foreign exchange holdings according to the currency involved. To the extent Chile's foreign exchange holdings may not consist of gold exchange the amount of free gold shown in column 14 would be reduced.

## COLOMBIA

A gold and gold exchange reserve of 40 percent is required against notes.

Reserve may be permitted to fall below stated reserve requirements subject \* \* \* to the payment of a tax. Exchange limited to demand deposits but not to gold exchange. During present emergency reserve requirements are reduced to 30 percent or, so long as gold content of peso is not reduced, to 25 percent. An additional reserve of 25 percent of deposits plus outstanding Treasury notes is required in gold or other cash (silver not to exceed one-half). (Federal Reserve Bulletin, July 1936, p. 542.)

In January 1942 the minimum legal gold reserve of the Bank of the Republic was fixed at 50 percent (reduced from 40 percent) of its bills in circulation. (Moody's Manual of Investments, 1943, p. 1741.)

A 25 percent reserve is required against deposits. No more than one-half may be in silver. A 50 percent reserve in gold or foreign exchange is required against notes. (Treasury data, as of June 30, 1943.)

No attempt has been made to determine the amount of gold reserve that is required against notes or notes and deposits. It is assumed Colombia would have sufficient free gold to meet her gold contribution.



## CONGRESSIONAL RECORD—HOUSE

2999

## COSTA RICA

No specific gold or exchange requirements. (Treasury data, as of June 30, 1943.)

## CUBA

Since May 2, 1942, 98 percent gold or dollar reserve has been required against new note issues. Earlier issues backed 1 to 1 by silver pesos. United States currency circulates freely. (Treasury data, as of June 30, 1943.)

Decree of August 2, 1936—(Norma de reserva metálica en los Bancos): Article 1 provides that all banking institutions operating within the territory of the Republic shall have in metallic currency of national coinage a reserve of at least 75 percent of the amount to which article 180 of the Commercial Code refers (infra). Article 180 of the Commercial Code (as amended through 1941) provides that banks shall conserve in metal at least one-fourth of the total of their deposits, current accounts in currency and of their bills in circulation. (Library of Congress, Law Library, November 15, 1943.)

## ECUADOR

Requires a 40-percent gold and gold-exchange reserve against notes and deposits.

Exchange included limited to deposits payable in gold. (Federal Reserve Bulletin, July 1936, p. 542.)

A 30-percent reserve is required against notes and sight obligations. This reserve may consist of gold and (up to 30 percent of the required reserve) of foreign exchange. (Treasury data, as of June 30, 1943.)

A minimum reserve of 30 percent (reduced to 40 percent effective Jan. 1, 1938) in gold against notes in circulation and sight deposits is required. (Moody's Manual of Investments, 1943, p. 1765.)

Treasury data used in computing amount of required gold reserve.

## EL SALVADOR

A gold reserve of 25 percent is required against demand liabilities.

After definitive stabilization of currency, net exchange may count as reserve. Such exchange is not limited to gold exchange, but must be held in central banks. If reserve falls below 30 percent on 3 of the 24 report dates a year, no dividend shall be paid to shareholding banks. (Federal Reserve Bulletin, July 1936, p. 542.)

Twenty-five percent reserve in gold or foreign exchange is required against notes and other sight liabilities. If, however, the reserve ratio falls below 30 percent, no dividends can be paid. (Treasury data, as of June 30, 1943.)

Amount of reserve not computed. Assumed El Salvador would have sufficient free gold to meet her gold quota.

## GUATEMALA

Thirteen and one-third percent gold is required against notes. A gold reserve of 8½ percent is required against deposits, due in 30 days or less, including unutilized credits.

Gold in required reserves must be in bank's vaults. Silver may replace gold up to one-tenth of requirement shown in gold column. Reserve against deposits payable in a foreign currency may be held entirely in that currency. Note issue may not exceed five times bank's paid-up capital and surplus or 12,500,000 quetzales, whichever is larger. Deposits due in 30 days or less may not exceed five times bank's capital and surplus. May legally include silver in each category. (Federal Reserve Bulletin, July 1936, p. 542.)

The bank must maintain a reserve in gold and silver in its vaults or in sight deposits abroad payable in gold equivalent at least

to 40 percent of its notes in circulation. Not less than one-third of the 40 percent reserve must be kept in its own vaults, but this may include Guatemalan silver coins in an amount not exceeding 8.22 percent of the reserve. (Moody's Manual of Investments, 1943, p. 1817.)

Forty percent reserve required against notes; 25 percent against other sight liabilities. Reserves may consist of gold, deposits abroad, United States currency, and silver in a limited amount. (Treasury data, as of June 30, 1943.)

Amount of required gold reserve not calculated. Assumed Guatemala would have sufficient gold to meet her gold quota.

## MEXICO

On December 29, 1936, the Chamber of Deputies approved a new law providing for the revaluation of the bank's gold, and foreign exchange reserves at market value. In addition, the law removed the limitation on the amount of paper currency which the bank may issue. Under the original organic law, the bank was required to back its note issue with at least 50 percent of metallic reserves. Early in 1936, however, that restriction was removed by decree, and a bill passed authorizing the treasury to issue interest-bearing treasury certificates which are acceptable for tax payments. (Moody's Manual of Investments, 1943, p. 1845.)

Ley organica del Banco de Mexico y Estatutos—as amended February 21, 1937:

"Article 99: The bank shall maintain at all times a reserve to uphold the value of the peso. The total of this reserve \* \* \* shall not in any instance be lower than 100,000 pesos, nor less than 25 percent of the total of notes issued on the bank and its obligations to pay on sight in national currency."

"Article 100: The reserve to which the article above refers will consist of gold and silver, coined or in bars, of shares of foreign exchange, etc." (Library of Congress, Law Library, November 15, 1943.)

Twenty-five percent reserve required against both notes and deposits, of which at least 80 percent must be in gold or foreign exchange. As much as 20 percent may be in silver. (Treasury data, as of June 30, 1943.)

No attempt has been made from the above data to calculate the amount of required gold reserves. It is assumed Mexico would have sufficient free gold to meet her gold quota.

## NORWAY

Requires a 100-percent gold reserve against notes in excess of fiduciary issue of 250,000,000 kroner. Gold included must be held at home. Fiduciary issue may be increased, subject to a tax, by authority of King and Storting—Federal Reserve Bulletin, July 1936, page 543.

A legal minimum reserve of 100 percent gold against notes in excess of a fiduciary issue of 425,000,000 kroner must be maintained. This issue may be increased, subject to tax, by authority of the King and Storting. (Moody's Manual of Investments, 1943, p. 1860.)

Gold reserve requirements computed from Moody's Manual of Investments, that is, on the basis of 100 percent against notes in excess of 425,000,000 kroner, which qualifies the percentage figure as shown in column 2 accordingly.

## PERU

A gold and gold-exchange reserve of 50 percent is required against notes, de-

posits, and net foreign items in process of collection.

May legally include silver. Silver included must not exceed one-fifth. Exchange included may consist only of deposits payable on demand in gold or its equivalent, in New York or London, and up to one-half of reserve, bankers' acceptances payable in gold currencies. (Federal Reserve Bulletin, January 1936, p. 543.)

The original statutes of the bank (Banco Central de Reservas del Peru) provided for a tax on the note circulation whenever the reserve ratio fell below 50 percent, but this provision was suspended by Law 770 of June 9, 1937. (Moody's Manual of Investments, 1943, p. 1869.)

A 50-percent reserve is required against notes and deposits. Reserve may consist of gold or exchange, bank acceptances or silver coins (up to one-fifth). (Treasury data, as of June 30, 1943.)

No attempt has been made from the above data to determine the amount of gold reserve that is required for cover of demand liabilities. It is assumed Peru would have sufficient free gold to meet her gold quota.

## POLAND

Requires 30 percent gold reserve against demand liabilities in excess of 100,000,000 zlotys. Reserve may be permitted to fall below the stated reserve requirements subject to the payment of a tax. Gold net, after deduction of pledged gold and of liabilities in exchange—Federal Reserve Bulletin, July 1936, page 543.

The Law of March 24, 1939, introduced some amendments to the charter of the Bank Polski of 1936. In particular, the law changed section 52 of the charter dealing with the gold reserve (Dziennik Ustaw, 1939, item 142, p. 417). Then the charter with all the amendments was re-promulgated in toto by the proclamation of the Minister of Finance of May 2, 1939 (Dziennik Ustaw, 1939, item 266), and the amended text to section 52 is given there as follows:

"Sec. 52. The bank must possess a gold reserve to the amount equivalent to 40 percent of the sum by which the total of the banknotes in circulation plus sight liabilities exceeds the sum of 500,000,000 zlotys."

"Depending upon the situation on the gold market, the council of the bank may, with the consent of the Minister of Finance, raise the limit of 500,000,000 zlotys established in the first paragraph of this section to a sum not exceeding 1,200,000,000 zlotys however."

"The liabilities based upon loans secured by gold of the bank are deducted from the gold reserve" (Dziennik Ustaw, 1939, p. 585).

These are the latest available provisions for the period before the German occupation. (Library of Congress, Law Library, November 19, 1943.)

Gold-reserve requirement computed from data supplied by Law Library of Congress, second paragraph, under section 52.

If the figure 800,000,000 zlotys were taken as representing the amount of notes and sight liabilities to be exempted from reserve requirements, as provided in the first paragraph of section 52 above, instead of the figure 1,200,000,000 zlotys—the figure used in the chart—there would be a deficiency of gold to the amount of \$13,455,000 for note and sight liability coverage.



## UNION OF SOUTH AFRICA

Requires a gold reserve of 30 percent against notes, deposits, and bills payable. May legally include silver.

Reserve may be permitted to fall below stated reserve requirements subject, except in South Africa . . . to the payment of a tax. Government consent is necessary in . . . South Africa. One-half of gold included must be held at home. Silver included limited to 6 percent of deposits and bills payable (Federal Reserve Bulletin, July 1936, p. 543).

## U. S. S. E.

She makes no report of her gold holdings—Treasury data. There are indications that Russia does not intend to bind herself to the United and Associated Nations stabilization fund scheme. See New York World-Telegram, December 7, 1943; Lewis W. Haney in the Washington Times-Herald, December 11, 1943; Russia's Intentions About Gold, in the January 1944 Economic Conditions, Government Finance, United States Securities, page 6.

## URUGUAY

Requires 45 percent of gold reserve against major notes of 10 pesos or more issued in excess of (a) bank's paid-up capital, less fiduciary issue of minor notes, and (b) rediscounted bank documents up to 10,000,000 pesos.

Fiduciary issue of minor notes is permitted in place of major notes, against paid-up capital. Against minor notes in excess of fiduciary issue minimum reserve requirement is 45 percent in silver. Minor notes are limited to 20,000,000 pesos. Bank must hold notes equivalent to 30 percent of deposits. Gold coin may be held abroad only if 50,000,000 pesos of gold coin is held in Uruguay, unless specifically authorized otherwise. (Federal Reserve Bulletin, July 1936, p. 543.)

Notes of the issue department of the Banco de la Republica in excess of 80,000,000 pesos may be backed by silver up to 12,000,000 pesos (actually 9,000,000 pesos are so backed); additional notes require a backing of 100 percent in gold. (Treasury data, as of June 30, 1943.)

Law No. 6498, August 14, 1936. Article 11.—The Bank of the Republic of Uruguay shall always maintain a reserve of bank notes equal to 30 percent of the total of its deposits, no matter of what type. (Library of Congress, Law Library, November 15, 1943.)

Treasury data used for computing gold reserve requirements. The percentage figure shown in column 2 must therefore be qualified accordingly.

Sixty million pesos, plus 12,000,000 pesos subtracted from 119,715,000 pesos—Federal Reserve figure as of June 30, 1943, of outstanding peso notes—times 65.83 cents to peso—same source and data as above—equals \$31,410,000.

## VENEZUELA

A 50-percent reserve is required against note and deposit liabilities. No more than 10 percent of the reserve may be in the form of foreign exchange, and at least 60 percent must be gold on hand. (Treasury data, as of June 30, 1943.)

## SPECIAL ORDER

The SPEAKER. Under a previous order of the House, the gentleman from Texas (Mr. PATMAN) is recognized for 30 minutes.

Mr. PATMAN. Mr. Speaker, I ask unanimous consent to revise and extend my remarks and include therein certain excerpts.

The SPEAKER. Is there objection to the request of the gentleman from Texas? There was no objection.

Mr. PATMAN. Mr. Speaker, the international stabilization fund project which we have heard criticized so sharply is not by any stretch of the imagination far enough along to warrant such detailed discussion. Moreover, the criticism is based chiefly upon a preliminary draft, which, I understand, has been worked over and changed materially by the technical people of thirty-odd countries since its publication 4 months ago.

It seems to me, however, there is a far larger issue at stake than whether or not a stabilization plan which might conceivably be adopted by this or any other government looks good or bad at this highly premature point.

The issue is whether or not the Government of this country should attempt to be forehanded about problems which are certain to arise in the future; whether or not Government departments should make preliminary investigations and studies with the full knowledge and consent of Congress, leading to possible solutions for unavoidable difficulties which lie ahead. I think they should, and I believe that we in Congress should cooperate, not carp.

The alternative, of course, is to have the Government operate as it did in late Republican years, and spend its time running around locking barn doors after horses are stolen. My Republican colleague from Ohio may prefer this.

Now, before we go any farther, let us set the record straight on some of the more obvious accusations:

The gentleman from Ohio says that the monetary proposal, drafted by American technicians, is nothing but a rewording of the text of the British proposal. Nothing could be further from the truth. In the first place the proposal of the American technicians was drawn up in the winter of 1941 fully 15 months before the British plan, and was presented in principle to the Rio Conference of foreign ministers in January 1942. Anyone with the slightest understanding of international exchange and monetary questions would say that the plans have only one thing in common and that is they both attempt to deal with the international monetary problems. The two proposals are completely different in their approach and suggested solution.

The gentleman from Ohio says that the draft proposal seeks to replace gold with a fictitious standard. The fact is that the proposal of the American technicians provides for defining the currencies of all member countries in terms of gold and tying their currencies to gold. Instead of weakening the possibility of a return to the gold standard, it would do the very opposite. It attempts to strengthen the ties between all currencies and gold. To say that the plan aims to destroy the supremacy which the dollar holds in international trade and finance is an obvious falsehood.

The gentleman from Ohio says that the scheme would involve the assumption by the United States of \$5,000,000,000 or

more of British debts. This is complete nonsense. An early draft of the fund proposal provided for the purchase by the fund of very limited amounts of blocked balances on those occasions on which the fund finds it desirable to do so, and only under terms and conditions which make it actually impossible for the fund to incur a loss. This provision, I believe, has already been dropped. Strangely enough, in view of my colleague's inferences, I understand it was dropped because of the opposition of the British experts.

The gentleman from Ohio says that the control of our money would be given over to an international money authority. Again I wonder whether he has read the proposal. There is nothing in it which reduces the authority of the United States over its monetary system or over the dollar. The fund can make no change in the value of the dollar and the proposal specifically reserves to each country the complete control of its money policies.

My esteemed colleague has placed before you a chart which purports to show you the figures on the gold holdings and gold contributions of some of the United Nations. The figures shown are completely erroneous. They are based largely upon data published years ago, some going back as far as 1935, and I am surprised that anyone should assume that data of this character can represent the actual situation. I am told, incidentally, that this table overlooks half the gold holdings of the other United Nations. The true information, I might point out, is secret and cannot be given out by any country. The publication of a completely unfounded table by the gentleman from Ohio serves no purpose other than to confuse and mislead the interested public.

I do not know what the gentleman from Ohio means when he says that the Keynes-Morgenthau scheme—and by the way, there is no such thing; the British, French, Canadians, and Americans all had preliminary drafts, all published, all different—he says the scheme could involve the United States to the extent of upward of \$15,000,000,000. The tentative proposal by the American technicians specifically states that our participation shall be limited in the neighborhood of \$2,000,000,000. This is a small error of 700 percent on the part of the gentleman and involves some \$13,000,000,000.

Finally the gentleman from Ohio seems to be disturbed by the fact that the Interstate Commerce Commission was different in 1887 from what it is now. This perhaps is the key to the understanding of his entire speech. This Republican gentleman is complaining because we cannot meet the complex problems of the 1940's with the facilities of the 1880's when as a free, sun-kissed barefoot boy he first graced Shanesville, Ohio, in the 1880's. He was born there, I understand in 1884, and like the Interstate Commerce Commission, has altered his earlier limits and become increasingly complex in the intervening years.



The preliminary work on stabilization—and all the work that has been done to date is preliminary—is an effort by an alert Government department to prepare a remedy beforehand for a difficulty that seems certain to strike when the war is over, or before.

When the economies of various countries began to shudder under the strain of approaching war, Secretary Morgenthau and his technical experts anticipated that world reconstruction would be very difficult indeed if all the moneys of the world had no common denominator and if there were no basis for international cooperation. If we were to come out of the war with a sound dollar and all other nations were bankrupt and their exchange were fluctuating in a disruptive manner, the Secretary recognized that the soundness of our dollar would be a virtue in a vacuum.

The war is likely to aggravate a situation which will make it extremely difficult to avoid a break-down of international economic relations.

In an effort to find a solution to this problem—and unless a solution is found, the reconstruction, restoration of a prosperous level of world trade and the establishment of sound monetary systems will be delayed indefinitely—in an effort to find a solution, Secretary Morgenthau's technicians began exploratory conversations with technical representatives of nations.

Now, in spite of those who, through lack of understanding or for political purposes, choose to distort the facts in the case, these early conversations were not launched with the idea of letting the United States rescue or support the other nations of the world—any of them. Mr. Morgenthau is no economic Santa Claus. Anyone who has watched the handling of Treasury matters over the past 10 years knows that. The present Secretary of the Treasury has worked hard and long to make and keep Washington the financial center of the world. He has been diligent in keeping foreign debts in hand, and he invented reverse lend-lease to help keep dollar balances down. So you may rest assured that our country's economic wherewithal will not be dissipated across the oceans by the watchdog of the Treasury Department.

But let me repeat, the point at issue is really whether or not, having seen the necessity for stabilizing foreign exchange, our Secretary of the Treasury would have served the public interest better by pretending no problem exists, and accordingly doing nothing about it. By inference, at least, the gentleman from Ohio and others who criticize a plan which still is in its formative stage are, apparently, suggesting that we go back to those good old do-nothing days—those days that reached their pinnacle in 1929—when the administration in power real-fully well that calamity lay just over the horizon, but chose to make no effort whatever to stop it. They felt that it was none of the Government's business to keep people from starving, to keep businesses from closing their doors, to keep the wheels of commerce from slowly grinding to a stop.

I do not believe that we should return to those unrealistic days of "let us pretend it is not so." I believe that we should continue to anticipate problems and try to find solutions before they have an opportunity to send the international economy into a tailspin. And further I believe that this viewpoint is representative of a large majority of the American people. Most Americans would rather see us on the ball than behind it.

Some people have a tendency to view with alarm anything going on that they do not quite understand. Certainly there is no crime in being alert, but it seems to me aimless for anyone to take up time to discuss, as though it were a fait accompli, a plan which in the first place is in its preliminary stages and in the second place he has confused with at least one other plan. And especially since he has not revealed the pertinent fact that this thing which he views with such alarm is nothing more than a logical, conservative development which has evolved out of proved practices of this Government. It would appear that my colleague is so concerned about motives that he is losing sight completely of the facts in the case.

I should like to take a few minutes to tell you how this proposal for monetary cooperation, aimed at the protection of the American economy, came about. Its evolution is as important as the project itself, for it demonstrates its basic simplicity.

The story of this stabilization fund really began back in the twenties, when a surprisingly large and substantial group of people suddenly awakened to the fact that fortunes could be made by trading in foreign exchange; and nations believed that, by manipulating exchange rates, they could avoid payment of war debts to this country.

All this was going on during the Coolidge administration, and it continued through the Hoover administration. There was no mystery about it. The Republican administration which then had the responsibility of safeguarding the welfare of the American people knew all about it.

In the record of the Hoover administration written by William Starr Myers and Walter H. Newton, much is said about—

The deliberate credit inflation policy undertaken by the Federal Reserve System and the important central banking systems of Europe in the year 1927.

Then the authors review the growth of that inflation policy. They say, and I quote:

In late 1925 the Federal Reserve Bank of New York, through its governor, Benjamin Strong, entered into the discussion of a program of joint action with Montagu Norman, governor of the Bank of England. This was joined in by the officials of various central banks of continental Europe. The objectives were the expansion of credit, "easy money policies" by "open market" operations, and the manipulation of discount rates. The purpose of the arrangements was to strengthen the situation in Europe.

The book then points out that Mr. Hoover, then Secretary of Commerce, pro-

tested vigorously, and is reported to have said:

As to the effects of these Hoover policies upon the United States, it means inflation with inevitable collapse which will bring the greatest calamities upon our farmers, our workers, and legitimate business.

As Secretary of Commerce, Mr. Hoover seems to have had some influence, for this inflationary program was apparently sidetracked for the time being.

But in July 1927, Mr. Norman, of the Bank of England, Dr. Schacht, president of the Reichsbank, and Prof. Charles Rist, deputy governor of the Bank of France, visited the United States, and in spite of Mr. Hoover, who was soon to become President and certainly in a position to protest if he wanted to, these redoubtable gentlemen apparently got the plot started all over again, and this time they went through with it. Now, mind you, Mr. Hoover made no move to stop it, though he was on record as knowing what the consequences would be. Perhaps he had been won over by those Republican leaders who seem so fond of inflationary policies that they have maintained a startling record of supporting inflation up to the present day.

In the final analysis, there could be only one cure for this disease which had been started so deliberately in the Coolidge administration. That cure was administered on March 6, 1933, when President Franklin D. Roosevelt closed the banks for 4 days "because of unwarranted withdrawals of gold and currency from banking institutions for the purpose of hoarding, and undue speculative activity abroad in foreign exchange."

That was a medicine swiftly and courageously administered. Less than a year later, concrete steps were planned to make it impossible for such calamity as we knew in 1929-30 and 31 to befall us again. These steps were planned under the same Secretary of the Treasury, Henry Morgenthau, Jr., who has just been criticized for trying to get things done, and consisted of setting up a stabilization fund in the United States to protect the value of the dollar abroad, and to make it difficult for foreign currencies to be manipulated to the great detriment of the American economy.

This stabilization fund, which has been functioning for 9 years with complete success, was the real foundation of the present International Stabilization Fund idea.

Through the use of this fund, the American Government, on many occasions, has invested temporarily in foreign currencies for stabilization purposes.

In all of the 9 years that this fund has been in operation, the United States Government has not lost a cent.

To those who say a stabilization fund will not work, here is pretty strong evidence that it will work. Ours has been working in this limited field for 9 years.

In 1936, Secretary Morgenthau took another step to reinforce international stabilization. He established the tripartite arrangement with the Governments of England and France, the Governments of Belgium, the Nether-



lands, and Switzerland also held to this agreement. This, too, was successful until the outbreak of war made it impossible to continue for obvious reasons.

The present international stabilization plan which we have heard so bitterly denounced as impractical, is a combination and extension of these two tried and proved methods of stabilization.

In January of 1942 the ministers of foreign affairs of the American republics, meeting in Rio de Janeiro, recognized the need for a greater degree of cooperation in the stabilization of currencies. Accordingly, they adopted a resolution recommending—

First, that the governments of the American republics participate in a special conference of ministers of finance or their representatives to be called for the purpose of considering the establishment of an international stabilization fund;

Second, that the conference in considering the establishment of such a fund shall formulate the plan of organization, powers, and resources necessary to the proper functioning of the fund, shall determine the conditions requisite to participation in the fund, and shall propose principles to guide the fund in its operation.

Following this conference, an American technical committee was set up to pursue the subject further. Represented on that committee were the Treasury Department, the State Department, the Department of Commerce, the Board of Governors of the Federal Reserve System, and the Board of Economic Warfare. This group prepared a tentative proposal which, in March 1943, the Secretary of the Treasury sent to the ministers of finance of the United Nations for study by their technicians.

On April 5, Secretary Morgenthau reported to seven committees of the House and Senate on the progress of this study, even though it was then in its infancy, so to speak. I think it is important that the Secretary asked permission to keep us advised, a program which he has maintained consistently on this and other projects falling within the scope of the Treasury Department. On April 5 he said, in part:

For some time we in the Treasury have been deeply concerned with the threat of international monetary chaos at the end of this war.

We feel that international currency stability is essential to reconstruction in the post-war period and to the resumption of private trade and finance. It is generally held that this formidable task can be successfully handled only through international cooperation.

I think further that most of us would agree that the establishment of a program adequate to deal with the inevitable post-war monetary problems should not be postponed until the end of hostilities. It would be ill-advised, if not dangerous, to be unprepared for the difficult task of international monetary cooperation when the war ends. No one knows how long or how short the war will be. We therefore believe it is desirable to begin now to devise an international monetary agency adequate to cope with the problems with which we shall be confronted when the war does end.

The completion of such a task is certain to take many months at the least. Specific

and practical proposals must be formulated and must be carefully considered by the policy-shaping officials of the various countries.

And then the Secretary said very clearly, so that we could not fail to understand:

In each country acceptance of a definitive plan can follow only upon legislative or executive action.

After explaining the nature of the preliminary proposal which was sent to the other nations to start them thinking, the Secretary said, upon leaving:

I have been anxious to discuss this matter with you and to keep you informed of developments. Obviously, we are still in the early stages of our thinking and discussions. However, I did want you to know what we are doing and I do want to feel free to come back from time to time and discuss the subject with you and obtain your views and advice.

Here I should like to point out that the gentleman from Ohio has taken advantage of this offer on numerous occasions. He has written many letters to the Treasury and each has been answered, although the answers to many of them seem for the most part to have been misinterpreted.

One of these letters I must comment upon here. He wrote to the Secretary, asking the Secretary for a direct answer as to whether or not contributions to the fund will be physically delivered to one central point in one of the United Nations.

In answer, Mr. Morgenthau told him that it was generally assumed that at least the major contributions to the fund would simply be earmarked and kept in the contributors' central banks. In other words, our gold would be kept right here if that is what interests the gentleman from Ohio.

Whereupon the esteemed gentleman from Ohio, apparently misinterpreting what "earmarked" means, throws his hands in the air and says, "See what I told you. How could there be any question about the manner in which the gold should be delivered? How could it be done except by shipping?"

But let me continue with the progress of the stabilization fund.

Following the April 5 report, there were many meetings of the technical experts of various countries. By fall the technicians had made enough progress so that a revised proposal could be prepared, and the Secretary again reported to the committees in the House and the Senate. He said at that time:

I want to emphasize that the International Stabilization Fund, tentatively proposed by the technical experts of this Government, is fundamentally an adaptation of the methods we have successfully used on a more limited scale with our own Exchange Stabilization Fund. We have tried to adapt that experience to the broader and more difficult currency problems confronting the world during the post-war years. The International Stabilization Fund is an extension of the principle of the tripartite agreement that the responsibility for maintaining stability of exchange rates is international and that countries must cooperate to maintain stability of exchange.

The obligations a country assumes under this proposal are no more than a country voluntarily imposes on itself when it pur-

sues a policy of exchange stability and refrains from resorting to discriminatory exchange practices. Beyond that, there is only the duty of consulting and agreeing before altering exchange rates, an extension of the principle that we have embodied for years in our own stabilization agreements.

We have held technical conversations with the experts of more than 30 countries and we are continuing these discussions with the experts of some of the countries. These exploratory conversations have been unofficial and confined to the technical level. No government, including the United States, is committed to any of the tentative proposals for international monetary cooperation that have been presented by the experts.

The Secretary then explained some of the changes which had been made in the proposal previously described to the committees and presented a summary of a tentative proposal for a United Nations Bank for Reconstruction and Development, the principal function of which would be to "guarantee loans made by private capital for sound and constructive purposes, when such loans are also guaranteed by a member government."

Upon leaving the committees, the Secretary said:

I want to assure you again that I shall always be available for discussion of both the bank and fund proposals. I know that some members of your committees are desirous of cooperating with us in studying these problems. Speaking for the committee were formed which would cooperate with our technical men as frequently as feasible.

That is the story of the international stabilization fund to date. It is the whole story.

On the basis of a rumor circulating in a foreign capital, some sections of the House of Representatives seem to have become excited about possible infractions of the rights of Congress by the Treasury Department. Statements have been made that the executive department of the Government is making agreements with foreign nations, which is wholly and absolutely absurd. There have been inferences that the Treasury Department, behind the backs of Congress, has been making arrangements to give away our money and our credit. This, of course, is even more absurd than the first charge.

Secretary Morgenthau assured the gentleman from New York, Representative Bloom, only last week that sufficient progress had not yet been made to warrant taking the time of House and Senate committeemen to listen to a further report.

The entire project is still at the level of various Government technicians. A group of technical men from Russia is at present discussing the matter with the American technicians at the Treasury. When progress has been made, when a recommendation has been agreed upon by the technicians, a formal meeting will be held by accredited representatives of the various governments and following that, the various legislative bodies will decide upon what action to take.

I think Congress should commend Secretary Morgenthau for keeping us



abreast of developments concerning the stabilization fund project, rather than criticize him for having made agreements which we all know very well he has not and could not make, and which he himself described on April 5 of last year as being out of his province.

All this is a tempest in the teapot. It is an effort to create a political issue where no political issue could possibly exist. I suppose we can expect more and more of this as we come closer to election.

But I sincerely hope that the administration will not find it necessary to curtail its investigations and forehanded projects, because some groups want to make it politically inexpedient to do anything but sit.

LEAVE OF ABSENCE

By unanimous consent, leave of absence was granted as follows:

To Mr. CANFIELD, for Wednesday, March 22, on account of official business.

To Mr. WICKEL, of Ohio, for March 23 and 24, on account of official business.

To Mr. WARR, for March 23, 24, and 27, on account of official business.

To Mr. BULWINKLE, for 9 legislative days, on account of official business.

ENROLLED BILLS SIGNED

Mr. KLEIN, from the Committee on Enrolled Bills, reported that that committee has examined and found truly enrolled bills of the House of the following titles, which were thereupon signed by the Speaker:

H. R. 324. An act to place postmasters at fourth-class post offices on an annual-salary basis, and fix their rate of pay; and provide allowances for rent, fuel, light, and equipment, and fix the rates thereof; and

H. R. 4410. An act to extend for an additional 90 days the period during which certain grains and other products to be used for livestock and poultry feed may be imported from foreign countries free of duty.

The SPEAKER announced his signature to enrolled bills of the Senate of the following titles:

S. 1349. An act to authorize the Secretary of the Navy to convey to the city of New York certain lands within the Brooklyn Navy Yard in the city of New York;

S. 1410. An act to amend section 4 of the act approved June 13, 1940;

S. 1428. An act to amend the provision of the act authorizing payment of 6 months' death gratuity to widow, child, or dependent relative of officers, enlisted men or nurses of the Navy or Marine Corps, and for other purposes;

S. 1635. An act to eliminate a pay discrimination against the teacher of music at the United States Military Academy; and

S. 1653. An act to provide title for heads of staff departments of the United States Marine Corps, and for other purposes.

ADJOURNMENT

Mr. HAYS. Mr. Speaker, I move that the House do now adjourn.

The motion was agreed to: according- at 5 o'clock and 33 minutes p. m.) the House adjourned until tomorrow, Thursday, March 23, 1944, at 12 o'clock noon.

COMMITTEE HEARINGS

COMMITTEE ON ROADS

(Thursday, March 23, 1944)

Hearings will be continued on H. R. 2426 in the Roads Committee room, 1011 New House Office Building, at 10 a. m., Thursday, March 23, 1944.

COMMITTEE ON PATENTS

(Thursday, March 23, 1944)

The Committee on Patents will hold an executive meeting on Thursday, March 23, 1944, at 10:30 a. m., to further consider H. R. 2904.

COMMITTEE ON THE POST OFFICE AND POST ROADS

(Thursday, March 23, 1944)

There will be a meeting of the Committee on the Post Office and Post Roads on Thursday, March 23, 1944, at 10:30 a. m., to consider H. R. 1565, relating to the appointment of postmasters; and H. R. 3689, to change the name of "watchman" in the Postal Service to that of "post-office guard." Hearings will be had.

EXECUTIVE COMMUNICATIONS, ETC.

Under clause 2 of rule XXIV, executive communications were taken from the Speaker's table and referred as follows:

1322. A communication from the President of the United States, transmitting a supplemental estimate of appropriation, in the amount of \$80,000,000, for the Navy Department and naval service for the fiscal year 1945, in the form of an amendment to the Budget for said fiscal year (H. Doc. No. 208); to the Committee on Appropriations and ordered to be printed.

1323. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated February 14, 1944, submitting a report, together with accompanying papers and illustrations, on a review of the navigation provisions of the project for the improvement of the Mississippi River adopted by the act of May 15, 1928, as amended, with a view to determining the advisability in the interest of navigation and flood control of increasing the depth of the navigable channel from 9 to 12 feet between Cairo, Ill., and Baton Rouge, La. This report was requested by resolutions of the Committee on Flood Control, House of Representatives, adopted on March 5, 1943, and the Committee on Commerce, United States Senate, adopted on March 9, 1943 (H. Doc. No. 500); to the Committee on Flood Control and ordered to be printed, with two illustrations.

1324. A letter from the Administrator, Office of Price Administration, transmitting a copy of estimate of personnel requirements, for the quarter ending June 30, 1944; to the Committee on the Civil Service.

1325. A letter from the Chairman, War Production Board, transmitting the tenth report on the operations of the Chairman of the War Production Board; to the Committee on Banking and Currency.

1326. A letter from the Secretary of War, transmitting a draft of a proposed bill, to remove the limitation on the right to command of officers of the Dental Corps of the Army which limits such officers to command in that corps, to the Committee on Military Affairs.

1327. A letter from the Archivist of the United States, transmitting report on records proposed for disposal by various Government agencies; to the Committee on the Disposition of Executive Papers.

1328. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated January 21, 1944, submitting a report, together with accompanying papers, on a review of reports on Detroit River, Mich., requested by a resolution of the Committee on Rivers and Harbors, House of Representatives, adopted on May 20, 1941; to the Committee on Rivers and Harbors.

1329. A letter from the Secretary of War, transmitting a letter from the Chief of Engineers, United States Army, dated December 11, 1943, submitting a report, together with accompanying papers, on a review of reports on Detroit River, Mich., with a view to improvement along the eastern shore of Cross Ile, requested by a resolution of the Committee on Rivers and Harbors, House of Representatives, adopted on December 8, 1937; to the Committee on Rivers and Harbors.

REPORTS OF COMMITTEES ON PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XIII, reports of committees were delivered to the Clerk for printing and reference to the proper calendar, as follows:

Mr. PATTON: Committee on Accounts. House Resolution 490. Resolution authorizing the expenses of conducting the investigation authorized by House Resolution 108, Seventy-eighth Congress, without amendment (Rept. No. 1274). Referred to the House Calendar.

Mr. DELANEY: Committee on Rules. House Resolution 490. Resolution for the consideration of H. R. 4381, a bill to authorize the Secretary of the Navy to proceed with the construction of certain public works, and for other purposes; with amendment (Rept. No. 1275). Referred to the House Calendar.

Mr. RANDOLPH: Committee on the District of Columbia. H. R. 3550. A bill to authorize the rezoning of certain property in the District of Columbia as a residential area; without amendment (Rept. No. 1276). Referred to the Committee of the Whole House on the State of the Union.

PUBLIC BILLS AND RESOLUTIONS

Under clause 2 of rule XXII, public bills and resolutions were introduced and severally referred as follows:

By Mr. CANNON of Florida: H. R. 4465. A bill to provide duplicate posthumous awards; to the Committee on Military Affairs.

By Mr. MAY: H. R. 4456. A bill to amend that portion of the act approved June 30, 1906 (34 Stat. 697, 750), authorizing the settlement of accounts of deceased officers and enlisted men of the Army; to the Committee on Military Affairs.

By Mr. ELLIOTT: H. R. 4457. A bill to provide that, in disposing of lands which have been acquired by the United States for national defense or war purposes, a preference shall be given to the former owners of such lands or their successors in interest; to the Committee on Public Buildings and Grounds.

By Mr. BRYSON: H. R. 4458. A bill for the relief of J. G. Power and L. D. Power; to the Committee on Claims.

PRIVATE BILLS AND RESOLUTIONS

Under clause 1 of rule XXII, Mr. RODGERS of Pennsylvania introduced bill (H. R. 4459) for the relief of Dominik Tymkowski, which was referred to the Committee on Invalid Pensions.

Congressman Wright Patman  
Texas

For Release  
Late afternoon Papers  
March 22, 1944

The International Stabilization Fund Project which we have heard criticized so sharply is not by any stretch of the imagination far enough along to warrant such detailed discussion. Moreover, the criticism is based chiefly upon a preliminary draft which, I understand, has been worked over and changed materially by the technical people of thirty-odd countries since its publication four months ago.

It seems to me, however, there is a far larger issue at stake than whether or not a stabilization plan which might conceivably be adopted by this or any other Government looks good or bad at this highly premature point.

The issue is whether or not the Government of this country should attempt to be forehanded about problems which are certain to arise in the future; whether or not government departments should make preliminary investigations and studies, with the full knowledge and consent of Congress, leading to possible solutions for unavoidable difficulties which lie ahead. I think they should, and I believe that we in Congress should cooperate, not carp.

The alternative, of course, is to have the Government operate as it did in late Republican years, and spend its time running around locking barn doors after horses are stolen. My Republican colleague from Ohio may prefer this.

Now, before we go any farther, let's set the record straight on some of the more obvious accusations:

The Gentleman from Ohio says that the monetary proposal, drafted by American technicians, is nothing but a rewording of the text of the British proposal. Nothing could be further from the truth. In the first place the proposal of the American technicians was drawn up in the winter of 1941 fully 15 months before the British plan, and was presented in principle to the Rio Conference of foreign Ministers in January 1942. Anyone with the slightest understanding of international exchange and monetary questions would say that the plans have only one thing in common and that is they both attempt to deal with international monetary problems. Two proposals are completely different in their approach and suggested solution.

The Gentleman from Ohio says that the draft proposal seeks to replace gold with a fictitious standard. The fact is that the proposal of the American technicians provides for defining the currencies of all member countries in terms of gold and tying their currencies to gold. Instead of weakening the possibility of a return to the gold standard, it would do the very opposite. It attempts to strengthen the ties between all currencies and gold. To say that the plan aims to destroy the supremacy which the dollar holds in international trade and finance is an obvious falsehood.

The Gentleman from Ohio says that the scheme would involve the assumption by the United States of \$5 billion or more of British debts. This is complete nonsense. An early draft of the Fund proposal provided for the purchase by the Fund of very limited amounts of blocked balances on those occasions on which the Fund finds it desirable to do so, and only under terms and conditions which make it actually impossible for the Fund to incur a loss. This provision, I believe, has already been dropped. Strangely enough, in view of my colleague's inferences, I understand it was dropped because of the opposition of the British experts.

The Gentleman from Ohio says that the control of our money would be given over to an international money authority. Again I wonder whether he has read the proposal. There is nothing in it which reduces the authority of the United States over its monetary system or over the dollar. The Fund can make no change in the value of the dollar and the proposal specifically reserves to each country the complete control of its money policies.

My esteemed colleague has placed before you a chart which purports to show you the figures on the gold holdings and gold contributions of some of the United Nations. The figures shown are completely erroneous. They are based largely upon data published years ago, some going back as far as 1935, and I am surprised that anyone should assume that data of this



character can all represent the actual situation. I am told, incidentally, that this table overlooks half the gold holdings of the other United Nations. The true information, I might point out, is secret and cannot be given out by any country. The publication of a completely unfounded table by the Gentleman from Ohio serves no purpose other than to confuse and mislead the interested public.

I do not know what the Gentleman from Ohio means when he says that the Keynes-Morgenthau scheme (and by the way, there is no such thing. The British, French, Canadians and Americans all had preliminary drafts — all published, all different) — he says "the scheme" could involve the United States to the extent of upwards of \$15 billion. The tentative proposal by the American technicians specifically states that our participation shall be limited in the neighborhood of \$2 billion. This is a small error of 700 percent on the part of the gentleman and involves some \$13 billion.

Finally the Gentleman from Ohio seems to be disturbed by the fact that the Interstate Commerce Commission was different in 1887 from what it is now. This perhaps is the key to the understanding of his entire speech. This Republican gentleman is complaining because we cannot meet the complex problems of the 1940's with the facilities of the years when as a free, sunkist barefoot boy he first graced Shanesville, Ohio in the 1880's. He was born there, I understand, in 1884, and like the Interstate Commerce Commission, has altered his earlier limits and become increasingly complex in the intervening years.

The preliminary work on stabilization — and all the work that has been done to date is preliminary — is an effort by an alert Government Department to prepare a remedy beforehand for a difficulty that seems certain to strike when the war is over, or before.

When the economies of various countries began to shudder under the strain of approaching war, Secretary Morgenthau and his technical experts anticipated that world reconstruction would be very difficult indeed if all the moneys of the world had no common denominator and if there were no basis for international cooperation. If we were to come out of the war with a sound dollar and all other nations were bankrupt and their exchange were fluctuating in a disruptive manner, the Secretary recognized that the soundness of our dollar would be a virtue in a vacuum.

The war is likely to aggravate a situation which will make it extremely difficult to avoid a breakdown of international economic relations.

In an effort to find a solution to this problem — and unless a solution is found, the reconstruction, restoration of a prosperous level of world trade and the establishment of sound monetary systems will be delayed indefinitely — Secretary Morgenthau's technicians began exploratory conversations with technical representatives of other nations.

Now, in spite of those who, through lack of understanding or for political purposes, choose to distort the facts in the case, those early conversations were not launched with the idea of letting the United States rescue or support the other nations of the world — any of them. Mr. Morgenthau is no economic Santa Claus. Anyone who has watched the handling of Treasury matters over the past ten years knows that. The present Secretary of the Treasury has worked hard and long to make and keep Washington the financial center of the world. He has been diligent in keeping foreign debts in hand, and he invented reverse lend-lease to help keep dollar balances down. So you may rest assured that our country's economic wherewithal will not be dissipated across the oceans by the watchdog of the Treasury Department.

But let me repeat, the point at issue is really whether or not, having seen the necessity for stabilizing foreign exchange, our Secretary of the Treasury would have served the public interest better by pretending no problem exists, and accordingly done nothing about it. By inference, at least, the Gentleman from Ohio and others who criticize a plan which still is in its formative stage are, apparently, suggesting that we go back to those good old do-nothing days — those days that reached their pinnacle in 1929 — when the Administration in power realized full well that calamity lay just over the horizon, but chose to make no effort whatsoever to stop it. They felt that it was none of the government's business to keep people from starving, to keep businesses from closing their doors, to keep the wheels of commerce from slowly grinding to a stop.

I do not believe that we should return to those unrealistic days of "let's pretend it isn't so." I believe that we should continue to anticipate problems and try to find solutions before they have an opportunity to send the international economy into a tail-spin. And further I believe that this viewpoint is representative of a large majority of the American people. Most Americans would rather see us on the ball than behind it.

Some people have a tendency to view with alarm anything going on that they don't quite understand. Certainly there is no crime in being alert, but it seems to me aimless for a Representative to take up the time of this House for an hour to discuss, as though it were a fait accompli, a plan which in the first place is in its preliminary stages and in the second place he has confused with at least one other plan. And especially since he has not revealed the pertinent fact that this thing which he views with such alarm is nothing more than a logical, conservative development which has evolved out of proved practices of this government. It would appear that my colleague is so concerned about motives that he is losing sight completely of the facts in the case.

I should like to take a few minutes to tell you how this proposal for monetary cooperation, aimed at the protection of the American economy, came about. Its evolution is as important as the project itself, for it demonstrates its basic simplicity.

The story of this Stabilization Fund really began back in the 20's, when a surprisingly large and substantial group of people suddenly awakened to the fact that fortunes could be made by trading in foreign exchange and nations believed that, by manipulating exchange rates, they could avoid payment of war debts to this country.

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In the record of THE HOOVER ADMINISTRATION written by William Starr Myers and Walter H. Newton, much is said about:

"the deliberate credit inflation policy undertaken by the Federal Reserve System and the important central banking systems of Europe in the year 1927."

Then the authors review the growth of that inflation policy. They say, and I quote:

"In late 1925 the Federal Reserve Bank of New York, through its governor, Benjamin Strong, entered into the discussion of a program of joint action with Montagu Norman, governor of the Bank of England. This was joined in by the officials of various central banks of continental Europe. The objectives were the expansion of credit, 'easy money policies' by 'open market' operations, and the manipulation of discount rates. The purpose of the arrangements was to strengthen the situation in Europe."

The book then points out that Mr. Hoover, then Secretary of Commerce, protested vigorously, and is reported to have said: "As to the effects of these Reserve policies upon the United States, it means inflation with inevitable collapse which will bring the greatest calamities upon our farmers, our workers and legitimate business..."

As Secretary of Commerce, Mr. Hoover seems to have had some influence, for this inflationary program was apparently side-tracked for the time being.

But in July, 1927, Mr. Norman of the Bank of England, Dr. Schacht, President of the Reichsbank, and Professor Charles Rist, deputy-governor of the Bank of France, visited the United States; and in spite of Mr. Hoover who was soon to become President and certainly in a position to protest if he wanted to, these redoubtable gentlemen apparently got the plot started all over again and this time they went through with it. Now, mind you, Mr. Hoover made no move to stop it, though he was on record as knowing what the consequences would be. Perhaps he had been won over by those Republican leaders who seem so fond of inflationary policies that they have maintained a startling record of supporting inflation up to the present day.



In the final analysis, there could be only one cure for this disease which had been started so deliberately, in the Coolidge Administration. That cure was administered on March 6, 1933, when President Franklin D. Roosevelt closed the banks for four days "because of unwarranted withdrawals of gold and currency from banking institutions for the purpose of hoarding, and undue speculative activity abroad in foreign exchange."

That was a medicine swiftly and courageously administered. Less than a year later, concrete steps were planned to make it impossible for such calamity as we knew in 1929-30 and 31 to befall us again. These steps were planned under the same Secretary of the Treasury, Henry Morgenthau, Jr., who has just been criticized for trying to get things done, and consisted of setting up a Stabilization Fund in the United States to protect the value of the dollar abroad, and to make it difficult for foreign currencies to be manipulated to the great detriment of the American economy.

This Stabilization Fund, which has been functioning for nine years with complete success, was the real foundation of the present International Stabilization Fund idea.

Through the use of this fund, the American Government, on many occasions, has invested temporarily in foreign currencies for Stabilization purposes.

In all of the nine years that this fund has been in operation, the United States Government has not lost a cent.

To those who say a Stabilization Fund won't work, here is pretty strong evidence that it will work. Cure has been working in this limited field for nine years.

In 1936, Secretary Morgenthau took another step to reinforce International Stabilization. He established the Tripartite arrangement with the Governments of England and France. The Governments of Belgium, the Netherlands and Switzerland also held to this agreement. This, too, was successful until the outbreak of war made it impossible to continue for obvious reasons.

The present International Stabilization plan which we have heard so bitterly denounced as impractical, is a combination and extension of these two tried and proved methods of stabilization.

In January of 1942 the Ministers of Foreign Affairs of the American Republics, meeting in Rio de Janeiro, recognized the need for a greater degree of cooperation in the stabilization of currencies. Accordingly, they adopted a resolution recommending:

(1) That the Governments of the American Republics participate in a special conference of Ministers of Finance or their representatives to be called for the purpose of considering the establishment of an international stabilization fund.

(2) That the conference in considering the establishment of such a fund shall formulate the plan of organization, powers and resources necessary to the proper functioning of the fund, shall determine the conditions requisite to participation in the fund, and shall propose principles to guide the fund in its operation.

Following this conference, an American technical committee was set up to pursue the subject further. Represented on that committee were the Treasury Department, the State Department, the Department of Commerce, and the Board of Governors of the Federal Reserve System, and the Board of Economic Warfare. This group prepared a tentative proposal which, in March, 1943, the Secretary of the Treasury sent to the Ministers of Finance of the United Nations for study by their technicians.

On April 5, Secretary Morgenthau reported to seven committees of the House and Senate on the progress of this study, even though it was then in its infancy, so to speak. I think it is important that the Secretary asked permission to keep us advised, a program which he has maintained consistently on this and other projects falling within the scope of the Treasury Department. On April 5, he said, in part:

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"For some time we in the Treasury have been deeply concerned with the threat of international monetary chaos at the end of this war.

"We feel that international currency stability is essential to reconstruction in the post-war period and to the resumption of private trade and finance. It is generally held that this formidable task can be successfully handled only through international cooperation.

"I think further that most of us would agree that the establishment of a program adequate to deal with the inevitable post-war monetary problems should not be postponed until the end of hostilities. It would be ill-advised, if not dangerous, to be unprepared for the difficult task of international monetary cooperation when the war ends. No one knows how long or how short the war will be. We therefore believe it is desirable to begin now to devise an international monetary agency adequate to cope with the problems with which we shall be confronted when the war does end.

"The completion of such a task is certain to take many months at the least. Specific and practical proposals must be formulated and must be carefully considered by the policy-shaping officials of the various countries..."

And then the Secretary said very clearly, so that we could not fail to understand:

"In each country acceptance of a definitive plan can follow only upon legislative or executive action."

After explaining the nature of the preliminary proposal which was sent to the other nations to start them thinking, the Secretary said, upon leaving:

"I have been anxious to discuss this matter with you and to keep you informed of developments. Obviously, we are still in the early stages of our thinking and discussions. However, I did want you to know what we are doing and I do want to feel free to come back from time to time and discuss the subject with you and obtain your views and advice."

Here I should like to point out that the Gentleman from Ohio has taken advantage of this offer on numerous occasions. He has written many letters to the Treasury and each has been answered, although the answers to many of them seem for the most part to have been misinterpreted.

One of these letters, I must comment upon here. He wrote to the Secretary, asking the Secretary for a direct answer as to whether or not contributions to the Fund will be physically delivered to one central point in one of the United Nations.

In answer, Mr. Morgenthau told him that it was generally assumed that at least the major contributions to the Fund would simply be ear-marked and kept in the contributors' central banks. In other words, our gold would be kept right here if that is what interests the Gentleman from Ohio.

Whereupon the esteemed Gentleman from Ohio apparently not understanding what "ear-marked" means, throws his hands in the air and says "See what I told you! How could there be any question about the manner in which the gold should be delivered? How could it be done except by shipping?"

Gentlemen, I propose this logic as the most elaborate non sequitur in the history of the American House of Representatives.

But let me continue with the progress of the Stabilization Fund.

Following the April 5 report, there were many meetings of the technical experts of various countries. By fall, the technicians had made enough progress so that a revised proposal could be prepared, and the Secretary again reported to the committees in the House and the Senate. He said at that time:



"I want to emphasize that the International Stabilization Fund, tentatively proposed by the technical experts of this Government, is fundamentally an adaptation of the methods we have successfully used on a more limited scale with our own Exchange Stabilization Fund. We have tried to adapt that experience to the broader and more difficult currency problems confronting the world during the postwar years. The International Stabilization Fund is an extension of the principle of the Tripartite Agreement that the responsibility for maintaining stability of exchange rates is international and that countries must cooperate to maintain stability of exchange.

"The obligations a country assumes under this proposal are no more than a country voluntarily imposes on itself when it pursues a policy of exchange stability and refrains from resorting to discriminatory exchange practices. Beyond that, there is only the duty of consulting and agreeing before altering exchange rates, an extension of the principle that we have embodied for years in our own stabilization agreements.

"We have held technical conversations with the experts of more than thirty countries and we are continuing these discussions with the experts of some of the countries. These exploratory conversations have been unofficial and confined to the technical level. No Government, including the United States, is committed to any of the tentative proposals for international monetary cooperation that have been presented by the experts."

The Secretary then explained some of the changes which had been made in the proposal previously described to the committees, and presented a summary of a tentative proposal for a United Nations Bank for Reconstruction and Development, the principle function of which would be to "guarantee loans made by private capital for sound and constructive purposes, when such loans are also guaranteed by a member government."

Upon leaving the committees, the Secretary said:

"I want to assure you again that I shall always be available for discussion of both the Bank and Fund proposals. I know that some members of your committees are desirous of cooperating with us in studying these problems. Speaking for the Treasury, we would be very happy if an informal committee were formed which would consult with our technical men as frequently as feasible."

That is the story of the International Stabilization Fund to date. It is the whole story.

On the basis of a rumor circulating in a foreign capital, some sections of the House of Representatives seem to have become excited about possible infractions of the rights of Congress by the Treasury Department. Statements have been made that the Executive Department of the Government is making agreements with foreign nations, which is wholly and absolutely absurd. There have been inferences that the Treasury Department, behind the back of Congress, has been making arrangements to give away our money and our credit. This, of course, is even more absurd than the first charge.

Secretary Morgenthau assured Representative Bloom only last week that sufficient progress had not yet been made to warrant taking the time of House and Senate Committeemen to listen to a further report.

The entire project is still at the level of various government technicians. A group of technical men from Russia is at present discussing the matter with the American technicians at the Treasury. When progress has been made, when a recommendation has been agreed upon by the technicians, a formal meeting will be held by accredited representatives of the various governments and following that, the various legislative bodies will decide upon what action to take.

I think Congress should commend Secretary Morgenthau for keeping us abreast of developments concerning the Stabilization Fund project, rather than criticize him for having made agreements which we all know very well he has not and could not make, and which he himself described on April 5 of last year as being out of his province.

All this is a tempest in the tea pot.

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It is an effort to create a political issue where no political issue could possibly exist. I suppose we can expect more and more of this as we come closer to election.

But I sincerely hope that the Administration will not find it necessary to curtail its investigations and forehanded projects because more groups want to make it politically inexpedient to do anything but sit.





THE SECRETARY OF THE TREASURY  
WASHINGTON

MEMORANDUM FOR THE PRESIDENT

You may be interested to know that the Russian representatives to the Monetary Committee have seen the United States Army version of the film "Battle for Russia" and were very much impressed with it.

Nikolai Chechulin, Head of the Russian Mission said that he thought it would be a very good idea to exhibit the film in Moscow.

You may wish to consider sending a copy of the film to Premier Stalin for showing in Moscow.



MAR 22 1944

My dear Mr. Secretary:

This letter is in response to the request of the State Department for the views of the Treasury with regard to the appropriate financial terms of the proposed extension of post-war credits to the U. S. S. R. under the Lend Lease Agreement.

It is the view of this Department that the credits should be amortized over a twenty-year period beginning three years after the commencement of the credits and that the interest rate charged should be set at the average rate of carrying costs on the U. S. public debt plus  $1/8$  of 1%. Under the present circumstances, the interest rate would thus be set at 2.1%. The Soviet Government should be notified in December of any given year of the rate applicable to the ensuing year. This procedure would assure our public that the cost of the credit advanced to the U. S. S. R. is fully paid and it would assure the U. S. S. R. that it is getting the best terms which this government can extend.

The Treasury believes that the question as to whether a shorter amortization period should be used as a basis for discussion can best be left to those responsible for conducting the negotiations.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Cordell Hull,  
Secretary of State,  
Washington, D. C.

WHT:SG:gp 3/22/44



EXECUTIVE OFFICE OF THE PRESIDENT  
WAR REFUGEE BOARD

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Inter-Office Communication

To Mr. Standish  
From Mr. McCormack

Date  
March 22, 1944.

Complementing, if you will, your Spanish plan of March 17th, there are attached copies of a paper on the Nansen Passport which represents a saga of that document from 1922, when Dr. Nansen devised it, through 1939 when it fell into the hands of the High Commissioner and the Intergovernmental Committee.

Att.

### THE NANSEN PASSPORT

An old Russian adage has it that a "man consists of body, soul and a passport" and it could be that Dr. Nansen, faced with the problem of protecting people without "state", had to regulate their status and give them some sort of identity paper. For this purpose he created in 1922 the "Nansen Certificate" or "Nansen Passport" which was adopted by fifty governments. The certificate was valid for one year only and issuance was discretionary with individual governments.

Inasmuch as it was not valid for return to the country of issue unless specifically inscribed to that effect, the Nansen certificate was - at least a travel passport - inferior to national passports, some countries being reluctant about permitting people to enter who could not go back or be returned to where they came from. A convention in 1933, however, provided that the Nansen passport should authorize the return of its holder to the country of issue and that it could be extended for a period of six months. Though only five nations - Bulgaria, Czechoslovakia, Denmark, Norway and Italy - actually ratified this convention, and three others - Belgium, France and Egypt - signed it, the convention is practically in force. In an emergency, moreover, the Nansen certificate proved its value: namely, when in 1933 the Russian-Jewish refugees in Germany were compelled to flee once more, they found that their Nansen certificates still opened the frontiers for them.

While it might be a fantastic commentary on the inhumanity of our times that for thousands and thousands of people a piece of paper with a stamp on it is the difference between life and death - detention and freedom - there is little doubt that, by and large, the Nansen certificate is the greatest that has happened for the individual refugee. It returned to him his lost identity. And while the refugee could never be sure whether he would get a labor permit by means of the Nansen certificate, he could be sure that without the Nansen certificate he would never get a labor permit.

The Nansen certificate gave the refugee moral support. While the refugee without an identification paper was exposed to petty police tyrannies, the holders of the Nansen passport could turn to the representatives of the High Commission in various capitals, who afforded them a kind of consular service. These Commissioners took matters up with the Ministers when expulsion orders were issued, or labor permits refused, and in a more general way saw to it that the governments kept the arrangements they had entered into on behalf of refugees.



The Nansen Certificate, at the outset extended only to the Russian and Armenian refugee, was then extended to the Chaldean, Assyrian and Turkish refugees, and in 1935 to refugees from the Saar, who were all under League protection; it never reached the political "sans patries" from Hungary, Italy and Spain who were not considered as coming within the League's province.

Concerning these stateless persons outside of League protection, the Connection and Transit Organization of the League adopted at its third conference in 1927 a series of recommendations to governments to employ a uniform document of identity and travel, similar to the Nansen Certificate but bearing the notation "good for return". These recommendations were accepted in principle by most states, and the "international passport" came to life.

When refugees began "coming from Germany" in 1933, the Council of the League, to spare embarrassment to Germany then a member of the League, set up the "High Commissioner for Refugees coming from Germany" as an autonomous organization. The Council appointed Jas. G. McDonald as High Commissioner, and invited fifteen states to send representatives to the governing body.

The organization of the High Commission was similar to that of the Nansen Office. The seat of the office was initially at Lausanne, but in October 1934, was removed to London. This removal was significant of League detachment which was more completely expressed in other ways. While the League bore the administrative costs of the Nansen Office, the expenses of the High Commissioner's office were borne by contributions from philanthropic organizations, save for a Swedish Government contribution. The High Commissioner's reports were not submitted to the League.

One of the High Commissioner's first tasks was to have the "International Passport" of 1927 extended to refugees who while still Germans, could not obtain renewals of their German passports or a new German document. Although the governing body, comprised of representatives of thirteen states, generally agreed, it was here that McDonald ran into difficulty. The High Commission, because of its autonomy, lacked the moral authority which the Nansen Office in theory enjoyed by means of invoking the resolutions of the League assembly, could only use therefore persuasion and consultation to produce results.

In 1938 the Nansen Office was merged with the Office of the High Commissioner and was commissioned to concern itself with the legal and political destinies of refugees.

On July 14, 1938 at Evian the IGC adopted a resolution for the formation of a permanent committee for refugees. Item "e" of this resolution follows:

- (e) "That, with regard to the documents required by the countries of refuge and settlement, the Governments represented on the IGC should consider the adoption of the following provision:

"In those individual immigration cases in which the usually required documents emanating from foreign official sources are found not to be available, there should be accepted such other documents serving the purpose of the requirements of law as may be available to the immigrant, and that, as regards the document which may be issued to an involuntary emigrant by the country of his foreign residence to serve the purpose of a passport, note be taken of the several international agreements providing for the issue of a travel document serving the purpose of a passport and of the advantage of their wide application."

PJMcGermack:ia 3/23/44



## Convention Relating to the International

## Status of Refugees

Geneva, October 28, 1933

(C. 650. M. 311. 1933)

## Chapter II - Administrative Measures

## Article 2

(1) Each of the Contracting Parties undertakes to issue Nansen certificates, valid for not less than one year, to refugees residing regularly in its territory

(2) The text of the said certificates shall include a formula authorizing exit and return. Bearers of Nansen certificates which have not expired shall be free to leave the country which has issued these documents and return to it without requiring any authorization on exit or visa from the consuls of that country on their return.

(3) The respective consuls of the Contracting Parties shall be qualified to extend these certificates for a period not exceeding six months.

(4) The cost of visas for Nansen certificates shall, subject to their issue free of charge to indigent persons, be established according to the lowest tariff applied to the visas of foreign passports.

## Reservations

Par. 2 & 3 - Bulgaria. The departure from the country of refugees possessing Nansen certificates shall be governed by the general regulations in force in this respect. Bulgarian consuls will be empowered in case of 'force majeure' to extend Nansen certificates issued in Bulgaria for a period of three months.

Par. 3 - Belgium. Not accepted  
Czechoslovakia. Not accepted  
Norway. Reservation made

Par. 4 - Bulgaria. The cost of visas for Nansen certificates shall be fixed in accordance with the tariff applicable to the nationals of the country by which the certificate was issued.

Convention Concerning the Status of  
Refugees Coming from Germany  
Geneva, February 10, 1938  
(C. 75. M. 30. 1938, XII)

Chapter III - Travel Document

Article 3

Issue and renewal

(1)(a) The High Contracting Parties shall issue, to refugees coming from Germany and sojourning lawfully in their territory to which the present Convention applies, a travel document in the form of a certificate similar to the attached specimen (see annex), or some other document taking the place of a passport.

(b) As a transition of measure, such travel documents may be issued to refugees not staying lawfully in these territories on the date of the coming into force of the present Convention, provided such refugees report themselves to the authorities within the period prescribed by the Government of the High Contracting Party concerned.

Par. 2. Norway. Not applicable

(2) The issue of the travel document shall be subject to the following conditions:

(a) It shall be in conformity with the laws and regulations governing the supervision of foreigners in force in the territories of the High Contracting Party to which the present Convention is applicable;

(b) It shall as a general rule be valid for one year as from the date of issue;

(c) The renewal or extension of the travel document shall be a matter for the issuing authority, until such time as the holder may be able to secure the issue of a fresh travel document. Should a refugee lawfully take up residence in another territory to which the Convention applies, the authorities of that territory shall be required to supply him with a new travel document;

(d) Consuls specially authorized for the purpose by the country issuing the travel document shall be empowered to extend



Chapter III - Travel Document - Cont.

its validity for a period which, as a rule, shall not exceed six months;

(e) The travel document shall be made out in the language of the issuing authority, and also in French;

(f) Children under 16 years of age shall be entered on the travel document issued to their parents or parent;

(g) The fees charged for the issue of travel documents shall not exceed the lowest scale of charges for national passports. It is recommended that, in case of indigent persons, travel documents should be issued free of charge

Article 4. Effects

(1) (a) The travel document shall entitle the holders to leave the territory where it has been issued and to return thereto during the period of validity of the said travel document.

(b) The High Contracting Parties reserve the right, in exceptional cases, to limit the period during which the refugee may return, such limitation being noted on the travel document.

(2) The competent authorities of the territory to which the refugee desires to proceed shall, if they are prepared to admit him, affix a visa to the travel document of which he is the holder.

(3) The authorities of the territories of transit undertake to grant facilities for the issue of transit visas to refugees who have obtained visas for the territory of final destination.

(4) The fees for the issue of entrance or transit visas shall not exceed the lowest scale of charges for visas on foreign passports. It is recommended that, in the case of indigent persons, visas shall be issued free of charge.

EMBASSY OF THE  
UNITED STATES OF AMERICA

Chungking, March 22, 1944.

No. 2345.

Subject: Protection of Victims of Enemy  
Oppression.

The Ambassador has the honor to refer to the Department's circular airgram of January 26, 7:00 p.m., in regard to relief measures for victims of enemy oppression, and to enclose a copy of the Embassy's circular instruction of February 28, 1944 addressed to American diplomatic and consular officers in China requesting reports on the matter for transmission to the Department.

There is also enclosed a copy of the Embassy's formal note of March 6, 1944 to the Ministry of Foreign Affairs which has orally informed the Embassy that the matter has been referred to the Executive Yuan for consideration.

Despatches to the Department received from the officers stationed at Kunming, Sian and Chengtu in accordance with the Embassy's circular are transmitted herewith. Replies from other offices will be forwarded when they are received.



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## Enclosures:

1. Copy of circular instruction to American diplomatic and consular officers in China;
2. Copy of Embassy's note to the Ministry of Foreign Affairs;
3. Despatch no. 50 of March 7, 1944 from the American Consulate General, Kunming;
4. Despatch no. 3 of March 9, 1944 from the Secretary on detail at Sian;
5. Despatch no. 10 of March 12, 1944 from the Secretary on detail at Chengtu.

Single copy to the Department.

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HP/kky

Enclosure no. 1 to despatch no. 2245 of March 22, 1944  
from the American Embassy, Chungking.

Chungking, China, February 28, 1944

CIRCULAR NO. 30

Subject: Protection of Victims of Enemy Oppression.

To

American Diplomatic and Consular Officers in China.

Sirs:

There is enclosed a copy of an airgram dated January 26, 1944, 7:00 p.m. received by the Embassy from the Department in regard to relief of victims of enemy oppression. It is desired that each office render a report on its district as called for in the fourth paragraph of the airgram. These reports, addressed to the Department, should follow the form specified in the Embassy's circular no. 27 of February 7, 1944 and be transmitted through the Embassy.

Other action required in the airgram will be taken by the Embassy.

Very truly yours,

C. E. Gauss

Copies to:

Consulate General, Kunming.  
Consulates, Kweilin, Tihwa.  
Secretaries of Embassy on detail  
at Chengtu, Lanchow, Sian.

HP/ccw



Enclosure no. 2 to despatch no. 2245  
from the American Embassy, Chungking.

Chungking, March 6, 1944

Excellency:

I have the honor to inform Your Excellency that I have received an instruction from my Government reading, in part, as follows:

"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: 'It is the policy of this Government to take all measures within its power to rescue the victims of enemy oppression who are in imminent danger of death and otherwise to afford such victims all possible relief and assistance consistent with the successful prosecution of the war'. The order establishes special 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

His Excellency

Dr. T. V. Soong,

Minister of Foreign Affairs,

Chungking.

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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".

I am directed by a later portion of this instruction to ascertain the extent to which the Chinese Government is prepared to cooperate in the policy expressed in the President's Executive Order referred to above. I should accordingly appreciate being informed as to the attitude of the Chinese Government on this matter in order that I may report accordingly to my Government.

Accept, Excellency, the renewed assurances of my highest consideration.

C. E. Gauss



No. 50

AMERICAN CONSULATE GENERAL

Kunming, Yunnan, China, March 7, 1944.

SUBJECT: Protection of Victims of Enemy  
Oppression.

The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to refer to the Department's circular airgram of January 26, 1944, 7:00 p.m., addressed to certain American missions, a copy of which was forwarded to this Consulate General under cover of Circular Instruction no. 30 from the Embassy at Chungking, in regard to relief of victims of enemy oppression, and to submit a brief report as called for in the fourth paragraph of the airgram.

The legal position of the German Jew in Yunnan was discussed in some length in this Consulate General's despatch no. 42, dated February 12, 1944, addressed to the Department, a copy of which was submitted to the ~~Embassy~~ Embassy. It was stated that the Chinese Government had failed to draw the obvious and necessary conclusion that "stateless" Jews could not be regarded as enemy aliens and that the Chinese ordinances dealing with the treatment of enemy aliens should not be applied to them.

One of the less admirable characteristics of the Chinese is their lack of a sense of fair play and their tendency to take advantage of those who are defenseless, or, as the Chinese themselves would express it, to kick a dead horse ( ). As far as is known, nothing has been done to assist persecuted minorities. It is often said that the Chinese is the only race capable of

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absorbing the Jew, and a Jewish racial problem cannot be said to exist here in any form. Nevertheless, there has been observed a growing, and an entirely baseless and illogical tendency to heap scorn on the Jew and to treat him with contempt. Chinese in authority have manifested in many ways their admiration for present day Germany and the fascist, as opposed to the democratic form of government. The only reasonable explanation of the present-day Chinese attitude toward the Jew is that it reflects the effectiveness of Nazi propaganda.

There are, in all probability, not more than twenty German Jews in Yunnan Province. The last known German Jews to come to Yunnan were a Mr. and Mrs. Ludwig HEINRICH, who arrived in Kunming in September, 1940. Mr. Heinrich was formerly a moderately prosperous traveler in the wholesale woolen trade, and was admitted under the guarantee of another German Jew, a certain Mr. BEAL, an erstwhile employee of his in Germany. Mr. Beal himself, along with three or four other German Jewish mechanics from Shanghai, had previously been brought to Kunming under the auspices of the International Red Cross to work as chauffeurs on the Burma Road.

The Special Yunnan Delegate of the Ministry of Foreign Affairs is without information in regard to requirements for immigration visas. German Jewish refugees, like other prospective immigrants into China, are understood to be required to submit evidence (1) that they are of good moral character, and (2) that they are sufficiently responsible from a financial point of view to warrant the belief that they are not liable to become a public charge. It is said that in practice immigrants into China from places in the Far East are for the most part granted visas by the Chinese Consul General in Calcutta; doubtful cases are referred by him to the Chinese Foreign Office.

Respectfully yours,

Arthur R. Ringwalt  
American Consul

Approved for transmission:

C. E. Gauss

Original ozalid to Department  
Copy to Embassy, Chungking.  
840.1 - ARR:sam



EMBASSY OF THE  
UNITED STATES OF AMERICA

Second Secretary on detail at Sian, China,  
March 9, 1944

No. 3

Subject: PROTECTION OF VICTIMS OF ENEMY OPPRESSION

The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to acknowledge receipt of the Department's airgram of January 26, 1944, 7:00 p.m., in regard to the rescue and relief of victims of enemy oppression and persecution. I received with the airgram an instruction from the Embassy at Chungking to submit a report to the Department in accordance with the terms of the fourth paragraph of the airgram. My report follows herewith.

Summary: While the plight of Jewish, Russian and other refugees domiciled in the Japanese-occupied areas of China is reported to be serious, it would appear that the Japanese have not deliberately maltreated or persecuted them in a manner reminiscent of the atrocities perpetrated by the German Nazis against the Jews of Europe. Very few if any of the refugees in Japanese-occupied Chinese cities appear to have made any effort to emigrate to unoccupied China. The Chinese Government would appear to be without the facilities to extend any substantial aid to such refugees if they were to migrate to unoccupied China. Removal from occupied to unoccupied China probably would not in any event relieve the economic plight of such refugees; indeed it might add to their distress and difficulties. In so far as is known, there are no official regulations barring the entry of war refugees, but unidentified refugees entering unoccupied China would almost certainly be detained for examination. The Chinese official

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attitude toward the entry of war refugees would appear to be negative and formless, it does not seem to have crystallized. If faced with the concrete problem of the reception and care of any substantial number of war refugees (Jewish, Russian, et cetera), it seems doubtful whether the Chinese reaction would be favorable for various reasons. No report has been received of Chinese failure to admit to the unoccupied areas war refugees seeking exit from the Japanese-occupied areas. End of summary.

Introductory explanation. This report has reference to conditions and developments in China, and more particularly to those relating to occupied China and to the northern and central Provinces of Shensi, Shansi, Honan, Hupeh and Anhwei. Moreover, it has reference primarily to European refugees residing in the Chinese port cities who may have been or may be subjected to Japanese oppression and persecution, the German Nazis apparently having been unable to carry out their policy of racial persecution in the Far East.

Japanese attitude toward refugees. Accurate information in regard to the Japanese attitude and actions toward the Jews, "white" Russians and other minorities in Japanese-occupied China is scanty and inconclusive. But on the basis of available information it would appear that the Japanese have not embarked on a deliberate campaign of persecution or elimination of the Jews or other racial minorities that would compare in any wise in barbarity or severity with the acts reportedly perpetrated by the German Nazis against European Jews, Russians, Poles, et cetera. According to Chinese refugees arriving from Shanghai and other Japanese-occupied cities of China, the economic plight of many Jews, Russians, et cetera, is very serious, but no more so than that of millions of Chinese. The bulk of the Jewish and Russian refugee population has from the time of its arrival in Shanghai and other Chinese port cities lived in poverty and on a low economic level; and it would appear that this group has suffered increasingly as economic conditions have progressively deteriorated. This would appear to be true especially of the Jewish population which is reported to have been concentrated by the Japanese authorities in the narrow limits of Hongkew at Shanghai. In so far as is known, actual



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physical concentration of Jewish, Russian and other European refugees does not appear to have occurred on any marked scale in Japanese-occupied China. It would appear that few, if any, of these refugees in Japanese-occupied China have endeavored to come into unoccupied China. The precise reasons why such migration of these refugees has not developed are unknown: they may be subject to Japanese travel restrictions or they may lack travel funds or they may feel that conditions in unoccupied China would be no more favorable than those obtaining in Japanese-occupied China.

Rescue of Jews and other minorities from Japanese-occupied China. It would appear, in general, that the Chinese Government, which seems hard-put to cope with the problem of aiding the thousands of Chinese students who have been and are now fleeing from Japanese-occupied China to unoccupied China, not to mention its apparent inability to offer any appreciable succor to millions of China's own famine and war stricken population, is scarcely in a position to extend active aid or relief to the suffering Jews, Russians and other racial minorities of Shanghai, Tientsin and other Japanese-occupied Chinese cities. And even if such refugees evinced a desire to come to unoccupied China and if the Chinese Government had the will and the resources to administer relief to such refugees, it is doubtful whether the Chinese Government has the machinery in the Japanese-occupied areas of China to carry out such a program. Moreover, it would appear that their removal, even if it were feasible, would not ameliorate their lot or solve their pressing economic problems. Having due regard to existing conditions and developments, it seems the wiser course that such refugees should remain at Shanghai, Tientsin and other enemy-occupied cities pending conclusion of the war. If it is found that such refugees are in need of urgent relief, it may be found possible to afford them succor through the International Red Cross or the agency of some neutral government.

The extent to which such war refugees are permitted to enter unoccupied China. In so far as is known there is no specific bar to the entry of Jews and other war refugees from the Japanese-occupied areas to unoccupied China. No case is known of the turning back at the border of such refugees.

- 4 -

However, based on the experiences of citizens and subjects of various European Powers proceeding from the Japanese-occupied areas of China to this portion of China during the past year or more, it would seem safe to predict that many such refugees would be hindered, delayed and subjected to detainment. More particularly would this be likely to occur in cases involving refugees of former German or Austrian nationality. It is more than likely that, unless well known and guaranteed, such refugees would be regarded by the Chinese authorities with suspicion and as possible German or Japanese agents. Unidentified Russian refugees would most certainly be the objects of Chinese suspicion; it seems doubtful whether they could travel far into unoccupied China without being detained for investigation.

Even if war refugees were allowed to travel freely in unoccupied China, they would find the cost and the difficulties of transport to be very great. It may be stated without qualification that should any appreciable number of European war refugees endeavor to enter unoccupied China by the generally traveled route--that is, via Kaishowtsi in eastern Honan Province--they would tax relief and transport facilities to the limit. Even if it were possible and feasible to transport European war refugees from Shanghai, Tientsin and other enemy-occupied cities to the border of unoccupied China, it would seem that conditions in unoccupied China are most unpropitious for their movement and residence.

The extent to which China encourages and cooperates in the entry of war refugees. Owing to the very limited number of war refugees (other than those of Chinese nationality) coming into unoccupied China, it seems impossible from this vantage point to define with any precision China's real attitude in regard to the entry of European war refugees. It would appear, however, that the Chinese authorities have, in anything, taken a negative attitude in relation to encouraging the entry of war refugees (including those of Chinese nationality) from the Japanese-occupied areas of China. If the Chinese Government were faced with the concrete problem of the admission and care of a substantial number of Jewish or "white" Russian refugees, for instance, it is highly doubtful whether the reception would be a welcome one. In all probability the Chinese Government would take the attitude



- 5 -

that Jewish and Russian refugees could not be favored over millions of distressed Chinese war refugees who must shift for themselves. Moreover, as indicated above, the Chinese Government would seem to lack the facilities to receive and absorb any appreciable number of war refugees. Furthermore, as suggested above, the Chinese Government would probably not favor the indiscriminate admission of European refugees owing to the possible danger of espionage.

The extent to which war refugees are not able to enter unoccupied China. No information has been received of the turning back by the Chinese authorities of European war refugees. As has been pointed out above, very few European war refugees appear to have tried to leave Japanese-occupied China for unoccupied China. In the large sense, therefore, this problem does not appear to have arisen. The few Europeans who have fled from Japanese-occupied China to this portion of unoccupied China have found that difficulties with the Chinese authorities are more apt to arise after they have reached a city somewhat to the rear of the border; Sian is a case in point. At least six Europeans have been detained here for varying periods in the course of the past year or more following their arrival from the Japanese-occupied areas.

Respectfully yours,

Everett F. Drumright  
Second Secretary of Embassy  
on detail at Sian

Approved for transmission:

C. E. Gauss

Enclosure no. 5 to despatch no. 2245 of March 22, 1944  
from the American Embassy, Chungking.

No. 10.

DUPLICATE

Office of the Secretary on Detail at  
Chengtou, Chengtu, Szechwan, March 12, 1944.

Subject: Protection of Victims of Enemy  
Oppression.

The Honorable  
The Secretary of State,  
Washington.

Sir:

I have the honor to refer to the Department's airgram dated January 26, 1944, 7:00 p.m., to the Embassy at Chungking, in regard to the relief of victims of enemy oppression.

In compliance with the Chungking Embassy's circular instruction no. 30 of February 28, 1944, the following is this office's reply to the points raised in the fourth paragraph of the Department's airgram under reference:

So far as this office is aware, nothing in particular is being done by the authorities of this district (Szechwan north of 30° latitude and the whole of Sikang Province) to rescue the Jews and other persecuted minorities from Hitler. Although no actual case of arrival of enemy persecuted minorities has come to the attention of this office, it is believed that should such people, of German or other enemy nationality, arrive here from abroad or from other parts of China they would be regarded and treated as enemy aliens in accordance with the provisions of Chinese Regulations Governing the Treatment of Enemy Aliens. Refugee Jews of non-enemy nationality would, it is believed, be treated by the Chinese authorities of this district with as much consideration as friendly gentiles.

Respectfully yours,

Approved for transmission:

C. E. Gauss  
American Ambassador  
HES.

Harry E. Stevens  
Second Secretary of Embassy  
on Detail at Chengtu



CMW-750

PLAIN

London

Dated March 22, 1944

Rec'd 3 p.m.

Secretary of State

Washington

2324, 22nd

Sir Herbert Emerson is pleased at suggestion in Department's 2043, March 17, midnight and plans to visit Washington very soon. Please so inform Myron Taylor, Secretary Morgenthau and Pehle.

Embassy requests immediate authority issue visa to Emerson to proceed United States for discussions concerning refugees with Secretary Morgenthau, Pehle and others. References Taylor and Pehle.

WINANT

BB

ch:copy  
3-25-44

3/22

## CABLE TO MINISTER NORWEB, LISBON, PORTUGAL

Please refer to Department's No. 200 of January 25, 1944, in regard to the establishment of the War Refugee Board. The Executive Director of the Board, Hohn W. Pehle, has informed the Department that in conformity with the President's Order of January 22, 1944, the Board proposes to appoint Mr. Robert C. Dexter, European representative of the Unitarian Service Committee and en route to Lisbon at the present time, as the special representative of the Board with the designation by the Department as special attache to the Legation on war refugees matters. The President's order provides that the State Department shall appoint such special attaches upon recommendation of the War Refugee Board, that they shall have diplomatic status, and that their duties and responsibilities shall be defined by the Board, in consultation with the State Department.

The Unitarian Service Committee has indicated that it has no objection to Mr. Dexter's accepting this appointment.

If, after discussing the matter with Mr. Dexter, the appointment meets with your approval, you should advise him that he is so designated and that he is to have diplomatic status. It is assumed there will be no objection on the part of the Portuguese Government to this designation, although you may, in your discretion, approach the Portuguese authorities if you consider it necessary or advisable to do so. You are requested to confirm by telegram Dexter's designation or to advise us promptly if there is any reason why it should not be effective at once.

You should advise Dexter that:

- (a) He is charged with the duty and responsibility of carrying out the Board's policies and programs in Portugal;
- (b) He is responsible to the Minister and should discuss his activities and problems with him regularly and fully;
- (c) The Legation will provide him with the necessary communication facilities in carrying on his official duties;
- (d) He shall extend all possible assistance to the Minister in carrying out the instructions contained in the Department's reference telegram;
- (e) He shall work with and give all assistance to public and private agencies operating in Portugal in this field regardless of whether such organizations are American, foreign or international;
- (f) He shall develop and assist in the development of programs and implementation of measures for the rescue, transportation, maintenance and relief of refugees;
- (g) He shall forward to the Board recommendations and frequent reports on progress of work and difficulties encountered;



- 2 -

(h) In so far as the Trading with the Enemy Act is concerned, the Secretary of the Treasury has vested in the War Refugee Board and its representatives in the field full authority to communicate with enemy territory to carry out the purposes of the Order. The Secretary of the Treasury has also delegated to the War Refugee Board and its representatives the power to authorize any public or private agencies which may be subject to the provisions of our Trading with the Enemy Act, to communicate with enemy territory for the purpose of carrying out the order. Dexter is authorized to act accordingly.

After receipt of confirmation of Dexter's designation further detailed instructions will follow from time to time.

\*\*\*\*\*

April 1, 1944

9:35 am.

JEMurphy:dn 3/22/44

JHM:JEF:WS:LSL:FH

1944 MAR 22 AM 8 36

WU6 13

TDB BELMONT MASS MAR 22 1944 823A

JOSEPH FRIEDMAN

WAR REFUGEE BOARD ROOM 192 TREASURY BLDG  
UNITARIAN COMMITTEE ACCEPT PROPOSITION. I SUGGEST SPANISH  
REPRESENTATIVE CONTACT ME LISBON BEFORE ENTRY  
ROBERT DEXTER.

835A...



AIRGRAM

From

LISBON

Date: March 22, 5:40 p.m., 1944

Rec'd: March 27 4 p

THE SECRETARY OF STATE

WASHINGTON

A-212 March 22, 5:40 p.m.

Please transmit urgently following telegram to  
Rabbi Stefan Wise, Nahum Goldman, World Jewish Congress,  
330 West 42nd Street, New York:

"Following suggestions in connection War Refugee Board handed American Ambassador. Intervention with Portuguese authorities vising permission entry permanently till war end ten thousand refugees, thus securing rescues thousands. That Portuguese Red Cross be authorized large scale expedition food parcels to concentration camps and ghettos, preventing starvation thousands. Official intervention supported by Portuguese clergy with German authorities for release and entry three thousand registered children from France. Ambassador opines that successful intervention only possible against guarantee that necessary food supplies be delivered in Portugal for new arrivals and above mentioned Red Cross expeditions. Suggest these guarantees best obtained your end through intervention UNRRA or Intergovernmental Committee. Ambassador should be instructed by State Department on these points. End item. Regarding our suggestions creation reception centres in Portugal for hidden children France via underground channels. American Legation and British Embassy promise support and are intervening Portuguese authorities for respective permission. American Friends and Unitarians already cooperating. Expect Joint will follow suit when official authorization obtained. Please cable."

Signed ISAAC WEISSMAN

NORWEB

PARAPHRASE OF TELEGRAM RECEIVED

FROM: AMERICAN EMBASSY, MADRID.  
TO: Secretary of State, Washington  
DATE: March 22, 1944  
NUMBER: 997

CONFIDENTIAL

I have not transmitted the substance of Department's 752, March 18, to Sequerra, JDC representative in Barcelona, by reason of the following considerations:

(a) David Blickenstaff is understood by me to be the principal JDC representative in Spain, and not Sequerra; all business with the JDC has been transacted by the Embassy through Blickenstaff.

(b) Sequerra's loyalty to the Allied cause is not considered to be beyond doubt although apparently this fact has not been brought to the Department's attention. Sequerra is a neutral subject (Portuguese) and although he has apparently done effective work in the field of relief of refugees, we have no basis for assuming that he would not deal with our enemies, particularly if pressure is applied. Until recently, Sequerra had a personal representative in Madrid who was a disreputable individual to whom a Palestine visa was refused by the British on the grounds that he was suspected of having given information to the Germans. It therefore appears to me to invite obvious and unnecessary risks which could have the most serious repercussions to entrust a person of this type with the responsibility of carrying out the operations described in the Department's telegram under reference.

(c) For any American charitable organization or its representatives to engage in clandestine operations of the type contemplated by the license could well jeopardize in Spain the entire position of these organizations. The work of these organizations has in the past been centralized in Blickenstaff's office, and with the Embassy's support, they have won respect and confidence of the Spanish Government, which has enabled them to do valuable work on behalf of unprotected and stateless refugees.



refugees. This has frequently caused extreme discomfort to the Germans who want the Spanish Government to suppress the activities of these organizations, and welcome every pretext to bring force to bear to this end. We must assume that the operations contemplated by license W-2155 would soon become known to the Germans and a pretext to apply such force to the Spanish Government would be provided by the participation of the organizations in such operations.

(d) On the other hand, if the Germans considered that these operations could be turned to their own advantage, they might accomplish this purpose by using these operations as an additional channel for getting their agents into territory controlled by Spain and the Allies.

(e) My most serious objection is the danger that existing underground facilities within German occupied territory for accomplishing the escape of American and Allied airmen who have thereby been enabled to reach the Spanish frontier without detection, may be compromised by these operations. I am firmly convinced and determined that no steps should be taken which might in the slightest measure jeopardize the chances of escape to safety of these airmen whose safety must be given first priority by our Government (prior to that of any other class of refugees) irrespective of humanitarian considerations, with which last I am, of course, in complete sympathy.

(f) In view of the inevitable military significance which must be attached at this crucial time with any activities involving communication or the passage of persons into or out of occupied France, and having in mind the above considerations, I feel that the Joint Chiefs of Staff should give prior approval to the operations envisaged by the license embodied in Department's telegram under reference, and that my views in the matter should be conveyed to the Joint Chiefs of Staff in connection with their consideration of the matter.

Pending consideration by the Department of the points mentioned above, I intend to take no action on Department's telegram 752 under reference.

This telegram has been repeated to Lisbon and London.

HAYES

WT:WIR:AMN 3/25/44

DMH-53

This telegram must be paraphrased before being communicated to anyone other than a Governmental agency. (SC-00)

Madrid

Dated March 22, 1944

Rec'd 1:30 p.m., 23rd

Secretary of State,  
Washington.

997, March 22, 6 p.m.

In light of following considerations I am not (repeat not) transmitting substance Department's 752, March 18, to Sequerra, JDC representative, Barcelona:

One. It is my understanding that principal JDC representative in Spain is not (repeat not) Sequerra but is David Blickenstaff and it is Embassy's practice to transact all business with that organization through latter.

Two. Although it has apparently not been brought to Department attention, Sequerra's loyalty to Allied cause is not considered beyond question. He is a Portuguese and therefore a neutral subject and, although he has apparently done effective refugee relief work, there is little if anything to indicate that he would be above dealing with our enemies, particularly if subjected to pressure. Sequerra's   
\*\*reputable individual who was refused Palestine visa by British because of suspicion that he had been giving information to the Germans. To entrust such a person with carrying out of operations described in Department's telegram would therefore appear to be inviting obvious and unnecessary risks which could have gravest consequences.

Three. Participation of any private American charitable organization or its representatives in such clandestine operations as those envisaged under authorization contained in Department's telegram might well prejudice entire position of such organizations in Spain. With Embassy's support these organizations, centralized in Blickenstaff's office, have won respect and confidence of Spanish Government and have been enabled thereby to do valuable work on behalf of stateless and unprotected refugees often to acute discomfort of Germans who would welcome pretext to force Spanish Government to suppress their activities. Their participation in operations authorized by license W-2155, which we must assume would not long remain unknown to Germans, would provide such a pretext.

\*\*Omission of following:

personal representative in Madrid, until recently, was dis-



-2- 997, March 22, 6 p.m., from Madrid

Four. If on the other hand, Germans should consider it more profitable to turn these operations to their own ends they might by allowing them to continue provide themselves with an additional channel through which to send agents into Spain and Allied controlled territory..

Five. Of even greater importance is danger that such operations might compromise existing underground facilities within German occupied territory by means of which hundreds of American and Allied airmen have been enabled to reach the Spanish frontier without detection. It is my firm and determined conviction that, regardless of humanitarian considerations involved with which I am, of course, entirely in sympathy, no (repeat no) steps should be taken which might in even the slightest measure jeopardize the chances of escape of these airmen whose safety must have a prior claim on the efforts of our Government to that of any other class of refugees.

Six. In view of above consideration and of the inevitable military significance which we must attach at this crucial time to any activities involving passage of communications and persons into or out of occupied France, it is my feeling that any operation such as that envisaged in Department's telegram under reference should be submitted for prior approval to Joint Chiefs of Staff who shall be made acquainted with my views in the matter.

It is my intention to take no (repeat no) action on Department's 752 pending consideration by Department of points raised herein.

Repeated to London and Lisbon.

HAYES

WTD

## PARAPHRASE OF TELEGRAM SENT

FROM: Secretary of State, Washington  
TO: American Legation, Bern  
DATED: March 22, 1944  
NUMBER: 950

SECRET

FOLLOWING MESSAGE FROM WAR REFUGEE BOARD.

The following cable is for Isaac Sternbush, 3 Teufener  
Strasse, St. Gallen, from Rabbis Abraham Kalmanowitz and  
Aron Kotler of the Vaad Hahatzala Emergency Committee:

The interventions which you requested in  
your communication via the Legation are being  
made by us. Necessary funds are being raised  
in order to do everything possible to expand  
rescue work in France, Lithuania, Belgium, Holland  
and wherever else possible. Regarding rescue work  
for Jews who enter Hungaria and those in Rumania,  
Advise whether it can be done by Jacob Grifill of  
Istanbul and you.

HULL  
(GLW)



COPY

KRM-756

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

Bern

Dated March 22, 1944

Rec'd 2:56 p.m.

Secretary of State,

Washington.

US URGENT

1754, March 22, 6 p.m.

Federal Political Department informs me that it is willing to include Roswell Dunlop McClelland in Diplomatic List as "Special Assistant" (thus according him Diplomatic status) and that Swiss federal authorities will be pleased to treat with him on questions concerned with the refugee problem. Refer to my1387, March 8 and related telegrams.

Your confirmation McClelland's appointment awaited with instructions as to salary, other expenses, appropriations to be used et cetera.

HARRISON

EB

## PARAPHRASE OF TELEGRAM SENT

FROM: SECRETARY OF STATE, WASHINGTON  
TO: AMCONSUL, GENEVA  
DATED: MARCH 22, 1944  
NUMBER: 126

## CONFIDENTIAL

War Refugee Board sends the following message from Leland Rex Robinson and Henry Lieper, The American Committee for Christian Refugees for Adolph Freudenberg, 41 Champel, Geneva:

During the six months beginning March 1 you are authorized as our representative to use 21,200 Swiss francs or dollar equivalent monthly for work in France according to the outline and assurances contained in your communications of November 18 and November 29. You should establish contact with the American Legation at Bern regarding our license no. W-2150 which Treasury issued March 8. You should keep us informed through the Legation whenever possible.

HULL

DCR:IDB:JTM

3/28/44



## PARAPHRASE OF TELEGRAM RECEIVED

FROM: The American Consul, Zurich  
TO: The Secretary of State, Washington  
DATE: March 22, 1944  
NUMBER: 36

## CONFIDENTIAL

With reference to immigration visas for refugee children from France, the Consulate General has been provided by the Legation with a copy of Department's message number 891 dated March 18, 1944. The necessary steps are being taken by this office to have all consulates in Switzerland issue such visas and further developments will be reported.

WOODS

DCR:MPL  
3/24/44

March 22, 1944

11:00 a.m.

CABLE TO AMBASSADOR STEINHARDT, ANKARA, TURKEY.  
FOR HIRSCHMANN FROM PEHLE.

Your return to the United States to report to the War Refugee Board has our full approval. We are taking up with the War Department the matter of priority. The swell job which Ambassador Steinhardt and you have done has received the highest praise. We obviously desire the continuance of your activities on behalf of the Board and I will discuss this with you when I see you.

WRB Ankara Cable No. 9

JEDuBoistecr  
3/22/44



CABLE TO STEINHARDT AND HIRSCHMANN, ANKARA, TURKEY,  
FROM THE WAR REFUGEE BOARD.

WRB Cable Ankara No. 10

Refer your 455, 458, 471 and 472 concerning the matter of obtaining shipping for the evacuation of refugees from the Balkans.

We are requesting the Swiss Government to support the efforts of the International Red Cross to obtain safe conduct for the SS TARI which has been placed at your disposal for a trip to Constanza to evacuate Jewish refugees.

The matter of this Government making available a substitute vessel in order that the S. S. TARI may make repeated voyages to evacuate refugees has been discussed with the War Shipping Administration. The War Shipping Administration is cabling Myron Black requesting further information as to (1) the type of vessel desired and where it is intended that the vessel trade; (2) if vessel is to trade in enemy controlled areas, advice as to whether enemy will treat vessel as Turkish vessel, including question as to whether safe conduct is necessary. The War Shipping Administration has made clear that any recommendation submitted by Black will be sympathetically considered even if practical difficulties are involved. They feel however that most practical way of handling situation would be to treat it as problem of allocation and attempt to work out arrangement whereby equivalent space on Allied vessel proceeding to Eastern Mediterranean port would be made available for Turkish requirements thereby conserving use of Turkish vessels. The War Shipping Administration is also cabling Kalloch, their representative in Algiers, requesting advice as to whether any small freighter is available in the Mediterranean which could be chartered to the Turks.

You should explore all possibilities in this situation with Black. Since time is of the essence in view of military situation whatever proposal is submitted must of course be one which will involve least delays. The War Shipping Administration has pointed out the practical difficulties in obtaining without delay a ship now available in the Mediterranean which could be chartered to the Turks for this purpose.

We will do whatever we can to carry out any recommendation that you and Black may make after considering all of the difficulties involved. However, you will bear in mind that an effort to actually

- 2 -

put a vessel into the hands of the Turks by the time that the S.S. TARI completes the first voyage may be fraught with considerable difficulties if the voyage were completed in a short period of time. On the other hand, if you could reach an understanding with the Turks whereby the S.S. TARI would be made available any for three months on the assurance that this Government would see to it that an equivalent space on an Allied vessel was made available for Turkish requirements for a three months period, not necessarily concurrent with the period during which the S. S. TARI will be used, such an arrangement would be much more feasible from the standpoint of the shipping situation.

With respect to the purchase of the S. S. NECAT for donation to the Turkish Red Crescent, it is noted that the Turkish Government has indicated that to withdraw a second vessel from the ships at the disposal of the Turkish Government would be impossible. Have you explored the possibility of making the S. S. NECAT available to the Turkish Red Crescent as soon as the S.S. TARI completes its first voyage, in the event that arrangements can not be made to have the S.S. TARI make repeated voyages.

JEDuBoistecr  
3/22/44



## PARAPHRASE OF TELEGRAM SENT

FROM: SECRETARY OF STATE, WASHINGTON  
TO: AMEMBASSY, ANKARA  
DATED: MARCH 22, 1944  
NUMBER: 230

## SECRET

Following for Hirschmann from War Refugee Board.  
War Refugee Board cable no. 7

It is stated in a letter dated February 25, from Inter-cross that the "Bellacitta", a Bulgarian vessel, is available to transfer refugees at the rate of 150 per week to Istanbul presumably from Mangalia. Red Cross also informed us that two Bulgarian vessels, "Milka" and "Maritza", are also available to Jewish organizations for this purpose but since Turkey is not allowing more than 150 a week to go to Palestine by rail, it is presumed that the last two mentioned boats will not be usable since the "Bellacitta" can fill the limit imposed. Red Cross as intermediary will give notification of sailings you are requested to do everything possible without lessening efforts concerning Swedish and Turkish boats. Red Cross has requested and the United States has granted safe conducts for the "Bellacitta" and cable is being sent to the American Embassy at Moscow requesting that the Soviet Government take prompt action on the British Government's safe conduct requests.

HULL

GEM-703

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

Chungking

Dated March 22, 1944

Rec'd 2 p.m.

Secretary of State,  
Washington.

508, March 22, 2 p.m.

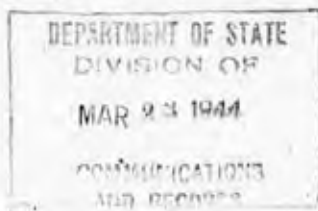
Department's circular February 22 and Embassy's 384, February 26, 10 a.m.

Central News Agency March 20 report official statement issued by Finance Minister that Chinese Government will not recognize transference of title to looted gold which Axis powers at any time hold or have disposed of in world market.

Embassy will expect to forward by pouch full text of statement upon its receipt from Foreign Office.

RR

GAUSS





SECRET

COPY NO 11

OPTEL No. 94

Information received up to 10 A.M. 22nd March 1944

1. NAVAL

On 19th/20th heavily escorted ship believed German 5,000 ton tanker proceeded up channel from BOULOGNE shelled by DOVER Coastal batteries and possibly sunk.

2. MILITARY

Italy 21st. Intense fighting continues in and around CASSINO. Heavy German artillery and mortar fire and within the town opposing troops so close that neutralising enemy fire is dangerous to our forward infantry. On heights to the West attack and counter-attack has left general situation unchanged. In Bridgehead situation relatively quiet.

Russia Russians have advanced further South West of DUBNO and Westward between ZHMERINKA and MOGILEV-PODOLSKI. They have extended their bridgehead on right bank of DNIESTER and have cut railway between CERNAUTI and BALTI. Further eastwards they have re-taken VOZHESENSK.

Burma CHINDWIN. Japanese advancing West parallel to and south of TAMU-PALEL road reported reached point 3 miles East ANGBRESHU. Four miles south of TAMU our tanks have destroyed four or five Japanese tanks for the loss of one.

HOMALIN. Japanese forces which crossed CHINDWIN now thrusting towards URKHUL North East of IMPHAL and are in contact with our troops.

HUKWANG VALLEY. U.S. and Chinese troops continue their advance. North BURMA. Our troops have captured SUMPRABUM.

3. AIR OPERATIONS

Western Front 21st. Liberators dropped 191 tons through cloud on military constructions Northern FRANCE. 51 Mustangs sweeping BORDEAUX area destroyed 12 enemy aircraft in the air and 9 on the ground 7 Mustangs missing. Two Mosquitoes over STRASBOURG area shot down 3 enemy aircraft and destroyed 4 and damaged 12 on the ground.

21st/22nd. Aircraft despatched: COLOGNE 27, AACHEN and OBERHAUSEN 9, Intruders 21, Sea-mining 18, Leaflets 10, Anti-shipping 5. All returned safely. About 95 German aircraft were over LONDON and Home counties of which 70 came over SUFFOLK and 25 over South Coast. Enemy casualties by night fighters 9:2:4.

Italy 19th/20th. 38 heavy and medium bombers attacked the submarine base at MONFALCONE.

4. HOME SECURITY

21st/22nd. LONDON. Raid mainly incendiary, East end and docks chiefly affected. 3 large fires reported but fire situation never serious and all under control by 4:35 A.M. Killed, so far reported 26

18 TREASURY DEPARTMENT  
1944 MAR 23 PM 4 20

Regraded Unclassified

March 23, 1944  
9:20 a.m.

GROUP

Present: Mr. Bell  
Mr. Gaston  
Mr. Smith  
Mr. Sullivan  
Mr. Thompson  
Mr. O'Connell  
Mr. Blough  
Mr. Nunan  
Mrs. Klotz

H.M.JR: There are two things that I need some advice on, and that is the press. I mean, the press is just forcing my hand. Can I get away, for instance, by saying that during this simplification bill there will be people from the Treasury, Mr. Bell and Mr. Surrey, and from the Bureau, Mr. Cann and Mr. Atkeson?

MR. NUNAN: Mr. Cann is away. He left on a trip, and will be gone two or three weeks. In the meantime, Mr. Atkeson will represent the Bureau.

MR. BELL: You meant Mr. Blough and Mr. Surrey would represent you in this simplification. Have you crossed the bridge yet as to who is to represent you on taxes?

H.M.JR: I would like to be ready. I was thinking about it last night. I don't like to be caught off base. I don't know.

MR. BELL: I was wondering why you couldn't say that you haven't decided yet who is to represent you on the Hill in general tax matters for the time being. On simplification the technical people will handle it, those who have been working with the Committee.



- 2 -

MR. SMITH: Why couldn't you say that whoever would be most helpful to you would handle it for the time being?

MR. O'CONNELL: There isn't anything before the Congress except simplification, and the work is practically all done there except the technical work, as I understand it, completing the drafting. I more or less agree with Dan that you don't need to make the decision.

MR. GASTON: Yes, I agree with that. I don't think there is any serious problem yet. The same people who have been working with the Committee will continue to work with the Committee, I should say, under the general direction of Mr. Blough.

MR. NUNAN: That is the way I feel about it, Mr. Secretary; that will take care of it.

H.M.JR: Well, of course, there are two ways. If I had a glib answer, it would look as though I had thought the whole thing through, which I haven't.

On the other side of it, if I don't have an answer, it looks as though they had caught me unawares. Is that all right?

MR. BELL: It is probably all right.

H.M.JR: I am going all around the lot. What do you think?

MR. BLOUGH: The Chairman of the Committee, I think, would prefer to keep the Treasury's participation in this bill on a technical level, because they consider it a technical bill, primarily. There may be a point or two, if the policy comes up, where you will want to send somebody else down. But I think that is unlikely, and it can be met when it comes. It seems to me for the time being, in view of the fact that the Treasury has, in effect, been represented by these technical people that it would be entirely appropriate to say that for this purpose, and when other problems arise they can be met as you desire at that time.

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H.M.JR: On the Treasury chart you are directly responsible to me, aren't you?

MR. BLOUGH: Well, my responsibility has been a joint responsibility. I have been responsible to the Under Secretary, to the Assistant Secretary, to the General Counsel, with sort of a side responsibility to you. I don't know whom I am responsible to.

H.M.JR: It is between Bell and myself; it is the same thing.

MR. BLOUGH: I have been responsible in part to Mr. Paul, and in part to you.

MR. BELL: But on the chart, Norman, he is under the Secretary.

MR. THOMPSON: No, he was under Mr. Sullivan, and that responsibility on the chart is transferred to the General Counsel.

MR. BLOUGH: It is transferred to the Tax Adviser to the Secretary, not to the General Counsel. When Mr. Magill was the Under Secretary the responsibility was to him, and when Mr. Hanes was the Under Secretary the responsibility was to him. Then when the tax work went to Mr. Sullivan, the responsibility was to him. When the Tax Adviser was brought in the responsibility was to him. There has never been a responsibility to the General Counsel as General Counsel.

MR. BELL: It has always been to the man who handled tax policy.

H.M.JR: I thought there was a responsibility to the Office of Secretary direct.

MR. BLOUGH: Well, I think practically everyone--

MR. THOMPSON: Administratively he comes directly under you, but for tax responsibility through Mr. Paul. That is the way it is set up.



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H.M.JR: How am I to be kept posted? Have you any suggestions, John?

MR. SULLIVAN: The only thing I think you have to avoid in this press conference is the idea that there isn't going to be any more tax legislation this session.

H.M.JR: And, if I am not prepared to say anything?

MR. SULLIVAN: No, no, I think Dan is quite right; there is no reason why you should be prepared this morning. I mean, the idea is that the only thing that is pending is something being handled on the technical level.

You might say that in a way that would be interpreted as meaning we don't have to worry about this because there isn't going to be any request for additional revenue this year. That is the only thing I see that you have to avoid in the Press Conference this morning.

H.M.JR: Does anybody else have anything to say?

MR. NUNAN: I think exactly as Mr. Bell does. I would simply take the position that the only thing pending at this time is the working out of the simplification plan, and the Treasury will be represented by Mr. Surrey and Mr. Blough, who have been there since its inception and know all about it.

In addition to that, you have your representatives from the Bureau there. They will keep you advised as to anything that is going on.

H.M.JR: Will you be kept advised by your man?

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MR. NUNAN: Yes, sir. I can always call Mr. Blough if I want to. Mr. Atkeson keeps me advised.

H.M.JR: Doesn't somebody have to be boss up there?

MR. BLOUGH: It is a rare case where somebody has to be boss. The occasion might arise where a decision would have to be made. My guess is that if that situation arose we would have to refer back to the group, anyway.

Mr. Surrey and I work very well together. That is not a problem.

H.M.JR: My inclination would be to make you sort of senior.

MR. BLOUGH: That would be better than to make me boss.

H.M.JR: If that were agreeable to the Commissioner--

MR. NUNAN: It is perfectly all right. As far as I have seen, the Committee has worked in perfect harmony. I have worked in a couple of sessions with the Ways and Means.

First Mr. Blough and Mr. Surrey would state their opinion. Then the Members would ask the members of the Bureau for their opinion. Mr. Stam would give his, and they would give theirs.

H.M.JR: If they say - who speaks for the Treasury if they get into disagreement?



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MR. NUNAN: For the time being, let it be Mr. Blough.

H.M.JR: Is that all right?

MR. BELL: Yes, sir.

H.M.JR: How about you, John?

MR. SULLIVAN: Yes, certainly.

H.M.JR: Let's leave it that way. Let me leave a little leeway and see what happens. I think a little bit depends on whether there is going to be another tax bill.

MR. BLOUGH: That, of course, is the case. If a tax bill comes up that requires a policy position on the part of the Treasury, which may be different from the policy position of the Congress, you should be represented by someone above the technical level, because to put one of the technical people into that position spoils the amateur standing for this particular--

H.M.JR: You don't mean that.

MR. BLOUGH: I don't mean amateur standing--

H.M.JR: Professional standing.

MR. BLOUGH: Spoils the professional standing.

MR. BELL: Puts him into the policy level where they can shoot at him.

MR. BLOUGH: I don't think it matters here, but I do think if you have a bill where you have a policy fight, or even policy positions to take, you will probably want to be represented by somebody above the technical level. But this time Surrey and I would be the ones to suffer most from the situation which might arise there.

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I say at this time I do not think that is a consideration. I don't think there will be any problem if we go on as we have been.

H.M.JR: What happens to Surrey? Where will his time be spent?

MR. BLOUGH: He will go on working just like he has been.

H.M.JR: For whom?

MR. BLOUGH: He and I have been in the same position except that he has had, even in these last two years, a full responsibility to Mr. Sullivan with respect to certain matters coming up from the Bureau, and Mr. Paul with respect to legislative policy and legislative problems.

H.M.JR: Boys, talk up. Don't go out of here with any gas on your brain, or anything.

MR. SULLIVAN: I think this is the way to handle it.

H.M.JR: So you can see I am groping. If anybody isn't happy, please say so.

MR. O'CONNELL: It occurs to me it isn't a problem that needs to be decided today, but the sort of problem that would obviously come up if there is another tax bill - may very probably be coming up from time to time during the year even if there isn't a definitive tax bill of the sort we have been working on in the last year or two.

It raises in my mind the question of whether you ought not to have, soon, someone who would be responsible for tax legislation in the same way that Mr. Paul and others prior to Mr. Paul have been. You always had a man, it seems to me, at the top level in that sort of position, even though he wasn't actually dealing with the Committee all the time.



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I mean, in prior years we have had tax legislation only a part of the year, and yet you have always had an Under Secretary or someone at that level.

MR. GASTON: We didn't have before Magill came in here, did we? We were represented on the Hill by a Legislative Counsel. Arthur had something to do with the tax matters, but he didn't go up on the Hill. We had simply the Tax Counsel's representative.

MR. O'CONNELL: From Mr. Magill's time on you always have had. There has been much more emphasis on taxes since then, of course.

MR. SULLIVAN: Of course, you have a lot of correspondence, Joe, and people on the Hill--

MR. O'CONNELL: Tax problems go on. Mr. Paul and Mr. Blough were having meetings with people on things like post-war taxation. Taxation doesn't stop being a problem because the Congress isn't considering a bill.

H.M.JR: Who is Surrey's boss?

MR. BLOUGH: Surrey's boss is the Tax Adviser to the Secretary.

MR. BELL: He is about in the same status as Roy. We have no Tax Adviser, so what happens?

MR. THOMPSON: Put him directly under you.

H.M.JR: I tell you what you do, Norman; supposing you take a fresh look at his status and Surrey's status and the people under them in relation to the rest.

MR. THOMPSON: Yes.

MR. BLOUGH: Until 1940, Surrey's predecessor and I stemmed directly from the Under Secretary. That was due, however, to the fact that the Under Secretary was in charge of taxes. But that was the organization chart at that time.

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H.M.JR: I think if Norman would have a fresh look, consult the people involved, with the help of Mr. Sullivan and Mr. O'Connell - I get my North and South of Ireland mixed up!

MR. SULLIVAN: We never do!

MR. O'CONNELL: It is very different!

H.M.JR: While you are at it, make him Acting (O'Connell), will you, please? This morning - if there is something I have to sign - and consult Mr. Bell and Mr. Gaston. I think you could maybe have several suggestions from them. I think it is in kind of a nebulous state. Then let's leave it this way for the time being, until something hits me: Mr. Blough will be Senior Representative on the Hill; it is his job as well as Surrey's and all of them, to see that we are all kept posted as to what is being done. Those memos you have sent me, I circulate to make sure--

MR. BLOUGH: I checked with Miss Chauncey about whether I should circulate them. She was a little dubious on that point, so I did not.

H.M.JR: The people in the room here are all interested.

MR. BLOUGH: With your permission, I will circulate them.

H.M.JR: Will you? And until we get this thing settled, be a little more communicative as to what goes on, and consult a little bit more.

MR. BLOUGH: Of course, with my responsibility to do it, I will do it. When it was somebody else's responsibility, I didn't feel like inserting myself between.

H.M.JR: I am asking without making any reflections on anybody. Until we get settled, I think all of us



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would like to know - I am talking for myself - would like to be a little bit closer to the situation.

MR. SULLIVAN: Will he circulate directly, Mr. Secretary?

H.M.JR: He will circulate personally, and his writings, both, to save time.

MR. SULLIVAN: Yes. The memoranda have been very good, but a little late in getting in.

MR. BLOUGH: If I have your permission, I will at the same time I send a memorandum to you, send a carbon to the others. It was a question of whether you would wish to have that done. Miss Chauncey didn't know.

H.M.JR: After giving careful consideration--

MR. BLOUGH: Thank you.

H.M.JR: Now, I have Mr. Gamble in the other room, unless somebody wants to bring something up.

But until we get this thing settled and everything, I would like to work a little closer to the situation, myself, to get the sense of it - and hope for the best.

March 23, 1944  
10:30 a.m.

PRE PRESS CONFERENCE

Present: Mr. Bell  
Mr. Shaeffer  
Mr. Smith  
Miss Chauncey  
Mrs. Klotz

H.M.JR: We are going to kill that fourteen billion dollar story.

MR. SMITH: You are?

H.M.JR: Yes, it is now sixteen billion.

MR. SMITH: Good, that is very good, because somebody must have leaked it out.

MR. BELL: One of the bankers.

MR. SMITH: It is nice to have them wrong.

MR. BELL: It is unfortunate to have to do that.

(The Secretary holds a telephone conversation with Mr. Ronald Ransom, as follows:)



March 23, 1944  
10:27 a.m.

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HMJr: Hello.

Operator: Mr. Eccles hasn't arrived at the office yet but they expect him shortly.

HMJr: I can't wait. Ronald Ransom, if he's there.

Operator: All right.

HMJr: I've got to talk to somebody right away.

Operator: Right.

10:28 a.m.

HMJr: Hello.

Operator: Mr. Ransom.

HMJr: Hello.

Operator: Go ahead.

HMJr: Hello.

Ronald Ransom: Hello, Henry, how are you?

HMJr: Fine. How are you?

R: Fine, thank you.

HMJr: I tried to get the Chairman but he's not available so I'll ask your help. I have a press conference at 10:30....

R: Yes.

HMJr: ....and yesterday some of the bankers must have given out to the press that the quota was fourteen billion. Hello?

R: Yes.

HMJr: On the Fifth War Loan. Well, we haven't made up our minds. We were going to discuss this thing with you....

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R: Yes.

HMJr: ....and so forth and so on.

R: Yes.

HMJr: Well, I've got a dozen of our State Chairmen in....

R: Yes.

HMJr: ....and they all would like to have it at sixteen billion.....

R: I see.

HMJr: .... of which either five and a half or six would be for individuals.

R: Yes.

HMJr: Now, they are very enthusiastic and they'd like me to say something this morning because they say if they go home and it's fourteen and it's a let-down and we need the money and they're in a fighting mood and they'd like me to announce sixteen.

R: Yes.

HMJr: So that I kill that other story.

R: Yes.

HMJr: Now, I don't want you to say your approval but I did want to do the courtesy so you people wouldn't think, "Well, why go over and see the Treasury? They make up their mind." Well, we hadn't and I wasn't going to until next week, but my hand has been forced.

R: I see. You merely want us to know why your hand was -- and how your hand was forced.

HMJr: That's right. And I've felt that this would be something that you'd like anyway. Hello?

R: Henry, I am, at the moment, somewhat out of touch....



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HMJr: Oh.

R: ....somewhat out of touch with that and I am not, this year, on the Executive....

HMJr: Oh.

R: ....Committee.

HMJr: Well....

R: I will see that your views are conveyed to the Chairman and to the members who are on that Committee.

HMJr: Will you, please? And explain that....

R: And also to Sproul unless you're talking direct to him.

HMJr: No, I'm not talking to him.

R: Well, I'll talk to him.

HMJr: I'm only talking to you as Acting Chairman.

R: Well, I'm not Acting Chairman....

HMJr: Well....

R: ...of that damn Committee. You see, I'm Acting Chairman of the Board in the Chairman's absence, but I will nevertheless convey your statement to the right people for you.

HMJr: Well, for my purpose, as I can't reach the Chairman, so you've got to act.

R: All right, Henry.

HMJr: I had not intended to make any announcement until a week from tomorrow.

R: I see.

HMJr: But we all think it's a mistake to let this thing drag for ten days.

R: I see.

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HMJr: So...

R: I wouldn't know -- I don't happen to know what the views of any of my associates who are working on that immediate problem may be but I can certainly pass on your statement to them and will do it.

HMJr: And please tell them why I've done it this way.

R: Yes, I will.

HMJr: Thank you so much.



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H.M.JR: I am not going to call Sproul. I think we are all right. Don't you think so?

MR. BELL: Yes.

H.M.JR: Have you boys anything to suggest?

MR. BELL: Just going to say that the goal is sixteen billion instead of the fourteen billion.

H.M.JR: What has "DeGaulle" got to do with this?

MR. BELL: The goal, the goal, the goal.

H.M.JR: Have we recognized him?

MR. BELL: We will at sixteen billion!

H.M.JR: We will set a quota of sixteen billion.

MR. BELL: Set a goal for the Fifth War Loan.

H.M.JR: Do you want me to say that instead of--

MR. BELL: Instead of quota. The quota is a State thing and is a good deal less. It is based on individual--

MR. SMITH: Better say it was an unauthorized statement so they don't think you are changing your mind.

H.M.JR: Why meet it unless they ask me? Why get into an argument? Why not simply say that I have been meeting this morning with--

MR. SMITH: All I am thinking about is up at the other end people read the newspaper, and it said fourteen billion. This was apparently an authorized statement by the Treasury.

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They are going to open their papers tomorrow and it will say sixteen billion. It would be just as well if they would say that the Secretary announced sixteen billion and earlier stories were unauthorized.

MR. BELL: That it did not come from the Treasury.

MR. SMITH: I am just trying to keep you clear at the other end of the line.

H.M.JR: Who is there?

MR. SMITH: One hundred and thirty-six million Americans, with whom we must keep our relations straight.

MR. BELL: Including the Chicago Tribune.



March 23, 1944  
10:56 a.m.

HMJr: Hello.

Operator: Mr. Crowley. Go ahead.

HMJr: Hello.

Leo  
Crowley: Hello. How are you?

HMJr: I'm all right. And you?

C: Fine.

HMJr: Leo, you may have seen by the papers that Paul resigned.

C: Yeah.

HMJr: Now, I'd like to take somebody from your organization if I can for General Counsel.

C: Oh, my gosh, Henry, don't do that to me with all the legislation we've got up there on the Hill and everything else. It would just ruin me. We're just right in the midst of Lend-lease. We've got our appropriation on UNRRA. We've got our own appropriation that we've got to work out and we've got to do something about funds for U.S. Commercial and you'd just take the backbone right out from under us entirely if you do that.

HMJr: Does Oscar do all that?

C: Yeah, he handles all of that and it's necessary that we have someone that can work with Harry in things like that and he can do that, and if we lost him I don't know what the devil I'd do, Henry.

HMJr: Really?

C: Really, that's true and I don't know what I -- where I'd turn. I'd be glad to talk to you about that, but that's what I'm up against.

HMJr: Well, I would like to talk to you about it because -- you wouldn't want to let the President decide?

C: Oh -- really, it's so darn serious.

HMJr: Yes.

C: It's so serious to me that I -- I -- I don't see how I could physically stand the darn thing if I lost him.

HMJr: I see.

C: He -- for instance, on all this lend-lease stuff, now, he's carrying that load up on the Hill.

HMJr: Yeah.

C: And he's been such a lot of help and he's got a good organization, and you know what I inherited in this thing here. And it would be so much easier for you, an old established agency, to find someone than it would be for me.

HMJr: Yeah.

C: Any time this afternoon or tomorrow that you have some time, I'll be glad to talk to you but -- uh --

HMJr: Well, I doubt whether....

C: It wouldn't do any good because, really, it would just -- just bust me up entirely if I lost him.

HMJr: Yeah. •

C: And you know how well we've been able to work with Harry and all the fellows with -- through him.

HMJr: Yeah.

C: And that's worth a lot to this whole picture.

HMJr: Well, that -- that's right.

C: See if you can't find someone else and then if you can't, I'll talk to you.

HMJr: Well, let me think about it anyway.

C: All right. Thank you.

HMJr: Thank you.



March 23, 1944  
11:10 a.m.

WAR FINANCE CHAIRMAN

Present: Mr. Haas  
Mr. Gamble  
Mr. Lindow  
Mr. Tickton  
Mr. Wood  
Mr. Isbey  
Mr. Rebnann  
Mr. Puliam  
Mr. Sherer  
Mr. Hall  
Mr. Ford  
Mr. Trounstine  
Mr. Reilly

H.M.JR: I just thought you might like to see what the Dow-Jones ticker said. (Reads from ticker release of March 23, 1944.) "The Secretary of Treasury Morgenthau announced today that the goal for the Fifth War Loan Drive would be 16,000,000,000 dollars as compared with 14,000,000,000 dollars fixed for the Fourth War Loan Drive.

"The Treasury head stated main feature of forthcoming drive would be concentration on sale of E bonds. Details of whole program, Mr. Morgenthau said, would be announced at end of next week.

"So far the Treasury has conferred with a committee of American Bankers Association and the State Drive Committee Chairmen. Some of these participants had indicated earlier in week that goal would be 14,000,000,000 dollars for the Fifth War Loan Drive, and this figure was given widespread publication.

"Secretary Morgenthau said that since the 14,000,000,000 dollar figure had been made public he wanted to make the announcement today that the figure was 16,000,000,000 dollars.

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so that the American investing public would not be confused or misled. The Treasury Secretary said he had not intended to make any official announcement on the Fifth War Loan Drive until next week, but that publication of the unofficial estimate made the announcement necessary at this time."

That is it. We got some results, anyway. At least we decided something.

Now, Gamble, what else?

MR. GAMBLE: When you left we were at the point of having Mr. Wood review those one or two points for discussion.

We have settled, it seems to me, the matter of the quota, so we can pass over that one. We can talk about this bond, if you would like to have Mr. Bell and Mr. Haas and others discuss this at that time.

H.M.JR: I am not ready to discuss that further. As it is, I had to call up the Federal Reserve Board and explain why we were doing this so hastily. They are coming here Tuesday.

I want to talk it over more with our own people first. It would be a waste of your time to discuss it any further. Haas and his group know what your views are, don't they?

MR. WOOD: That is right.

H.M.JR: It would be a waste of their time.

MR. FORD: We will have it in this memorandum for you.

MR. BELL: You wanted a two percent bond, I take it, whether it is a two percent restricted or unrestricted.

MR. WOOD: That is right, Mr. Bell. We wanted six billion for individual sales if you did have a modification of your basket to include a more salable piece of merchandise than we had before.



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MR. BELL: If we decide, after hearing everybody, that it is to be restricted, that really helps you a little, doesn't it?

MR. WOOD: Yes, it does.

MR. BELL: So you wouldn't kick much if it were unrestricted?

MR. WOOD: We will call that the Bell amendment to the basket.

H.M.JR: The Bell amendment happens to be one on soft drinks, which never went through. That is what it is known as in the Treasury. Is that right, Dan?

MR. BELL: That is right, except I wanted to make it a good deal more than a cent.

MR. WOOD: Then the next thing we had, Mr. Secretary-- you suggested item by item. The next is the matter of a split offering, having a split drive, having for the first period purely individuals, and then going on to broaden to everyone else except commercial banks.

H.M.JR: I am sympathetic with that. I don't know how Mr. Bell feels. That is contrary to the ABA.

MR. BELL: I thought the last time it worked very well, but I haven't any strong feelings one way or another. I think these fellows ought to have a great deal to say. After all, they have to do the selling.

MR. WOOD: We were unanimous in that, Mr. Secretary.

H.M.JR: You will have no trouble with us on that.

MR. FORD: I think the ABA's point of view was somewhat polluted by Randolph Burgess, who hadn't sat in at the discussion we had last week. Our point of view after the drive was to revert to the Third War Loan technique. After we had thrashed around on it all day long in the State, they came up with this feeling. Randy wasn't aware of that then.

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H.M.JR: He hadn't rid himself of the pollution. You had better tell him that.

MR. FORD: I have, and he agrees with me.

H.M.JR: Good.

Well, you will have no trouble on that one here.

MR. WOOD: The next one was the period of offering, of having it not over four weeks, preferably nearer three weeks, that the periods that you had before were too long and exhaustive.

H.M.JR: Again, I don't think there will be very much trouble on that. I may have an opinion as to whether I would like to start in May or June, but I don't want to state the day. As to the length, I think it is up to you salesmen.

MR. BELL: I think that is right.

MR. PULLIAM: There is one serious difficulty in starting in May. I think we would all take the thing on and go ahead provided you could give us materials, but we do have to have materials actually in our hands at least thirty days before this drive starts. You cannot organize down to the county and township levels without materials. I don't see how you could possibly get that out and get started the last week in May. If you can, we can go, but that is the first consideration on fixing the date, how soon you can deliver. It balled us up in the Third War Loan. This time it was fine. It is a very important item. We had the materials in time.

H.M.JR: Well, Mr. Gamble will have to weigh that.

MR. WOOD: Our first choice was June 14 to July 8 on account of the time of Nevil's manpower problem of getting enough coverage for New York State.

The second choice was May 23 to sometime in June, a three or four-week period.



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Then the next was--the coming period would be two calendar months in any event, either June and July, or May 13--

H.M.JR: You won't have any trouble.

MR. WOOD: We have discussed the basket. It is the same thing.

Then when it came to the sales approach, we liked Mr. Gamble's suggestion to you, Mr. Secretary, to go further in this development of plant quotas through wires from you to companies suggested by Dan.

H.M.JR: That is agreeable to me.

MR. GAMBLE: This was for thirty-five thousand. The other was only for five hundred.

MR. WOOD: Next we recommended greater emphasis on corporation subscriptions by the use of industry quotas set at State levels and backed by intensified committee solicitation, and the next, greater emphasis on house-to-house solicitation. That was all.

MR. BELL: That is a good program.

MR. WOOD: Except the ABA thing of going after all customer lists.

MR. GAMBLE: We talked over some of the details, Mr. Secretary, about advertising and promotion, but I don't think you want us to go into that.

H.M.JR: I would like to say what I feel about this. My own feeling is that this time we have to begin to educate the people a little more on the basic economics of this thing. I don't think during this Fifth War Loan it will be so necessary for the War Finance Committee to sell the war to the country. I think that that will be pretty well done by the Army and Navy. I do think, though, that we have to explain to them some of the very simple rudiments of this thing and why it is necessary to buy and keep bonds.

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I think that some of the publicity will be along that line. I talked that way to the bankers, and they agreed. I tried to get them to say they would do something, and they said they couldn't get the space in the paper, but that is no answer.

But, also, I personally think we have gone about as far as we should in the direction of making a man feel almost as patriotic as a soldier when he buys a twenty-five dollar bond. I think it has all been good, but we need a little bit more on inflation, a little bit more on this whole question of why it is to his interest to take this money out of circulation by lending it to the Treasury. I hope there will be more of that, and less of the other. I think the other was very important at the time, particularly selling the war, especially when we started the Third War Loan with Italy declaring peace. We were not very far along. I don't know whether there is any disagreement with that on the Committee.

MR. WOOD: I think you would be interested in this, Mr. Secretary, that in all the farm areas--the same thing is true in Iowa and Minnesota--any request we get to go out and talk to farmers, any audience except in the cities, they want nothing talked about except the stabilized value of those securities at the end of the war. They said the greatest resistance to selling is that eighty-two market in 1920. We have directed all of our publicity at that thing.

MR. BELL: We are still answering those letters. They come in every day.

H.M. JR: I think this is very good, and I think the record of Gamble and his associates in previous drives has been sufficiently high that I feel when you people come in with this kind of recommendation you can back it with action and fulfillment of the promise. But I think you undoubtedly know how difficult the thing is.

However hard you worked last time, I think you have to work that much harder, and everybody else, your industries, labor unions, pay-roll deduction--I just don't think you can overlook anything.



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You people know as well as I do which State went over the top, and which didn't. Too many didn't, and the last few days we had to do a little finagling with Army and Navy receipts to help put a few of the States across, with the result that our sales for this month have been very meager. But, anyway, I am delighted, Gamble, with the attitude of these people; and if they can reflect that down to their subordinates and the army of volunteers, I think we are all right.

MR. GAMBLE: I do, too, sir. They have spent fifteen or sixteen hours arriving at these decisions.

H.M.JR: I will be on hand and will be glad to help when and where it is necessary, personally.

MR. WOOD: I would like to say this as one of the "sticks" States--and I know all the Chairmen feel the same way--you haven't any idea of how efficient this Washington office is as we telephone in and they service us. It is simply perfect. Ted's one mistake was that Oregon deal in the Third Drive. Outside of that, it is perfect. (Laughter)

MR. BELL: They are riding you, Ted.

MR. FORD: I would like to concur in your statement.

H.M.JR: He was playing safe. He had been in Washington so long he wasn't sure of Oregon. (Laughter)

Well, I will say good-bye to you all.

M



## TREASURY DEPARTMENT

WASHINGTON

March 23, 1944

Memorandum to the Secretary of the Treasury.

After a full discussion of the problems arising out of our experience in the Fourth War Loan Drive and having the successful prosecution of the Fifth War Loan Drive in mind, and after careful study of the statistical information which reveals convincingly the increased needs of the Treasury, and recognizing the desirability of keeping to a minimum borrowing from banks, we have come to the following general conclusions later to be taken up in great detail. While our approach was primarily of sales, we attempted a detached point of view on the over-all situation. We are convinced that the general pattern of the Fifth Drive should follow that of the Fourth, with however, an intensification of certain techniques.

There are four practical steps which we feel are of primary importance that additional sales to individuals and corporations may result, and as a consequence, more effectively get at a far greater proportion of income accruals.

These are the four steps:

- (1) Further development of plant quotas.





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- (2) As complete as possible coverage of bank customer lists.
- (3) In the corporate field, establishment of industry quotas at state levels.
- (4) Intensification of house to house, farm to farm and face to face solicitation.

#### SIZE OF LOAN

In view of the increased needs of the Treasury we suggest \$16 billion and regard it a stimulating challenge to workers and buyers.

#### QUOTA

Over-all \$16 billion of which \$6 billion to individuals provided (a) A.B.A. carries forward its stimulation program among banks and bank depositors and (b) some slight changes are made in Basket as suggested below.

In the event the above provisos are not possible we feel the individual quota should be reduced to five billion five hundred million dollars. In either case, we suggest the E Bond portion of the individual quota be three billion dollars, the quota to corporations and others to be either ten billion dollars or ten billion five hundred million dollars depending upon the amount determined for the individual quota.

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## LOAN PROCEDURE

We suggest a split offering similar to the procedure followed in the Fourth War Loan the initial period of the Drive to be devoted solely to individual solicitation followed by a broadening of the offering to others except commercial banks.

## PERIOD OF OFFERING

We believe the Fourth War Loan Drive was a little too long and suggest the Fifth War Loan be not over four weeks of active offering and preferably nearer three weeks.

## TIME OF OFFERING

Our first choice is June 14th to July 8th.

Our second choice is May 23 to approximately June 13th.

Our reasons for preferring the June 14th date are that it gives us a longer period to recruit and train volunteers which we consider essential, that it will give greater assurance of the timely receipt of selling material throughout the states and lastly and less important, it may tend to obviate any criticism of including E, F and G bond sales and C Notes in the tabulation for the two month period. In the event the May 23 date is selected, we suggest the counting period commence May 15th and end July 15th; otherwise it be the calendar months June and July.



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## BASKET

To consist of E's, F's, G's and C's, one year 7/8's, the usual long term 2-1/2's, and either a nine year 2 callable in 7 years to be restricted for six months to 1 year, or an eight-ten year 2 without restriction. We feel that the introduction of a new element into the basket would be stimulating to bond sales-people and buyers.

## SALES

We approve heartily and recognize the necessity for further development of employee plant quotas as suggested by Mr. Gamble. We feel it would be extremely helpful if these quotas were determined by the Treasury and initiated by wire from the Secretary to the plant executive as outlined to us by Mr. Gamble.

We recommend greater emphasis on subscriptions from corporations and that industry quotas be set at the state level to be backed by intensified solicitation and recommend greater emphasis on this type of selling.

In general we believe the answer to the many problems facing all of us, is harder work by all and direct face to face selling.

We feel that the program of intensified solicitation of depositors by commercial banks would be extremely helpful and

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hope that they will recognize, as well as we do, the necessity for direct rather than indirect solicitation.

This memorandum makes no attempt for sake of brevity to outline the many promotional and advertising suggestions developed by those concurring in this memorandum.

Signed by:

John Reilly - District of Columbia

Frank Isbey - Michigan

Franklin D'Olier - New Jersey

Horace Corbin - New Jersey

Harold Wood - Minnesota

Randolph Burgess - New York

Nevil Ford - New York

G. R. Rebmann - Pennsylvania

91 Edward B. Hall - Illinois

R. P. Sherer - Illinois

F. Winchester Denio - Massachusetts

Eugene Pulliam - Indiana

Phil J. Trounstone - Ohio



March 23, 1944  
11:40 a.m.

DEFERMENTS

Present: Mr. Thompson  
Mrs. Klotz  
Mr. White

Mr. THOMPSON: Puryear is reconsidering these cases but I don't think we will get many of them. However, I think we will come out pretty well because he approved fifty, and on the list there were thirty-six cases that went on the key list after you turned them down. So we get those thirty-six. That is eighty-six.

Then we had a lucky break in the Bureau of Engraving and Printing. Sixteen pressmen were on the list. They were scarce. Suddenly the Government Printing Office dismissed seventy-five pressmen. So we had all we needed.

H.M.JR: Dismissed seventy-five?

Mr. THOMPSON: Yes, sir. So we went up over a hundred out of the one hundred and fifty-seven. We go direct to the Board and I haven't had a turn-down yet from the local Board. As a matter of fact, Puryear gives us sixty days and the Board gives us six months.

H.M.JR: The President was going to say something, I gathered, on this whole question. I gather, on account of his illness it has been postponed. I see now more confusion than ever, under twenty-six. Every day it is a different story.

Mr. THOMPSON: I asked Puryear why he got so tough on these pre-Pearl Harbor fathers over thirty when we know the Army doesn't want men over thirty.

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he said, "We can't consider age at all."

Then the next minute we were discussing Gunter and Friedman. We argued back and forth on that. He said he couldn't defer them because they weren't thirty years old. They are twenty-nine. He agreed to reconsider them and take them up and give us final word, but that is where we were left there.

I gave him a very strong argument on both of them and he left some papers with Harry.

MR. WHITE: We may get them, but his argument was that he couldn't do it because of age. In the other case he said he couldn't consider them. He is just crazy. You can't argue with the man. His whole purpose is a record before the Costello Committee. The merits of the cases are secondary in every instance. It is pathetic!

(The Secretary approves the attached list of deferments)



DEFERMENTS

3-22-44

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<u>Name</u>	<u>Title</u>	<u>Age</u>	<u>No. of Children</u>
<u>INTERNAL REVENUE:</u>			
Bratt, Bryce W.	Economic Analyst	35	1
Crenshaw, Stuart L.	Chief Adm. Officer	36	2
Davis, Dalmon	Special Agent	36	2
Liotta, Casimiro	Chemist	36	2
<u>MINT BUREAU:</u>			
Frisch, Steve	Die, Gauge & Toolmaker	34	2
<u>SECRET SERVICE DIVISION:</u>			
Benavides, Luis M.	Agent	35	2
Burger, Michael P.	Resident Agent	33	2
Cowles, Melvin A.	Agent	37	2
Lately, William Jr.	Agent	37	2
Johnson, George M.	Agent	35	2
Jukes, George W.	Agent	32	1
Keithahn, George Q.	Agent	36	4
Malkowski, Joseph F.	Agent	32	2
<u>WAR FINANCE DIVISION:</u>			
Knecht, Joseph J.	Exec. Manager for the State of Louisiana	37	2

Deferments for the above 14 employees are recommended by the Agency Committee.

APPROVED:

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Secretary of the Treasury.

March 23, 1944  
2:16 p.m.

Smith  
Webb: Hello, Mr. Morgenthau.

HMJr: Hello, Webb?

W: Yes.

HMJr: Morgenthau speaking.

W: Yes. How are you?

HMJr: Can you hear me?

W: Yes.

HMJr: The reason I'm calling you, Bailey tells me that the Warrens are thinking of having an auction sale and selling out.

W: Who is? Warren?

HMJr: Ralph Warren.

W: Yes.

HMJr: Do you know anything about it?

W: No, I haven't heard about it. I didn't see anything about it in the Courier.

HMJr: Well, I don't think they've announced it yet. But evidently they've made up their minds. There are the two brothers and they can't, evidently, agree.

W: I see.

HMJr: And also Bailey's been sort of talking to them and they also can't agree on the place, but I gather they've been showing it to people.

W: I see.

HMJr: But I -- I thought that I'd rather let you handle it for me than -- rather than try to deal with them direct.

W: Well, I know them very well.



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HMJr: Well, supposing you look into it. It would have to be very reasonable for me to be interested.

W: Yeah.

HMJr: See?

W: All right. Well, I'll get the story on it for you.

HMJr: It would have to be a bargain.

W: Yeah.

HMJr: Let me ask you a question. What commission do you charge when you sell a place?

W: Well, the County scale is  $7\frac{1}{2}\%$ ....

HMJr: Yes.

W: ....on anything outside of the City Limits.

HMJr: Yes.

W: And when it's in the City Limits, it's 5% for Beacon.

HMJr: No, but I mean a farm.

W: Well, on farm property, it's  $7\frac{1}{2}\%$ .

HMJr: Is that what you get?

W: Yes.

HMJr: Always?

W: Well, I won't say always, no, but that's the -- that's the Board scale.

HMJr: I see.

W: I'll admit that sometimes somebody takes some little -- something less than that.

HMJr: Well, the reason I'm asking is -- I thought you ought to know -- that if I could get the Warren, I might want to sell the Ben Hickman place.

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W: I see.

HMJr: See?

W: All right.

HMJr: I might want to sell it.

W: Well, we'll work with you on a basis that will be satisfactory to you.

HMJr: You will?

W: Now, on this Rushmore place, I've had a talk with him and he's interested in doing business there on a reasonable basis and I think that if you haven't seen the place personally, the next time you're up here, if it is good weather, if you'll give me a ring, we can arrange to go up and look it over.

HMJr: Well, we'll be up the week-end of April 1.

W: I see. Well, suppose you give me a call then, whenever you've got some free time. I'd like to go up with you.

HMJr: All right.

W: And I'll get the story on this other matter and drop you a line at Washington.

HMJr: Do that. Do that. Thank you.

W: All right. Good bye.



March 23, 1944  
3:15 p.m.

ARGENTINA

Present: Mr. Schmidt  
Mr. Luxford  
Mr. DuBois  
Mrs. Klotz

H.M.JR: All right, come on! I still don't know what this fellow (DuBois) is doing. He has an office with the General Counsel, he works with Pehle, and he is in on the Argentine.

MR. LUXFORD: You want to know what the story is?

You suggested I bring some men in, so I suggested some men including Jim Mann and myself, and Schmidt and myself, and John and DuBois. At the end, if you were going into policy on the thing - the word I got back was Schmidt and DuBois.

H.M.JR: That isn't the memo I got. I was given the choice of two groups. (Secretary quotes memorandum) "If merely a progress report, Luxford, Schmidt, and DuBois."

MR. LUXFORD: It was Mann who should have been in there.

MRS. KLOTZ: The Secretary is never wrong.

H.M.JR: Yes I am, but--

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MR. LUXFORD: I believe you. I spoke first to Fitzgerald and then to your other secretary. She took it over the phone.

H.M.JR: If DuBois sounds like Mann - maybe "DuBois" or "the boys"--

Well, should Mann be in on this?

MR. LUXFORD: It is all right. I am quite confident there will be no loss by DuBois' being present. He keeps generally familiar with what is going on.

H.M.JR: I was just kidding. But anyway--

MR. LUXFORD: On Argentina, I didn't know whether you noticed this morning's paper - two little items--

H.M.JR: I admire his activity, the way he gets around. I see him on rollerskates going up and down the hall.

MR. DuBOIS: Good walker.

MR. LUXFORD: Did you notice this morning, Farrell announces he is still loyal to Franco Spain, in "PM". I will just read you the opening line on it. This is Ray Josephs from Montevideo.

H.M.JR: Did you send a wire down there?

MR. LUXFORD: I could do better than this on the basis of what you gave me the other day.

Here is just the headline on it: (Reading) "Farrell still loyal to Franco Spain. Argentina looks and will continue to look to Spain as its mother country and as a source of guidance and inspiration, Colonel Farrell, President of Argentina has pledged. This pledge of loyalty to Fascist Franco Spain was made in an interview granted by the President to the B.A. correspondent of Franco's official newspaper."



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It goes on with a news story, if you would like to have it.

H.M.JR: Swell.

MR. LUXFORD: I don't know whether you noticed, in Paraguay they have now ousted the Foreign Minister of Paraguay who was the United Nations man, together with his two men who were backing him, that is, the Minister of Education and the Minister of Finance. And they didn't oust the President, General Morinigo, because he promised that he will collaborate more closely with Argentina than with the United Nations. That was the Colonel's scoop, according to the report.

H.M.JR: All right.

MR. LUXFORD: Now, the other day, at the time--

H.M.JR: This is the overture!

MR. LUXFORD: Yes. The other day, just at the time you furnished me with this report from Acheson on Argentina--

H.M.JR: Yes, now I asked for that. I will tell you why I want to have that. Would you fellows make a note, and I would like to follow up, you see - Acheson first said two days. First he said it would be a Tuesday, then he said it would be a Thursday. Then when we get this thing from Acheson which is a report as of last January and I am still waiting for it, you see - if you would write a little letter to Mr. Acheson, go back over it.

First Mr. Stettinius said he could give it, when Acheson was sitting here - two days - four days - then this thing (refers to report on Food Board submitted by Mr. Acheson).

MR. LUXFORD: All right.

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H.M.JR: I want to make a record. Do you agree? Think about it.

MR. LUXFORD: One other item I would want to inject into it. We will come to that.

H.M.JR: If I don't do something like that - I mean, here is the Acting Secretary of State saying he will give it to me in two days, then Thursday, then the following Monday, then I get a report as of last January and I am still waiting for a plan.

MR. LUXFORD: The reason is quite obvious; that is, on March 10 they sent letters again to each of the Boards asking them if conditions hadn't changed enough.

H.M.JR: You draft that letter and then you fellows talk about it. But let's make the record and take a look at it.

MR. LUXFORD: I will be glad to. His answer will be that he hasn't received the reports.

H.M.JR: But I want to make the record and let him say, "You will get it in a month." Here they tell me they will give me an answer in two days and it is now about two weeks.

If you boys haven't read this morning's editorial in the Post, I suggest you do.

MR. LUXFORD: We did.

As I was explaining, on the day I received this we were ready to send to you a memorandum on Argentina which would be from you to Hull. Now, in the light of this document, you can't send this to Hull, but I still believe that it is the best summary of Argentina on the political, military, and so forth, that we have to date. I would like to leave it with you just for your own background, Mr. Secretary.



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H.M.JR: You say this is the best in town?

MR. LUXFORD: The best one to date, that is right. It represents not only what we know about the matter, but it was prepared in conjunction with Towson on the military, and the questions that are raised there, informally, are pretty sure to be answered our way; that is, if we were to ask the Army those questions on the military side, that that must inevitably be the result as borne out by the report that the Army furnished us in January.

In other words, if we could have used the material in this report, on the military side, we could have answered most of those questions. It is very strong - the report the Army gave us - but we felt we weren't in a position--

H.M.JR: You mean on the Falangist thing?

MR. LUXFORD: No, I am talking about the report they furnished us on the Argentine.

H.M.JR: On the smuggling and all?

MR. LUXFORD: That is right. The military ~~said~~ that Argentina did foment the revolution in Bolivia, they are trying to do it in Chile and in every other country in that area. But we felt we couldn't put that into a report to the Secretary of State because Towson felt that since Strong had given this to you on his own, it would be unwise for it to come out as a document that might get into the record. But his answers to the questions we have raised there will force response of the same type.

H.M.JR: But you don't feel, in view of Acheson's most recent letter, that I can send this to Hull.

MR. LUXFORD: I don't believe you can because we, for instance, based our analysis of the food situation upon the statements he made to us orally.

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Those statements he made to us orally, I do think are more favorable to our cause than the report he transmitted to us in writing coupled with the fact that as soon as we got that to Secretary Hull, by the time he got it, he would have, probably, the new answers from the Food Board, so he could say our analysis is obsolete in the light of these new analyses.

On the other hand, Mr. Secretary, there is one thing we could do. It would require your help. The key to this whole thing is the food situation. Now, Stettinius told you informally that the food situation was not as bad as it had been held out to be, that they had discovered additional food, and I understood from you that Marvin Jones, in speaking to you, had intimated that same thing.

H.M.JR: No, what he said to me was this - to get the thing straight - I asked him point-blank about the food situation and everything else, and he told me that weather being average, we would have more tonnage of food raised in this country this year than last, and last year was a bumper year.

I understand that since then, the thing they were looking for, the snows where they need them for irrigation, had been quite heavy.

I asked him point-blank; I said, "Well, supposing we had to blockade the Argentine, what could we do?"

He said, "It would be an awful burden - throw an awful burden on me. It would be very difficult, but we could handle it."

MR. LUXFORD: As I recall, you suggested an educational program and an appeal to the public.

H.M.JR: He said "We could handle it." The whole thing gets down to this. We have waged war on the diplomatic front about twenty-five percent.



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MR. LUXFORD: That much?

H.M.JR: Well! I don't know how to rate it, but anyway, it is a question of getting tough and rough. Nobody who has anything to do with it wants to. We can't set up another Board like the War Refugee Board outside of the State Department.

MR. LUXFORD: We are trying to, Mr. Secretary, on foreign economic policy.

H.M.JR: Where?

MR. LUXFORD: You signed the letters yesterday. The Budget or the Foreign Economic Policy Committee. Do you recall it now?

H.M.JR: Oh, yes, sure. Well, that will be under the chairmanship of Hull.

MR. LUXFORD: Yes, but it would be reporting to the President.

H.M.JR: True, but lacking something like that, you wouldn't get anywhere. And you are not going to change this man at the eleventh hour.

MR. LUXFORD: Surely.

MR. DuBOIS: All the more reason why it seems to me it is hopeless if you are going to wait until you convince everybody that we should go ahead with a hundred percent program, which comes back again to the question which we may want to weigh from time to time as to whether or not taking a small part may not force the whole thing, the public reaction and the like. In other words, whether or not we shouldn't consider at some stage of the game, seeing this other is hopeless, the freezing.

H.M.JR: You may be right, Joe, but unfortunately, I am beginning to talk like the old man that I am, I

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mean in experience here - things don't happen in Washington on this front until they get so stinking bad that it is either too late, or there is an investigation, or Congress appoints a Committee.

Don't forget, Congress had a parallel committee to the War Refugee Board all ready, you know. That is what assisted this thing. But suddenly it gets to the point where somebody says, "We have to do it before Congress does."

But we are sort of going around. Let me read this report. Let me digest it, and then let me see if I can get any hunch.

MR. LUXFORD: May I just lay one on the table?

H.M.JR: Let me see how I react after reading the thing. Maybe I will get all excited and want to do something tonight, I don't know.

MR. LUXFORD: May I lay one on the table?

H.M.JR: I don't know. Lay!

MR. LUXFORD: If Marvin Jones were to read this report unofficially, so that the boys writing the Food Report would write it in the perspective of the realities, that is, how critical it is that we meet the problem on the food side, the same that I know if you were to read the thing, the instructions we would get would be such that they would really begin to deal with this food problem in a real sense.

H.M.JR: You have laid it! I don't know - let me read it. I mean, it is a little bit remote. Here you have Sumner Welles coming out not to do anything to the Argentine.

MR. LUXFORD: That was terrible.



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H.M.JR: The President saying something about how he misses Sumner these days - his advice on South America. Did I tell you that?

MR. LUXFORD: No. Is that true?

H.M.JR: Sure, everything I say is true.

MR. LUXFORD: I just can't believe he would make that kind of remark.

H.M.JR: Well, he did. Where is Nelson Rockefeller on these things?

MR. LUXFORD: I don't know.

H.M.JR: Somebody said he was leaving the country. Ever called him up and found out?

MR. LUXFORD: Never. I don't see how he could help us. I don't think he can change State if you can't. You have had more luck than anyone else.

H.M.JR: Now don't begin to hand me soft soap.

MRS. KLOTZ: They have.

MR. LUXFORD: Let's look at the record, then.

MRS. KLOTZ: Let's knock wood.

H.M.JR: As between handing a thing like that to Marvin Jones - the thing is different. How much does Nelson know, you see - what is he doing about it?

MR.SCHMIDT: The questions that State has given are all loaded to get exactly the kind of answers they want, and the idea is if you can influence them a little from the other side--

H.M.JR: You mean the whole thing hangs on Marvin Jones.

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MR. LUXFORD: I think so; I think it does. In other words, here the worst thing that that food report came out with was that if we were to try to meet the British food requirements, it would require a ten percent cut in the meat supply of the United States. The true answer would be, "So what?" But now I am sure that if Jones were confronted with that as being the true issue in the light of this memorandum, that is, how serious the situation is in the light of what is happening today in Paraguay and what Farrell is saying about Spain, that to ask us to give up ten percent of our meat for three months is certainly of inconsequential standing.

H.M.JR: I am thinking--it just doesn't click with me, this Marvin Jones thing, because it is too much trying to influence the jury. He is a judge, and he might resent it, you see. He could say, "I am asking for a factual report. What makes you think you could influence me on that factual report?" He is a very decent fellow, Marvin Jones.

I am not saying I wouldn't, but he is a very decent fellow, and he is doing a good job. I am just wondering if we could get the Vice President excited a little bit about this thing, because he told me, you see--what did he tell me about Collado telling him everything was all right? I don't know. At least he got information from Pete Collado which I had to tell him was just a lie.

MR. LUXFORD: It wouldn't be the first time.

H.M.JR: You know, he is going off quite a lot on his own. What would you boys think of asking to see Wallace and show him this stuff from me?

MR. LUXFORD: I think it would be very much worth while, but I still come back that somebody has to get to the Food people, because the facts there are not as black and white as they say.

H.M.JR: All right, wait a minute. If Wallace wants to go to Marvin Jones, see, and have a talk with him as Vice President of the United States and former Secretary of Agriculture, see--



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MR. LUXFORD: That sounds all right.

H.M.JR: It won't look as though I were a suppliant before the court.

MR. LUXFORD: You are doing all right.

H.M.JR: Is that all right?

MR. LUXFORD: That is very good, only we think you have a position as a matter of right.

H.M.JR: I know, but I am thinking out loud. If the Vice President would say--he swears--"This is the damndest thing. Now, what can I do to help?", I would say, "Will you talk to Marvin Jones?"

MR. LUXFORD: Give him that memorandum and this file and say, "What do you think?"

H.M.JR: Well, let me read it tonight; and then if I get it out of this thing, I think we might move in on the Vice President.

MR. LUXFORD: Good.

H.M.JR: I don't think it would be difficult to get him excited. Then if he says, "What can I do?", all right, I will say, "Will you send for Marvin Jones?"

MR. LUXFORD: Fine.

H.M.JR: How does that sound to you boys?

MR. LUXFORD: It sounds very good, very good.

H.M.JR: In the whole town, who is there that might get excited about this thing?

MR. LUXFORD: You would obviously give the Vice President, too, that thing you have from the Army on the Falangists?

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H.M.JR: Yes, I can show him that.

MR. LUXFORD: Also, we can get him some choice excerpts out of the military report. I should think the Vice President could have it, which would answer some of the questions that otherwise we couldn't.

H.M.JR: The trouble with the Vice President is-- I have given him stuff like this before--you have to be prepared for the fact that when he gets in a corner and they ask him where he gets that he will say, "I got it from Henry Morgenthau," because he has done that before. He has done that at Cabinet. He will get excited and say, "I got it from Henry Morgenthau."

I mean, I could call up Marshall and ask him if I could show that.

MR. LUXFORD: Marshall doesn't even know General Strong gave you this. That is what Towson is worried about.

H.M.JR: What is Strong doing?

MR. LUXFORD: Towson spoke to me about that yesterday; he said he was retired and then recalled to active duty. But they have been kicking him around without giving him an assignment to the point where he is about ready to ask for retirement again. Towson thought it was a shame, that he was an able man and was being wasted.

H.M.JR: Somebody told me that he stood up too much to Stimson, and Stimson didn't like it.

MR. LUXFORD: That is exactly what Towson told me, that he didn't "aye" the brass hats. That is why Towson inquired whether there was any place in our organization where he might be used, because this is the only place in town where you could disagree with your boss.

H.M.JR: Thank you, but I like that.



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MR. LUXFORD: I told him I would mention it to you. He would be most interested. Towson has been telling me that the Treasury ought to set up an economic intelligence organization, world-wide, and that he felt that the General would be the right man to do that.

H.M.JR: The place to do it would be to put the man on the Stabilization Fund.

MR. LUXFORD: Let him set up a staff.

H.M.JR: Yes. There is a place for that on Stabilization.

MRS. KLOTZ: It is a very good idea.

MR. LUXFORD: The General would love it.

H.M.JR: I had that idea four or five years ago.

MR. LUXFORD: Towson told me, and I don't know whether it is true or not, that the General has strong political backing and can get along with State.

H.M.JR: Strong political backing of which party?

MR. LUXFORD: I don't know.

H.M.JR: It is important.

MR. LUXFORD: I would assume there is only one that is important today. What is the use of having a strong Republican backing today? Maybe I am wrong.

H.M.JR: I don't agree with you.

MRS. KLOTZ: What?

H.M.JR: I think it is important to have a Democratic background.

MRS. KLOTZ: You didn't hear him.

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MR. LUXFORD: I assume Towson must be talking about Democratic backing if he has strong backing.

H.M.JR: Oh, I thought you said the only important thing--

MR. LUXFORD: Can we take one minute more of your time?

H.M.JR: Can I read this thing tonight? Then if I think it is good enough, I will get hold of the Vice President and ask him whether he wouldn't do this soon.

MR. LUXFORD: Give him these two while you are at it.

H.M.JR: I won't give him anything.

MR. LUXFORD: All right.

Now, you have a cable from Tito, which we want to deliver to you.

H.M.JR: Oh, somebody was asking me this morning about whom we gave the money to in Jugoslavia.

MR. LUXFORD: You got a cable by--

MR. SMITH: Straight from Tito himself.

H.M.JR: Boy!

MR. LUXFORD: This is most interesting. Let's give Mrs. Klotz a copy.

You are in it now.

(The Secretary reads aloud cablegram from Director of Central Telegraph of USSR, dated March 23, 1944, attached.)

H.M.JR: Where is old man Bicanic?

MR. SMITH: I gather he is probably over in Jugoslavia.



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MR. LUXFORD: We will send to the War Refugee Board to get him.

H.M.JR: I. B. Tito--are those his initials?

MR. LUXFORD: I guess so.

H.M.JR: Or does that mean, I be Tito?

MR. LUXFORD: It was sent through the Central Telegraph.

H.M.JR: You can acknowledge receipt of it, anyway, as to the time.

MR. LUXFORD: Now, we have sent informally a copy of this to State. It came through our channels, not even through State.

H.M.JR: Ask them to advise us. I was asked in Press this morning who decides--

MR. SMITH: Did you see this? (Hands the Secretary clipping entitled "King Peter's Secret Source of Funds," from PM, March 23, 1944.)

H.M.JR: How much have you withdrawn?

MR. SMITH: Originally ten million was made available, was certified over. We are checking to get all the details and bring them to your attention.

H.M.JR: My hunch is that the stuff should be frozen.

MR. LUXFORD: Can I give you a little background on this?

H.M.JR: It always helps.

MR. LUXFORD: You will recall at the time Jugoslavia was beginning to fall we were beginning to get signing power, and we worked out a certification scheme so that Fotich might sign on the Jugoslavian funds.

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Now, right at the same time the Yugoslav Government got a request to send ten million dollars down to Brazil. We were not anxious to do it, but the President decided we should, because Yugoslavia was going our way and we didn't want to quarrel with them about small matters of this character. Thereafter, once the Yugoslav Government sided up with us we were anxious to get that money back from Brazil, and the Central Bank of Brazil said they were perfectly willing to send it back to the United States, provided we would hold them free and harmless in the event later on there was litigation about the authority of this group to take the ten million. Well, that has been kicking around between State and the Fed for two years now. Recently they got very excited about it.

H.M.JR: Who are they?

MR. LUXFORD: State, because the Yugoslav Refugee Government has used up all of the dollar assets in the United States except the gold.

Now, they wanted to borrow against the gold, and the State Department didn't want to have to make an arrangement of that character; and to avoid having to do that, they wanted to get the ten million back from Brazil. The thing got very critical the other day, and we couldn't quite understand why it was they were going to put the whole certification through on an hour's notice basis. There was going to be a whole series of transactions occur so it would go right into the Central Bank account and right out again. We couldn't quite figure it out until the headlines the next day showed that Tito wanted to attach the Yugoslav funds and to freeze them.

So the whole thing is a play, apparently, between Tito and the Refugee Government, and this is just part. We are getting the other side of it.

H.M.JR: Well, anyway, who over there can advise us?

MR. LUXFORD: In State? Who have we been dealing with over there? We notified Hiss this morning.



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MR. SCHMIDT: We told Hiss about it this morning, and I think it is in Collado's lap at this point.

H.M.JR: Should I call up Mr. Hull and tell him I would like to get an answer?

MR. SCHMIDT: As I see it, the question is basically the political one of whether or not this Government is recognizing the government-in-exile.

H.M.JR: How long will it kick around?

MR. LUXFORD: Supposing we do this? Supposing we try to pursue it through channels and see what will happen on it. If they kick it around, we will come back to you.

H.M.JR: I don't think you will get anywhere in any time, will you? I will give you a chance.

MR. LUXFORD: I don't think we are going to get them to recognize the Tito Government.

H.M.JR: No, but the freezing of the funds is something else again.

MR. SCHMIDT: The funds are presently frozen. There is no question about that.

H.M.JR: Are they?

MR. SCHMIDT: Oh, yes. The funds that have been made available were made available to support the government-in-exile, which was the recognized government, as far as this Government is concerned.

H.M.JR: Yes, but supposing King Peter wanted to give his wife a million dollars as a present?

MR. LUXFORD: He couldn't do it without a further certification against this gold. We have it stopped as far as anything further is concerned.

H.M.JR: O.K. All right. I will read that stuff tonight and get some kind of a hunch, I hope.

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Received  
FOREIGN FUNDS CONTROL  
Treasury  
1944 Mar 23 AM 9 15

K1 RADIO VIA MACKAY RADIO

MOSCOU 22

BOARD OF TREASURY

WASHINGTON

WE ARE FORWARDING TELEGRAM RECEIVED BY CENTRAL TELEGRAPH IN MOSCOW FROM NATIONAL COMMITTEE OF LIBERATION OF YUGOSLAVIA AND ADDRESSED TO YOU COLON QUOTE NATIONAL COMMITTEE OF LIBERATION OF YUGOSLAVIA INFORMS BOARD OF TREASURY THAT IT AUTHORIZED MR DOCTOR RUDOLPH BICANIC VICEGOVERNOR OF NATIONAL BANK OF KINGDOM OF YUGOSLAVIA TO REPRESENT INTERESTS OF NATIONAL BANK OF KINGDOM OF YUGOSLAVIA AND TO PREVENT WITHDRAWAL OF ITS DEPOSITS WITH YOUR TREASURY BY ANYONE AND IN ANY AMOUNT WITHOUT CONSENT OF NATIONAL COMMITTEE OF LIBERATION OF YUGOSLAVIA STOP NATIONAL COMMITTEE OF LIBERATION OF YUGOSLAVIA AUTHORIZED DOCTOR RUDOLPH BICANIC TO REPRESENT IN THIS MATTER INTERESTS OF NATIONAL COMMITTEE OF LIBERATION OF YUGOSLAVIA AS LAWFUL REPRESENTATIVE OF PEOPLES OF YUGOSLAVIA STOP SIGNED PRESIDENT OF NATIONAL COMMITTEE OF LIBERATION OF YUGOSLAVIA I B TITO COMMA ACTING COMMISSIONER FOR FINANCE I MILUTINOVIC STOP MARCH EIGHTEENTH NINETEEN FORTY FOUR STOP YUGOSLAVIA STOP SEAL OF PRESIDUM OF NATIONAL COMMITTEE OF LIBERATION OF YUGOSLAVIA UNQUOTE STOP CENTRAL TELEGRAPH OF SOVIET UNION REQUESTS YOU INFORM IT OF TIME OF DELIVERY THIS TELEGRAM TO ADDRESSEE STOP

DIRECTOR CENTRAL TELEGRAPH OF USSR.

914A MAR 23



# King Peter's Secret Source Of Funds

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... Yugoslavs Charge 20 Millions of 'People's Money' Withdrawn From U. S.; Britain Keeps Lid On **7**

PM, THURSDAY, MARCH 25, 1941

## Yugoslavs Say King Peter Gets Funds Here But Not in Britain

Charge 20 Million  
Of 'People's Money' Has  
Been Withdrawn

By DENISE A. YATTE

Foreign Secretary Eden's statement in London yesterday that the Royal Yugoslav government is withdrawing any part of the cash or funds deposited in Britain before the war contained a hint that King Peter's government is getting those checks, and that elsewhere in the U. S. A.

Yugoslav clerics opposed to the government in exile charge that they have informed PM that the Yugoslav government in exile has withdrawn, through its ambassador here, \$20,000,000 or more in the last two years to finance the Cato regime. They say Ambassador Constantine Fotich has also withdrawn funds from banks in Brazil.

The Yugoslavs here point out that the money deposited in the U. S. A., Brazil, Britain and Turkey does not belong to the Crown or to the Cato regime. That money, they declare, belongs to the people—in the depositories who placed their money in the Royal Yugoslav National Bank for safe keeping.

These sources say that both Britain and Turkey have refused to release any part of it. Turkey's stance is known; it was stated in members of the Royal government. When King Peter's ministers tried to withdraw the \$2,000,000 deposited there, they were told that the checks would have to be signed by one of the three governors of the bank, an autonomous institution. None of the government was present.

King Peter therefore appointed a governor, but his authority was not recognized because the appointment was not made according to the terms of the Yugoslav constitution.

The same situation probably prevailed—and still prevails—in British, according to the Yugoslavs.

As for the U. S. A., a policy was laid down on March 26, 1941, by the State Dept. which froze funds of banded countries in transit, according to the then Under Secretary of State, Sumner Welles, the

that Fotich is using "much money on propaganda—how much I cannot say."  
He added that it is impossible to find the answer to that in the Yugoslav budget because it contains "many secret items."  
As an afterthought, he said: "I think Fotich wastes much money here. I also think that King Peter's government wastes much money of the people."  
This former official understands why the U. S. A. has been slow in recognizing Tito. He himself was not one of the first to jump on the Marshal's bandwagon. But he is convinced that the U. S. A. will recognize the situation being done by supplying the Cato government with money that does not belong to it. He said:

"I am sure that the U. S. A. will some day return that money to the people. The government will be asked one day why it had turned this money loose to the wrong person. It will not have the answer. It will not be able to justify its action. Therefore, being an honest and just government, it will repay that money from its own pocket."  
He said he was helping that Churchill's efforts to get King Peter and Marshal Tito together would succeed, but he had grave doubts. As long as Mihailovich remains in the government, he said, Tito and the people cannot consent to do business with it.

interests of the people (see reproduction).

It is declared that when Ambassador Fotich asked Secretary of the Treasury Morgenthau for permission to withdraw funds, the request was refused until Yugoslav Minister of Finance Stroj could produce documents authorizing withdrawal. The Yugoslavs here say that Stroj never replied, but that Fotich produced some documents and has been able to draw funds freely.

Marshal Tito's request to the United Nations to free all funds credited to the National Bank of Yugoslavia, made on or before Mar. 15 of this year, is considered a forerunner for a request to withdraw these funds for their return to the people to help them in their fight against the invader. One former high Yugoslav official declared:

"This money does not belong to the government or to the crown. It belongs to the people."

"If you want to help Tito and through him the people—really the people—you must release that money to them."

"They are begging for arms and ammunition. They fight without weapons, without bread, without clothes, without homes."  
"They cannot buy the necessities of war with their own money."

The deposit in the U. S. A. when Hitler overran Yugoslavia were \$60,000,000—about \$40,000,000 in gold and the balance in foreign exchange, this former official revealed. Twenty millions of this has been withdrawn by Fotich in the two years since, he said.

The budget of King Peter's government calls for \$10,000,000 a year. The substantial gold—much taken from U. S. banks have financed the Yugoslav government in exile, he pointed out.

The former Yugoslav official said he did not know—could not imagine—under what law the Treasury Dept. was able to release funds to the exile government, because he knew of no Yugoslav law to cover it.

PM attempted to get some explanation from the Treasury Dept. about the general question of Yugoslav funds and was advised that the State Dept. was the ranking department, and that the Treasury was only carrying out orders. We have been unable to get an explanation from the State Dept. Asked whether or not Fotich is using withdrawn funds for propaganda purposes in this country, the former official said he knew only

that Fotich is using "much money on propaganda—how much I cannot say."

He added that it is impossible to find the answer to that in the Yugoslav budget because it contains "many secret items."

As an afterthought, he said: "I think Fotich wastes much money here. I also think that King Peter's government wastes much money of the people."

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He said he was helping that Churchill's efforts to get King Peter and Marshal Tito together would succeed, but he had grave doubts. As long as Mihailovich remains in the government, he said, Tito and the people cannot consent to do business with it.

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE March 23, 1944

TO Secretary Morgenthau

FROM Mr. O'Donnell

Mr. Jones testified yesterday before the Senate Banking and Currency Committee recommending the extension of the price stabilization laws. He read the attached brief statement which describes in broad terms the benefits the farmers and others have derived from price stabilization.

Mr. Jones was questioned by Senators Danaher and Taft as to whether he had any amendments to propose or suggest to the price stabilization laws, the questions being designed to elicit from him a recommendation that requisitioning, rationing and other powers relating to food be centered in the War Food Administrator. Mr. Jones said he had no amendments to suggest.

Several Senators asked the Administrator whether, as to corn and other feed grains, an increase in ceiling prices would encourage production. Mr. Jones stated strongly that price increases would not bring more production. He added that grains are not in short supply except in relation to the tremendously increased number of poultry, hogs and cattle which require feed. He also mentioned the use of grains in industrial alcohol.

Mr. Jones explained that the grain situation is still critical, particularly in wheat. The carry-over from 1943 is less than that from 1942, despite the fact that the 1942 corn crop exceeded the all-time record. The 1943 total supply was less than anticipated because of the failure of about half of the Argentine crop. Notwithstanding the fact that, if sufficient shipping is available, it may be possible to bring in more grains from Argentina during 1944, the estimated production for 1944 is not sufficient to cover all of the needs. On the whole there was nothing in Mr. Jones' testimony which offers any hope that grains for beverage production purposes will be available in the near future. X

Attachment

J. O'Donnell



UNITED STATES DEPARTMENT OF AGRICULTURE  
War Food Administration  
Washington 25, D.C.

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For Release on Delivery

Statement by Judge Marvin Jones, War Food Administrator,  
before the Senate Banking and Currency Committee,  
Wednesday, March 22, 1944, at 10:30 a.m., E.W.T.

- - -

I welcome this opportunity to state my views with respect to S. 1764, which would extend the life of the Emergency Price Control Act of 1942 and the Stabilization Act approved October 2, 1942, through June 30, 1945. I will of course limit my observations to the field in which my primary interest and responsibility lie, the field of the production and distribution of food and farm products.

The necessity for continuing a stabilization program seems apparent. No Nation can long afford to engage in total war without instituting some safeguarding controls to see that food and the other necessities are produced in abundance and equitably distributed, and this means at prices which the masses can afford. This is a fundamental wartime objective.

The present controls, under the current stabilization program, have proven successful. It is apparent that both farmers and consumers have benefited. One of the tests is that of production, a sound and a very practical measurement.

Food Production in 1943 was 32 percent greater than the five-year prewar average. It was 5 percent greater than in 1942. As a result of this production, our consumers have had somewhat more food per capita than prewar, even though about one-fourth of that production is being used for the armed services and for export.

Support price for farm products are an integral part of the war food program and have played their large part in inducing this large production. Generally announced in advance of planting time they not only encourage the necessary total production, but the relative prices for the various products encourage the most desirable pattern of production. A successful production program is to some extent an automatic stabilization program. The two are closely linked.

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(over)

USDA 1887-44

Farmers are interested not only in price control as related to their products but are also interested in a general stabilization program which will protect the prices of the things they need as producers and which thus induces and protects production.

Although farm prices have been stable since April 1943, production has helped to increase farm income to a record level. The net realized income of farm operators (income after deducting operating expenses including wages, taxes, and interest) is estimated at about \$12,500,000,000 for 1943, compared with \$9,500,000,000 for the year before and \$4,700,000,000 for the five prewar years 1935-39. While the farmer was receiving this benefit, food costs to consumers have been maintained at reasonable levels.

It is true that the average per capita income of farmers in 1943 was still well below that of non-farmers but it was at a record level.

I am sure there is no question but that farmers would rather have stable prices and a fair break than uncontrolled high prices all along the line, the consequent inflation and the deflation which inevitably follows.

Farmers tell me they want the stabilization program continued. They know from experience that excessive prices, speculative advances and short-time rises in land values lead finally to an ever-increasing burden of debt for themselves and their sons to pay.

I should also mention that farmers are likely to become increasingly interested in wage stabilization during 1944. Although farm wages were at a relatively low level when the war started, they have increased substantially. There have been some areas, especially during the harvest season of certain perishable commodities, when the immediate pressing demands caused wages to reach prohibitive levels. Faced with the danger of loss of vital war crops, the producers themselves found it necessary to ask that a limit be placed on farm wages in such areas. We have put into effect several wage ceilings in such areas and there may be need for extending such measures this year, in the interest of production.

It seems apparent that a program which has proven itself in the past by the practical test of production should be continued. A direct increase in price which might result from one or two breaks in the line would produce pressure for further breaks. Too many such breaks would prevent achievement of the objective I mentioned at the outset--which is to see to it that food and other necessities are equitably distributed at prices which the masses of the Nation can afford.

Any substantial break in the stabilization can work only to the disadvantage of all groups and to the nation itself.



March 23, 1944  
3:16 p.m.

HMJr: Hello.

Operator: Mr. Crowley.

HMJr: Hello.

Leo  
Crowley: Hello.

HMJr: Leo.

C: Yeah.

HMJr: This is Henry talking.

C: Yeah.

HMJr: Now, Leo, I've been thinking over the conversation  
I had with you.

C: Yeah.

HMJr: And in the interest of team-play I've decided to  
drop this idea about Oscar.

C: Well, I appreciate it, Henry, because it would be a  
very, very sad thing from my point.

HMJr: Well, I don't want to do anything that's going to  
crimp you.

C: And I think it does make it possible for us to  
work together very well and it certainly would  
hurt me terribly.

HMJr: Well, I don't want to hurt you and -- uh -- I mean  
I don't want to benefit by hurting you.

C: I know that. I know that.

HMJr: And so we'll forget it and I think the less said  
about it, the better.

C: Thank you a thousand times.

HMJr: All right. Bye.

C: Bye.

March 23, 1944

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Dear Secretary Morgenthau:

I can't resist telling you how heartening it is to deal with you. Not only are you one of the best administrators I have ever seen, but your human qualities are unique. You have handled the last situation with such understanding, kindness and integrity that my respect and appreciation are overflowing.

This kind of experience—and your example—gives me an urge to try to do a good job in a way that I can't put into words. And that's one of the greatest kicks in life.

Hon Henry Morgenthau Jr

Oscar Cox



MAR 23 1944

Mr. Joseph J. O'Connell, Jr.,  
Assistant General Counsel.

Effective this date and while the present  
vacancy exists in the Office of the General  
Counsel for the Department of the Treasury,  
you are hereby designated to act as General  
Counsel for the Department of the Treasury with  
the operating title of Acting General Counsel.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

NNT:aja

*By Hand*

March 23, 1944

Fred Smith

Secretary Morgenthau

In today's New York Tribune, W.P.B. announces the addition of two industrial alcohol plants and say that indirectly that will help portable alcohol. If W.P.B., within a week, doesn't announce that Union Carbide five-million-gallon plant, I suggest that you call up Dr. Whitman and follow up on it. Please watch for the announcement and when it comes, let me see it.

Thank you. *Finished*



## ASSISTANT SECRETARY OF THE TREASURY

March 23, 1944.

Memorandum

TO: Secretary Morgenthau  
FROM: Mr. Gaston

I have discussed with Harry White and Dan Bell your proposed letter to Secretary Hull. We all agree that no letter should be sent.

Mr. Hull's paragraph on international finance in his general statement covers projects that we have discussed with the State Department and is entirely consistent with statements we have made as to Treasury objectives in the international field. It would have been the courteous thing for the State Department to show us this portion of the general statement before it was issued, but since it covers matters on which there is complete agreement, it does not seem necessary that they should do so. We can't complain about the substance of the statement but only that they didn't show it to us.

*M.G.*

DRAFT

My dear Cordell:

I read in yesterday's newspaper for the first time the story accredited to you about the seventeen points on foreign policy. I note that Point No. X refers to finance.

I would like to draw your attention to the fact that the Treasury was not consulted in advance in regard to Point No. X.

Sincerely yours,

Honorable Cordell Hull,  
Secretary of State.



## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE March 23, 1944

TO Secretary Morgenthau  
FROM Mr. White

This is in reply to your note of March 23.

We were not consulted about the paragraph on finance that appeared in Hull's speech. However, about a week ago, Boland, in a conversation about other matters, referred to the fact that Hull was going to make a speech and that it was going to contain some remarks on international monetary matters which he thought we would like.

The paragraph in Hull's speech (quoted in full below) contains nothing that we could take objection to in any way. The statement is quite in accord with our own objectives. We would have liked to have had the statement phrased in less general terms but that same criticism goes for the whole speech.

I do not think we should bring this to Mr. Hull's attention.

"International Finance -- Equally plain is the need for making national currencies once more freely exchangeable for each other at stable rates of exchange; for a system of financial relations so devised that materials can be produced and ways may be found of moving them where there are markets created by human need; for machinery through which capital may -- for the development of the world's resources and for the stabilization of economic activity -- move on equitable terms from financially stronger to financially weaker countries."

Harry White

March 23, 1944

Secretary Morgenthau

In Hull's seventeen points I see he has a paragraph on finance. Were we consulted about this? If not, please let me know in the form of a memorandum not later than two o'clock today. Also, whether you think I should bring it to Hull's attention if we were not consulted. *File*

## TREASURY DEPARTMENT

## INTER OFFICE COMMUNICATION

DATE

March 23, 1944

TO Secretary Morgenthau

FROM Fred Smith *FS*

As you know, Congressman Smith bowed out on making his speech at the last minute, so Patman did likewise. However, they are both in the record. This put a crimp in our publicity, but the very fact that we were on the ball also put a very serious crimp in Smith's publicity, except in the early editions.

We slipped up by not releasing a very early story on the Patman speech to nullify Smith's early story. We didn't do it because we thought we would get a better play in this morning's papers if we waited, and we probably would have if the speeches had been made. But next time we will plug the holes as we go along. We learned something.

However, we are not letting the project drop here. Not only for the sake of the Stabilization Fund, but more importantly for the sake of Henry Morgenthau, Jr., this speech should get wide circulation. Accordingly, we are planning to do the following things:

(1) Have copies of the speech slipped to various columnists by people who know them -- Gaston, Ireys, etc.



- 2 -

(2) If Patman will reprint the speech, we will take care of the mechanics of sending out, under his frank, and from his office, about a thousand copies to editorial writers and other interested parties.

(3) We are working on a Treasury release which will recap the story as contained in Patman's speech, and if it works out, I will send it in to you for clearance.

March 23, 1944

Fred Smith  
Secretary Morgenthau

Please write two letters for me today and I'd like to have them by two o'clock; one, to the Speaker thanking him for arranging to have Congressman Wright Patman come to our defense; two, a letter to Congressman Wright Patman thanking him for doing it. Please see that they are both in Mrs. Klotz' hand not later than two o'clock today. Thank you. *Done*

March 23, 1944

*Personal*

Dear Sam:

I want to thank you for arranging to have Congressman Wright Patman reply to Congressman Smith's attack on the Stabilization Fund. I think we upset a pretty well planned Republican project. It also gave us an opportunity to tell the full story of the Stabilization Fund, for the first time.

If Patman's speech could be circulated, it is my belief that it would not only help the Stabilization Fund, but would help set the record of the Democratic Administration straight on the matter of being forehanded about post-war problems.

Sincerely,

(Signed) Henry

Honorable Sam Rayburn  
Speaker of the House  
of Representatives  
Washington, D. C.

FS:gr



March 23, 1944

My dear Mr. Patman:

I want to thank you for agreeing to come to the defense of the Stabilization Fund -- and, for that matter, to the defense of the Administration's record. I am sorry you didn't get an opportunity to deliver the speech, because I think it would have made good publicity for our side, and rather bad publicity for the other side. However, I am convinced that having this statement on the record will pay dividends for a long time to come.

Your help was greatly appreciated, and I hope we will have the opportunity of working with you again.

If there is any way that we can be of assistance to you, please do not hesitate to let us know.

Sincerely,

(Signed) H. Morganthau, Jr.

Honorable Wright Patman  
House of Representatives  
Washington, D. C.

FS:gr

MAR 23 1944

Dear Sir:

Receipt is acknowledged of your letter of March 15, 1944 enclosing copies of a memorandum dated February 21, a letter of February 24, 1944 from the Acting Secretary of State, and a proposed Executive Order "establishing the Executive Committee on Economic Foreign Policy".

I am gratified that consideration is being given at this time to the establishment of an interdepartmental committee for the purpose of formulating recommendations on our post-war foreign economic policy. I can think of few, if any, post-war problems of more challenging proportions and with greater potential implications on the economy of this country than the problem of post-war foreign economic policy. The type of interdepartmental machinery needed to cope with this problem therefore should be the subject of most careful study at the highest levels in the Government.

I have several comments to make with respect to the draft of Executive Order transmitted with your letter of March 15, 1944:

1. From a purely political point of view the Order does not establish machinery of adequate stature for dealing with a problem of major political and economic magnitude.

In the first place the Order attempts to resurrect an old interdepartmental committee, give it a new face and name, and launch it on a new course. This might be understandable if the committee to be revived was one of nationally known importance in the past and had a public record of outstanding achievement and prestige. However, the committee singled out for resurrection, whatever its real merits may have been in the past, was never well known to the public; has no public

- 2 -

record of achievement; and certainly can lend no prestige to the new committee.

Secondly, the membership on the proposed committee is confined to "representatives" of the various interested agencies with a chairman to be appointed by the Secretary of State. The announcement of a committee at this level may very well loose an attack upon the administration charging that it fails to recognize the magnitude and importance of formulating a sound post-war foreign economic policy since it is sending a boy to do a man's task. Certainly, there can be no argument but that a committee comprised of the heads of the interested departments and agencies, under the chairmanship of the Secretary of State, and reporting directly to the President, would lend the committee public prestige and lessen the scope of critical attacks.

Finally, it should not be ignored that there are at least three resolutions presently pending in Congress (S.J. Res. 120, H.J. Res. 247 and H.J. Res. 249) calling for an elaborate "foreign economic commission" comprised of the leaders of Congress, interested cabinet officers and agency heads, and important public leaders. It is most doubtful that a committee at the level contemplated by the proposed Order will be regarded in any way as an effective substitute for the proposals now before Congress.

2. From an administrative point of view the machinery contemplated by the Order is inadequate to cope with the problems with which it will be confronted.

Responsible participation in the formulation of a sound post-war foreign economic policy should be fixed on the head of each of the interested departments and agencies rather than on one of their subordinates. Placing the responsibility squarely on the agency heads means that each agency will accord to this problem the time and staff necessary to discharge the task. Placing it on the shoulders of a subordinate tends to relieve the agency head of a responsibility that should be his and prejudices the chances of full agency participation as distinguished from individual participation. This means that



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as a purely administrative matter the committee should be comprised of department and agency heads with the Secretary of State as chairman.

The mere fact that department and agency heads may designate alternate members does not mean that the committee will be relegated to the same level as that proposed in the draft Executive Order. On the contrary, the alternate acts and speaks for his agency head and on major issues the agency head can personally intervene as a matter of right to insure the discharge of his personal responsibility.

The proposed Executive Order is deficient also in the type of machinery it provides for dealing with the complex problems that will be raised in the field of foreign economic policy in the post-war period. With the position of world wide dominance which the United States will be called upon to occupy in both the political and economic field in the post-war period it is unreal to attempt to guide our economic action by machinery that was designed to deal with pre-war problems and was no startling success in even that atmosphere.

Either we should now concede that we propose to get along with make-shift machinery and deal with the fundamental problems on an ad hoc basis or we should establish a new mechanism for formulating post-war economic policy which will be geared to the magnitude and complexity of the problem. If the latter be our choice, it is submitted that no one committee at any level can intelligently review the post-war foreign economic problems of commercial policy, shipping, aviation, labor, commodity agreements, money and credit, communications, patents and cartels, etc. and formulate sound policies. Rather it will have accomplished a Herculean task if it merely succeeds in coordinating the work and over-all policies of other committees assigned the specific task of developing policy in each of these fields.

If this be true, then the proposed Executive Order should recognize these premises and provide machinery adapted to the task. Thus the Executive Order should specifically provide for sub-committees to examine the problems and developments relating

- 4 -

to each field; it should stipulate that representation on each sub-committee would be confined to those departments and agencies having a direct interest in the subject and each sub-committee would be under the chairmanship of the head of the department or agency most directly concerned; it should accord each sub-committee the widest degree of autonomy consistent with the committee's responsibility for the formulation of overall foreign economic policy; and it should clearly recognize that the magnitude and complexity of this government's foreign economic relations requires a large measure of decentralization and a high degree of departmental and agency responsibility.

3. From a policy point of view the proposed Order is so vague in its premises as to portend its failure as an effective mechanism.

Little will be gained by the establishment of adequate machinery to cope with the problems of our post-war foreign economic policy unless the Order establishing such machinery establishes certain fundamental premises. Everyone concedes the important interrelationship between our foreign political policy and our foreign economic policy. It also is hoped that everyone recognizes the fundamental interrelationship between our domestic economic policy and our foreign economic policy. On the other hand, it is not nearly as clear that everyone concedes that the fundamental interrelationship between our foreign economic policy and our domestic economic policy requires that the formulation of our post-war foreign economic policy be the joint responsibility of those agencies in the Government sharing primary responsibility for our economic policy--both domestic and foreign.

Certainly the proposed Executive Order does not reflect the foregoing premises. In fact its context would tend to negate these assumptions. If I am wrong, and the foregoing premises are acceptable there is much to be said for their express inclusion in the Executive Order or at least that there be informal agreement, with the approval of the President, on the premises before an Order is issued. On the other hand, if the foregoing premises are not acceptable and we are to proceed on some different premises, I think there is all the more



- 5 -

reason for the Executive Order to be explicit on the subject or for the members of the Committee to be otherwise so advised. Clarity on this score will do much to facilitate the working relationship of the Committee membership and to lift the work of the Committee above the jurisdictional level.

The Treasury Department has prepared an alternative draft of Executive Order, a copy of which is enclosed herewith, which embodies the principles above stated. It is the opinion of this Department that an Executive Order along the lines of the enclosed draft would produce far more effective coordination of policy on foreign economic matters than would be produced by the proposed Executive Order transmitted with your letter of March 15.

Copies of this letter and enclosure are being transmitted to the Secretaries of State, Agriculture, Commerce, and Labor, and to the Chairman of the United States Tariff Commission, and the Foreign Economic Administrator.

Very truly yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Harold Smith,  
Director,  
Bureau of the Budget,  
Washington, D. C.

Enc.

AFL:urd - 3/21/44



9:35 a m  
March 21, 1944

EXECUTIVE ORDER

- - -

Establishing the Foreign Economic Policy Committee  
and Defining Its Functions and Membership

WHEREAS the problem of post-war foreign economic policy is becoming increasingly important; and

WHEREAS the formulation of a sound post-war foreign economic policy requires a clear recognition of the fundamental interrelationship between our domestic economic policy and our foreign economic policy; and

WHEREAS our post-war foreign economic policy will affect the operations and responsibilities of several of the executive departments and agencies of the Government

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States, it is hereby ordered that:

1. There is hereby established the Foreign Economic Policy Committee (hereinafter referred to as the Committee). The Committee shall be composed of the Secretary of State, who shall be Chairman of the Committee; the Secretary of the Treasury; the Attorney General; the Secretary of Agriculture; the Secretary of Commerce; the Secretary of Labor; the Chairman of the United States Tariff Commission; and the Foreign Economic Administrator. Each member of the Committee shall designate an alternate member authorized to act in his stead on the Committee. The Committee may from time to time invite the heads of other executive departments and agencies to participate in its activities for such periods and purposes as

- 2 -

to the Committee seem desirable.

2. The Committee shall consider the over-all problems and developments affecting the long range economic policy of the United States, both domestic and foreign, and shall formulate general principles of foreign economic policy subject to the approval of the President.

3. The Committee shall establish sub-committees to examine problems and developments relating to commercial policy, monetary and credits problems, patents and cartels, and other aspects of our foreign economic policy as are necessary or desirable in the opinion of the Committee. The chairman of each sub-committee shall be the head of the executive department or agency which is most directly concerned in the subject assigned to the sub-committee.

Any executive department or agency having a direct interest in the subject assigned to any sub-committee shall be represented on such sub-committee regardless of whether such department or agency is represented on the Committee; and representation on the sub-committee shall be confined to the departments and agencies having a direct interest in the respective subjects.

Each sub-committee shall make such reports to the Committee as the Committee may from time to time require.

4. Each of the sub-committees established pursuant to paragraph 3 above shall be accorded the widest degree of autonomy consistent with the Committee's responsibility for the formulation of over-all foreign economic policy. The Committee also shall recognize that the magnitude and complexity of this government's foreign economic relations requires a large measure of decentralization and a high degree of departmental and agency responsibility.

5. Nothing contained in this Order shall be deemed to remove the responsibility or authority of each executive department or agency for carrying out its own functions and operations but such functions and operations shall be carried out in accordance with the over-all foreign economic policy formulated by the Committee with the approval of the President.

6. The Executive Committee on Commercial Policy established by the letter of November 11, 1933, from the President to the Secretary of State, and continued by Executive Orders No. 6656 of March 27, 1934 and No. 7260 of December 31, 1935, is hereby abolished.



EXECUTIVE OFFICE OF THE PRESIDENT  
BUREAU OF THE BUDGET  
WASHINGTON, D. C. 25

MAR 15 1944


My dear Mr. Secretary:

Enclosed herewith are copies of a memorandum dated February 21, and a letter of February 24, 1944 from the Acting Secretary of State, and of a proposed Executive Order "Establishing the Executive Committee on Economic Foreign Policy and Defining Its Functions and Membership".

The proposed order is intended to revise the functions of the Executive Committee on Commercial Policy as presently constituted under Executive Order 7260 of December 31, 1935, and to provide for membership thereon of representatives of the Departments of State, Treasury, Agriculture, Commerce, and Labor, and the United States Tariff Commission and the Foreign Economic Administration.

The Director of the Bureau of the Budget will appreciate receiving, not later than Saturday, March 18, any comments which you may care to make with respect to the proposed Executive Order.

Very truly yours,

  
Assistant Director  
Legislative Reference

The Honorable;  
The Secretary of the Treasury.

Enclosures.

THE UNDER SECRETARY OF STATE  
WASHINGTON

February 21, 1944

MEMORANDUM FOR THE PRESIDENT

Need for an Executive Committee on Economic  
Foreign Policy

1. The Department of State, in its efforts to formulate policy recommendations in the post-war international economic field, has established a number of working committees on subjects of commercial policy, shipping, aviation, labor, commodity agreements, et cetera. Most of these committees are reasonably advanced in their work.
2. An executive interdepartmental committee is needed at a level capable of reviewing this work and formulating policy recommendations in the name of the departments and agencies most intimately affected. This could be most readily effected by reviving the Executive Committee on Commercial Policy and revising and expanding its functions.
3. The recommended Executive Committee on Economic Foreign Policy would have as its function the examination of problems and developments affecting the long-range foreign economic policy of the United States and the formulation of recommendations in regard thereto for the consideration of the Secretary of State and, in appropriate cases, of the President.
4. The suggested membership would be the Departments of State, Treasury, Agriculture, Commerce, Labor, the United States Tariff Commission and the Foreign Economic Administration. Other agencies should be drawn in as matters of particular interest to them are under consideration.
5. The chairman should be appointed by the Secretary of State.

/s/ E. R. Stettinius, Jr.



DEPARTMENT OF STATE  
WASHINGTON

February 21, 1941

My Dear Mr. Smith:

Following informal conversations between the Assistant Secretary of the Bureau of the Budget and Mr. Anderson and Mr. Keating of this Department, I drafted Executive Order and Letters to heads of various agencies, establishing an Executive Committee on Domestic Foreign Policy.

This matter has been discussed with and approved by the President as indicated by the enclosed copy of a Memorandum dated February 21, bearing His approval.

I trust that it will be possible for the Bureau of the Budget to give this matter early consideration and clearance.

Sincerely yours,

(signed) E. H. STANTON, Jr.

Acting Secretary

Enclosures:

Memorandum to the  
President  
Draft Executive Order  
Letters to heads of  
various agencies

The Honorable

Harold D. Smith,  
Director,  
Bureau of the Budget.



C O P Y

EXECUTIVE ORDER

- - - - -

ESTABLISHING THE EXECUTIVE COMMITTEE  
ON ECONOMIC FOREIGN POLICY

WHEREAS the Executive Committee on Commercial Policy was established by the letter of November 11, 1933, from the President to the Secretary of State and continued by Executive Orders No. 6656 of March 27, 1934 and No. 7260 of December 31, 1935, and

WHEREAS it is desired to revise the functions of the said Committee to correspond more closely to current and prospective problems of economic foreign policy with which this Government is, and will be concerned:

NOW, THEREFORE, by virtue of the authority vested in me as President of the United States, it is hereby ordered that:

1. The name of the said Executive Committee on Commercial Policy is changed to the Executive Committee on Economic Foreign Policy.

2. It shall be the function and duty of the Executive Committee on Economic Foreign Policy to examine problems and developments affecting the long-range economic foreign policy of the United States and to formulate recommendations in regard thereto for the consideration of the Secretary of State and, in appropriate cases, of the President.

C O P Y

- 2 -

3. The membership of the said Committee shall be composed of representatives of each of the following departments and agencies: The Department of State, The Treasury Department, The Department of Agriculture, The Department of Commerce, The Department of Labor, The United States Tariff Commission, The Foreign Economic Administration. The Committee may, with the approval of the President, from time to time add representatives of other governmental departments and agencies to its membership for such periods and purposes and with such rights and privileges as to the Committee seem desirable.

4. The representative of each member department or agency on the said Committee shall be designated by the head of such department or agency. The Chairman shall be appointed by the Secretary of State.

5. The provisions of the aforesaid letter of November 11, 1933, and the said Executive Orders Nos. 6656 and 7260, are revoked.

THE WHITE HOUSE,

March , 1944.

MAR 23 1944

My dear Mr. Secretary:

On March 15, 1944 Mr. F. J. Bailey of the Bureau of the Budget sent a letter to you enclosing copies of a memorandum dated February 21, and a letter dated February 24, 1944 from the Acting Secretary of State, and of a proposed Executive Order "Establishing the Executive Committee on Economic Foreign Policy." It is understood that similar letters were sent to the heads of all departments and agencies who may be represented on the proposed Committee.

Secretary Morgenthau has written a reply to the Director of the Bureau of the Budget and has suggested an alternative draft of Executive Order. He asked me to bring this letter of reply and proposed alternative Order personally to the attention of the heads of the departments and agencies concerned. Accordingly, copies of these papers are enclosed herewith for your information.

Very truly yours,

(SIGNED) W. N. THOMPSON

Administrative Assistant  
to the Secretary

The Honorable

The Secretary of State.

Enclosures.

WNT:rsn  
3/22/44

This same letter also went to:  
The Secretary of Agriculture  
Mr. Crowley, Adm., FEA  
The Secretary of Commerce  
The Secretary of Labor  
Hon. Oscar B. Ryder, Chairman,  
U.S. Tariff Commission.



MAR 23 1944

My dear Mr. Attorney General:

On March 15, 1944, Mr. F. J. Bailey of the Bureau of the Budget sent to this Department a letter enclosing copies of a memorandum dated February 21, and a letter dated February 24, 1944 from the Acting Secretary of State, and of a proposed Executive Order "Establishing the Executive Committee on Economic Foreign Policy." It is understood that similar letters were sent to the heads of all departments and agencies who may be represented on the proposed Committee.

Copies of the foregoing correspondence are enclosed for your information. Secretary Morgenthau also asked me to bring to your personal attention copies of his reply to the Director of the Bureau of the Budget and the alternative draft of Executive Order transmitted therewith. Accordingly, copies of the latter papers are also enclosed for your information.

A copy of this letter is being sent to Mr. F. J. Bailey.

Very truly yours,

(SIGNED) W. N. THOMPSON

Administrative Assistant  
to the Secretary

The Honorable

The Attorney General.

Enclosures.

WNA:msu  
3/22/44

MAR 23 1944

Dear Mr. Bailey:

There is enclosed for your information a copy of a letter dated today, sent by this Department to the Attorney General with reference to the proposed Executive Order "Establishing the Executive Committee on Economic Foreign Policy."

Very truly yours,

(SIGNED) W. N. THOMPSON

Administrative Assistant  
to the Secretary

Mr. F. J. Bailey,  
Assistant Director,  
Legislative Reference,  
Bureau of the Budget,  
Washington, D. C.

LCA:msm  
3/22/44

positive to white  
On 3/28 to talk  
to being

169

Ribbon copy sent  
to Mr. Cox on 3/24.



Secret

## Office Memorandum • UNITED STATES GOVERNMENT

DATE: March 23, 1944

TO : Hon Henry Morgenthau Jr  
FROM : Oscar Cox  
SUBJECT : Petroleum Incentives in the UK

Here is some of the material you wanted.

In order to get it to you quickly I have not digested and briefed it for you.

If convenient, I would appreciate it if your office could make a copy <sup>of the attached</sup> and send it to me. This is my only set.

Action will be taken as quickly as possible on the point Ernst makes.

OSC

FOREIGN ECONOMIC ADMINISTRATION  
~~OFFICE OF FOREIGN ECONOMIC ADMINISTRATION~~

OFFICE MEMORANDUM

SECRET

to: Mr. Oscar S. Cox

from: John B. Howard

Date: March 23, 1944

subject: Petroleum Inventories in the United Kingdom

1. I am attaching a table which Al Ernst has prepared showing the lend-lease percentage of U.K. supplies of petroleum products during the fiscal year 1945.
2. I am also attaching Al's memorandum to me on the subject. I have marked in red pencil his suggested method for determining the lend-lease percentage of stocks on hand at any given moment. This method strikes me as being both sound in principle and simple. It can be applied to other products, and for the purpose of recapture at the end of the war as well as for the purpose of diverting lend-lease supplies during the war.
3. The Army-Navy Petroleum Board has informed us that during the fiscal year 1945, it is anticipated that the U.S. will receive from our allies on reverse lend-lease a quantity of petroleum products totalling slightly less than half the total quantity of lend-lease exports during that period. Inasmuch as the bulk of lend-lease and reverse lend-lease petroleum transactions take place with the U.K., it is probably a fair assumption that the two-to-one ratio also applies in the U.K. The actual figures for reverse lend-lease of petroleum products in the U.K. is highly secret and the Army-Navy Petroleum Board would be very reluctant to supply them to us.

Attachments

*John B. Howard*

FOREIGN ECONOMIC ADMINISTRATION  
~~OFFICE OF LEND-LEASE ADMINISTRATION~~

OFFICE MEMORANDUM

SECRET

John Howard

Robert E. Ernst

Date: March 22, 1944

General of Stocks of Petroleum Products on hand in the United Kingdom

Attached is a statement which will give an idea of the approximate distribution of the origin of petroleum stocks on hand in the U.K. at an average moment during the period of the Fifth Lend-Lease Appropriation.

In this connection, I summarize briefly below the net outcome of our various conversations including that with Captain Shaffer in my office last Saturday, on the general subject to which the attached statement pertains.

As you will recall, the Army particularly, but various others as well, are concerned with the ownership, control and disposition of the large petroleum stocks which are being built up in the U.K. through Lend-Lease shipments.

Our Army is especially concerned that at any given moment it might, for operational reasons, find it desirable to make an emergency shipment of petroleum products from stocks on hand in the U.K., and find itself obstructed from doing so because the petroleum has been transferred to the possession of the British or through some other technical objection by British functionaries.

To remedy this situation, it is proposed that an agreement be made with the British to clear up such technical obstacles immediately. Such agreement should provide —

- (1) That our armed forces — or others that may be specified — may assume possession of and dispose of stocks of petroleum products on hand in the U.K., and
- (2) That this action can be taken under conditions and by a mechanism to be stated specifically in the agreement. The mechanism might, for example, be put in motion by a directive from General Eisenhower.

Question has arisen as to how the amount which U. S. representatives could withdraw under such conditions, could be determined. One suggestion for accomplishing this, consistent with lend-lease general policies, might be to agree to such withdrawals to the portion of stocks on hand that are of lend-lease origin. This limitation could be accepted for the solution of the immediate, urgent problem at hand, without prejudice to the solution of any other questions on which this question may impinge.

In computing the portion of stocks on hand that are of lend-lease origin, at a given moment, the following suggestions might be followed:

(Continued)



- (1) Total stocks of the product involved, on hand in the country as a whole - merely at a particular locality from which our representatives propose to lift products - would be considered.
- (2) The basic statistics of the Oil Control Board would be used. The figures on the total stocks on hand at any moment are regularly available from the British Oil Control Board records and could be supplied currently to U.S. representatives in the country concerned. Information on arrivals of principal petroleum products, vessel by vessel, could also be supplied currently to our representatives designated for the purpose.
- (3) At any moment at which liftings by U.S. authorities might be desirable, these figures could be used to determine the latest inventory and the ships by which that inventory arrived. For simplicity this calculation should be based on the assumption that the stocks on hand were received by the most recently arrived ships which, in the aggregate, carried quantities equal to the inventory. This presupposes that products arriving by earlier vessels have been completely consumed.
- (4) From this information the origin of the stocks on hand could be readily determined and the percentage of lend-lease origin calculated. The U.S. representatives could be given the right to lift up to such ~~total~~ quantities. To avoid creating an emergency situation, it might be desirable to provide that in no case should the total stock available in a given locality be permitted to be drawn below a point - to be fixed in numbers of tons in advance - which might be considered to jeopardize the public welfare. This would be a very small quantity, however.

All of the foregoing is, of course, merely a tentative suggestion which I outline above as perhaps a useful basis of discussion. This is a question with many aspects, and all the factors of importance will naturally have to be considered. However, resolution of this problem is a matter of extreme urgency. Our military authorities are greatly concerned over the problem and I know we would be rendering a service which they consider a "must" if we could consummate an arrangement which will accomplish the purposes outlined above in the near future.

Attachment

STATEMENT SHOWING THE EXPECTED ORIGIN OF PETROLEUM PRODUCTS WHICH WILL BE AVAILABLE IN THE UNITED KINGDOM DURING THE FIFTH APPROPRIATION PERIOD, JULY 1, 1944 TO JUNE 30, 1945, BY PRINCIPAL CLASSES OF PRODUCTS, TOGETHER WITH THE PERCENTAGE OF THE TOTAL AVAILABILITY WHICH WILL BE OF LEND-LEASE ORIGIN

(In 1000's of Barrels)

	Produced by Refining of Imported Crudes * in U.K. Refineries	Produced by Refining of U.K. Crude Production and Substitutes in U.K. Refineries	Imports from Sterling Sources	Total Sterling Refined Products	Total Lend-Lease Refined Products	Grand Total of U.K. New Supply	Percentage Lend-Lease to Total
Aviation Gasoline	2,587	1,329	8,571	12,287	38,762	51,049	75.85
Motor Gasoline	43	1,840	22,870	24,753	47,676	72,429	65.82
Kerosene	23	8	2,601	2,632	6,938	9,570	72.50
Gas/Diesel/Fuel Oils	1,477	5,495	15,009	21,981	29,592	51,573	57.58
Lube Oils, Greases and Waxes	1,267	147	-	1,414	8,027	9,441	85.02
Other Petroleum Products	1,355	60	1,177	2,572	790	3,362	23.48
TOTALS	6,732	8,879	50,028	65,639	131,785	197,424	66.75

\* 45.12% from Lend-Lease and 54.88% from Sterling origin.

SECRET

Petroleum Division  
Foreign Economic Administration  
March 22, 1944

Regraded Unclassified

## KUDAS ISRAEL WORLD ORGANIZATION

226 West 97th Street  
New York 25, N. Y.

March 23rd, 1944

Mr. John Pehle, Director  
War Refugee Board  
U. S. Treasury Building  
Department of State  
Washington, D. C.

Sir:

We are respectfully presenting for your consideration and action this brief memorandum pertaining to Jewish internees in French-German camps, who possess South American and Latin American passports:

I.

A number of Polish, Belgian and Dutch Jews possess documents from various South American states, which were issued to them by their respective Consuls. A part of the above mentioned have passports and some have only letters from the Consuls, stating that their governments have recognized them as citizens of their respective countries. Several hundreds of these people are interned in the following camps:

	Vittel	
	Liebenau	
	Tittmoning	all in Germany
and	Compiègne	in France.

However, the major part are interned in Belsen-Bergen near Hanover.

In November 1943, the German authorities at camps Vittel, Liebenau, Tittmoning and Compiègne, took away all the documents of the interned Jews, and until February 29th, 1944, they had not been returned to them. In December 1943, these internees were in grave danger of being deported to Poland, which would have meant instant death. However, through the efforts of the State Department which intervened with the Paraguay Government (which had issued most of these passports) and the other South American countries, the passports and documents in question were acknowledged as valid. It is evident, however, that the German camp authorities are aware of the nature of these passports and documents, and according to the remarks and actions of the various camp commanders, it seems that these people are saved merely for the purpose of future exchange-possibilities.

These internees are a part of the last remnants of Polish, Belgian and Dutch Jewry, and many of them are outstanding Rabbis, spiritual and cultural leaders.



It is very urgent to begin with the exchange of at least some of these internees so that the German government may become aware of the concern of the United Nations in behalf of the people who possess the South American documents. It is through this method alone, that the people in these various camps can actually be saved. They may otherwise be considerably threatened with being suddenly deported to the death-camps of Poland.

A large number of these internees are in possession of immigration certificates to Palestine, and the South American countries may therefore be assured that these people will not become a burden to their countries, but will actually go to Palestine. Even pending protracted negotiations, these negotiations would thus themselves mean a certain kind of protection against the danger of being deported. We are prepared to submit on request a list of approx. 150 names of internees in the camps mentioned, who could be taken in view for such an exchange.

II.

In reference to the internees in Belsen-Bergen, we are informed that it is impossible to establish any contact with them. Even the American and International Red Cross have not succeeded. Since the South American countries, especially Paraguay, have recognized these internees as their citizens, it is urgent that the strongest pressure be exerted on the German authorities, to permit the Red Cross to contact this camp, so that the internees in Belsen-Bergen could be treated in the same manner as the South American internees in all other camps.

III.

We have recently been informed from Switzerland, that an intervention on behalf of the War Refugee Board at the Government of HONDURAS would be highly desirable and very urgent, in order to obtain also from that Government the acknowledgment of citizenship documents, rightly or wrongly withheld, to save threatened human life from certain annihilation.

Respectfully submitted

AGUDAS ISRAEL WORLD ORGANIZATION

President

cc: Miss Chauncey (for the Sec'y) Abrahamson, Akzin, Bernstein, Cohn, Dubois, Friedman, Gaston, Hodel, Laughlin, Lesser, Loxford, Mann, Marks, McCormack, Murphy, Paul, Pollak, Rains, Sargoy, Smith, Standish, Stewart, H. D. White, Pehle, Files

American Embassy near the  
Government of Greece.

Cairo, March 23, 1944

No. 81

Subject: Measures for the rescue and relief  
of the refugees of Europe.

The Honorable  
The Secretary of State,  
Washington, D.C.

Sir:

With reference to the Department's circular airgram of February 29, 7:30 p.m., concerning measures for the rescue and relief of the refugees of Europe, I have the honor to report that this Embassy failed to receive the Department's previous circular airgram of January 26, 7:00 p.m. on this subject, mentioned therein. However, when the matter was brought to the Embassy's attention by the receipt on March 14th of the later message, copies of the earlier one were obtained from the Legation and, as instructed, the Royal Hellenic Ministry of Foreign Affairs was approached, by an aide memoire dated March 16, 1944, with a view to explaining the policy of the United States Government in respect to this question and to ascertaining the extent to which the Royal Hellenic Government is prepared to cooperate. So far, no reply has been received.

As regards the report requested concerning the situation at present, the Greek Government is, of course, itself in a refugee status and consequently controls no

cc: Miss Chauncey (For the Sec'y), Mr. Abrahamson, Mr. Akzin,  
Mr. Bernstein, Mrs. Cohn, Mr. DuBois, Mr. Friedman,  
Mr. Gaston, Miss Hodel, Miss Laughlin, Mr. Lesser,  
Mr. Luxford, Mr. Mann, Mrs. Mannon, Mr. Marks, Mr. McCormack,  
Mr. Murphy, Mr. Paul, Mr. Pehle, Mr. Pollak, Mr. Rains,  
Mr. Sargoy, Mr. Smith, Mr. Standish, Mr. Stewart,  
Mr. Weinstein, Mr. H. D. White, Files

territory on which refugees might find haven. However, as the Department is aware, that Government is actively concerned with measures for the rescue of its own nationals from occupied Europe and for their reception and maintenance in various countries of the Middle East and Africa.

Respectfully yours,  
For the Ambassador:

Harold Shantz  
Counselor of Embassy

File no. 848  
Sent in hectograph to Department  
WB/ad



WFG-185

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

Cairo

Dated March 23, 1944

Rec'd 6:29 p.m.

Secretary of State,  
Washington.

680, March 23, 4 p.m.

The Legation has received a note dated March 20 from the Egyptian Foreign Office stating that the Egyptian Government has received reports of persecution, pillage and atrocities committed by certain (unspecified) Yugoslav military elements against Moslems in Bosnia and Herzegovina, including massacre of women and children. Note observed difficult to confirm accuracy of these reports but that Egyptian Government as a Moslem Government deemed it its duty to invite attention thereto since such acts, if actually committed, would constitute serious infraction of most elementary human principles as well as of ideals for which the United Nations are fighting. Note concluded that Egyptian Government would be happy to learn that such events have not taken place but in contrary case would appreciate receiving Legation's assurance that effective immediate steps would be taken with view to preventing their recurrence.

I have replied to Foreign Office that the Legation has no information to enable it to cast any light on this matter, but that it was being brought to the attention of the Department for appropriate consideration.

Copies of Foreign Office note and of this telegram have been furnished the American Ambassador to Yugoslavia here for his information and possible comment to the Department.

KIRK

JT

## PARAPHRASE OF TELEGRAM RECEIVED

FROM: SECRETARY OF STATE, WASHINGTON  
TO: AMEMBASSY, LONDON  
DATED: MARCH 23, 1944  
NUMBER: 2224

## CONFIDENTIAL

Given below is the substance of a cable for Joseph Schwartz, Central Council for Jewish Refugees, Upper Woburn Place, London, from Leavitt, Joint Distribution Committee:

Please contact the Financial Officer of the British Foreign Office regarding the return of \$20,000 which we sent on behalf of the Jewish Community in Rome. It is requested that you arrange to open an account in the name of the Joint Distribution Committee at Barclays Bank London. Signatures of officers authorized to draw on accounts will be filed with Barclays Bank New York. It is probable that the funds will stay in London until it is possible to repay individuals in Rome who are now advancing funds against this account.

HULL

RMM-296

PLAIN

London

Dated March 23, 1944

Rec'd 10:36 p.m.

Secretary of State,  
Washington.

2381, 23rd.

Malin has suggested by telegram to Emerson from North Africa that the IGC appointee to MERRA contemplated in Embassy's 1762, 3rd by Keeny. Emerson while recognizing that arrangements must depend upon still pending decisions concerning UNRRA relations with MERRA accepts Malin's estimate of Keeny's suitability and says he would be grateful if Department could ascertain whether UNRRA will be prepared to release Keeny (said to be now with UNRRA) for employment under IGC to Cairo if decision is in favor of IGC having a representative there. Please instruct.

WINANT

LFC