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February 19, 1945

Miss Hodel.

Secretary Morgenthau.

About a week ago I gave you a letter that Mrs. Morgenthau got from somebody up at the Oswego Camp, and asked you to advise me how to answer it. I have not heard from you. *Dane*

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NOT TO BE RE-TRANSMITTED

COPY NO. 4

SECRET

ORTEL No. 57

Information received up to 10 a.m., 19th February, 1945.

MILITARY

1. WESTERN FRONT.
Southern Sector: 7th U.S. Army has advanced from one to two miles on ten mile front between Sarreguemines and Forbach.
Northern Sector: Progress of attack slight. Rain and thick mist prevented air operations. On right, however, advances have been made in Afferden area and advance troops reached Goch.
2. EASTERN FRONT.
In Latvia Germans report penetration from strong Russian attacks S.E. Libau.
Northern Sector: Some progress made in pocket S.W. Konigsberg while further west Graudenz has been encircled.
North Central Sector: German attacks south and S.E. of Stargard repulsed.
South Central Sector: Sagan captured and progress made south and S.W. Breslau. Germans claim deep penetration into Russian positions north bank of Danube but Russians report repulse of German attack.

AIR

3. WESTERN FRONT.
18th. 155 Lancasters attacked Wesel (691 tons) through cloud, but bombing moderately concentrated. SHAEF (Air) 104 sorties flown, mainly area Coblenz/Treves.
18th/19th (Night). 117 aircraft despatched (2 missing): Mannheim 32, minelaying 25, bomber support 45, and other targets 15.
4. MEDITERRANEAN FRONT.
16th. 650 escorted heavy bombers (15 missing) dropped 1242 tons on three airfields South Germany, five railway centres Brenner route and airfield Regensburg, with good to excellent results. In addition, 200 tons dropped Fiume harbour causing explosions.
17th. 500 escorted heavies (3 bombers, 1 fighter missing) dropped 800 tons Linz railway centre and other industrial targets Austria, while other heavies attacked Trieste Harbour (260 tons) with good results.
5. BURMA. 16th. 251 tactical aircraft attacked airfields Central Burma and other targets Arakan and North Shan States.

HOME SECURITY

6. ROCKETS. 17th/18th (Night). One further incident reported.
18th. Nine incidents reported.
18th/19th (night). Three incidents reported.

Feb. 20, 1945

Harry White

Secretary Morgenthau

On February 13th, I sent you the following memorandum:

"The last time that Oscar Cox and Will Clayton were here you had your program for the French and Oscar Cox had his. I would like to have you furnish for my diary the Cox program for the French, and compare it with the final program, and show me what differences there are. Be sure to have somebody in your office do this.

"I spoke to Will Clayton Friday morning, and I know they gave Jean Monnet a set of documents Thursday night, and I believe he said he was seeing him again Saturday, and he said that somebody from the Treasury was being invited."

Won't you please ask somebody in your organization to do this for me while they can still remember and are still young enough to tie their own shoe laces?

2/20/45

Joe O'Connell
Commissioner Nunan
Secretary Morgenthau

The last time one of you spoke to me you said that Brown of the First National of Chicago had been keeping a list for a long time of people who have taken out thousand dollar bills, and you were going to ask him to let us have the names. Did he ever cooperate, and if not, why not? Please speak to me.

February 20, 1945

Miss Hodel.

Secretary Morgenthau.

I showed your statement to Mrs. Roosevelt in regard to Mrs. Shauffler, and she is entirely satisfied with that statement; however, she brings up a new one, namely, that there are eleven families at Oswego whose sons are in the American Armed Services. She thinks that they ought to receive special treatment. I wish you would talk to me about that, please. *Jane*

**BRITISH AIR COMMISSION**

1785 MASSACHUSETTS AVENUE

WASHINGTON 6, D. C.

TELEPHONE DECATUR 9000

PLEASE QUOTE

REFERENCE NO.....

With the compliments of British Air Commission
who enclose Statements Nos. 175 and 176 --
Aircraft Despatched -- for the weeks ended
February 2nd and February 9th respectively.

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

February 20, 1945.

STATEMENT NO. 175

Aircraft Despatched from the United States
Week Ended February 2, 1945.

BRITISH/U. S. SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>FLIGHT DELIVERED FOR USE IN CANADA.</u>
<hr/>					
<u>FORD</u> Liberator B-VI	M.E.	M.E.		3	
<hr/>					
<u>CONSOLIDATED</u> Liberator GR-VI	India	India		2	
Liberator GR-VIII	U.K.	U.K.		21	
<hr/>					
<u>GLENN L. MARTIN</u> Maruader III	M.E.	M.E.		1	
<hr/>					
<u>DOUGLAS</u> Dakota IV	U.K.	U.K.		25	
Dakota IV	S. Africa	S. Africa		1	
Dakota IV	India	India		1	
<hr/>					
<u>NOORDUYN</u> Harvard	U.K.	U.K.		6	
<hr/>					
<u>GRUMMAN</u> * Hellcat	S. Africa	Capetown		15	
Hellcat	S. Africa	Capetown		9	
<hr/>					
<u>NORTH AMERICAN</u> Mustang	U.K.	U.K.		17	
Mustang	N.W. Africa	Casablanca		9	
<hr/>					
<u>REPUBLIC</u> Thunderbolt	India	Karachi		12	
<hr/>					
			Total:	68	0
				<hr/>	<hr/>

* with radio equipment.

Movements Freight I
 R.A.F. Delegation

February 8, 1945
 File V-11-45

mmh

STATEMENT NO. 176

Aircraft Despatched from the United States
Week Ended February 9, 1945.

SECRET

<u>TYPE</u>	<u>DESTINATION</u>	<u>ASSEMBLY POINT</u>	<u>BY SEA</u>	<u>BY AIR</u>	<u>Flight Delivered For Use In Canada.</u>	
<u>CONSOLIDATED</u>						
Liberator GR-VI	India	India		3		
Liberator GR-VIII	U.K.	U.K.		3		
Liberator GR-VIII	Bahamas	Nassau		2		
<hr/>						
<u>FORD</u>						
Liberator B-VI	M.E.	M.E.		4		
<hr/>						
<u>NORTH AMERICAN</u>						
Mitchell II	Canada	Canada			1	
Mustang	U.K.	U.K.	32			
<hr/>						
<u>DOUGLAS</u>						
Dakota IV	India	India		5		
<hr/>						
<u>VOUGHT-SIKORSKY</u>						
*Corsair	India	Cochin	20			
Corsair	Australia	Sydney	20			
<hr/>						
<u>GRUMMAN</u>						
*Hellcat	India	Cochin	13			
*Avenger	India	Cochin	4			
*Wildcat	India	Cochin	5			
<hr/>						
<u>BEECH</u>						
UC-45 Beechcraft	India	Cochin	4			
<hr/>						
			Total:	88	17	1

* with radio equipment.

Movements Freight I
 R.A.F. Delegation

February 19, 1945.

mmh
 File V-11-45

SECRET

OPTEL No. 59

Information received up to 10 a.m., 20th February, 1945.

GENERAL

ENEMY ATTACK ON SHIPPING. 19th. A 8039 ton ship in coastal convoy damaged, probably by mine, off Humber.

MILITARY

2. WESTERN FRONT. Southern Sector: 7th U.S. Army one quarter mile from Eastern outskirts Forbach and has also closed in on town from south and west.

Central Sector: 3rd U.S. Army is advancing slowly south on seven mile front S.W. of Prum.

Northern Sector: British troops 1st Canadian Army entered Goch and now mopping up.

3. EASTERN FRONT.

Northern Sector: Continued progress south Konigsberg, while further west Neuenburg (10 miles north Graudenz) taken.

Central Sector: Progress made around Breslau from south and S.W. of city.

Southern Sector: Heavy fighting continues and some localities lost north bank of Danube, east of Komarno. Germans report heavy fighting S.E. Guben.

4. BURMA.

17th/18th (Night). In Central Sector Japanese made two counter attacks against our bridgehead Myinmu (25 miles West Sagaing), one of which battalion strength and second by 150 Japanese after artillery concentration lasting five hours. Strong enemy counter attack also repulsed against our bridgehead over river Shweli at Myitson. Heavy enemy casualties inflicted in all counter attacks.

AIF

5. WESTERN FRONT.

19th. 166 Lancasters (1 missing) made concentrated attack Wesel (716 tons). 1074 U.S. heavy bombers (1 missing) dropped 2757 tons through clouds: principal targets were railway centres Munster (488 tons), Rheine (386 tons), Osnabruck (382) and Siegen (224), Benzol plant at Bochum (262), oil refinery Dortmund (194), tank factory Siegen (203) and castings plant Arnsberg (237).

269 medium bombers (2 missing) attacked railway bridges and stores depot Cologne/Frankfort area and in Central Sector 383 fighter bombers and fighters (1 missing) flew offensive sweeps while weather precluded operations Northern Sector and no reports yet received from Southern Sector.

19th/20th (Night). 399 Bomber Command aircraft despatched of which 260 synthetic oil plant Bohlen (near Leipzig) and 82 Mosquitoes Erfurt.

6. MEDITERRANEAN. 18th. 147 Fortresses attacked through cloud Benzol plant Linz (372) while 235 tactical aircraft (1 missing) successfully attacked communications Northern Italy.

HOME SECURITY (Up to 7 a.m. 20th).

7. ROCKETS.

19th. Six incidents reported.

19th/20th (Night). Four incidents reported.

OPTEL No. 58 not sent to Washington

February 21, 1945
9:30 a.m.

GROUP

- Present: Mr. Gaston
- Mr. White
- Mr. Gamble
- Mr. Blough
- Mr. Pehle
- Mr. Luxford
- Mr. DuBois
- Mr. Coe
- Mr. McDonald

H.M.JR: Well, Mr. Coe, welcome to our little group.

MR. COE: Thank you, it is very good to be here.

H.M.JR: I hope you will find it interesting, and I am sure you will be a contribution. Who was it that told me the other day we were lucky? I don't remember, but it was somebody.

Herbert, have you got something?

Oh, Herbert, one thing--I don't know, but I was in a little bad humor yesterday; I had a headache. But, did Elmer tell you?

MR. GASTON: He told me.

H.M.JR: That just put the whole thing back in my lap. Now, I couldn't send--I mean, I have got to say we will go forward or dismiss the case; I asked him to consult with you and Joe.

MR. GASTON: Yes. Well, we will talk it over. We are stymied as to the principal things from getting anything very definite on the matter.

H.M.JR: My thought was we could send for the man's attorney.

MR. GASTON: Yes, yes.

H.M.JR: Now, say we have been told by half a dozen people that he wants to clear his record. Well, if he does let him lay the facts on the table, what he did abroad--

MR. GASTON: Yes.

H.M.JR: ...I would give him the opportunity.

MR. GASTON: Yes, I think that is--

H.M.JR: Then if he doesn't want to do it, we could go to Mr. Stimson and say, "We are going to tell the President we are stymied because you won't let us investigate abroad."

MR. GASTON: Yes.

H.M.JR: I would give the man the first chance, see.

MR. GASTON: This is sort of nibbling at the edges.

H.M.JR: Let's send for the attorney and say, "Look, if you want to clear this man, all right, let him lay his books on the table."

MR. GASTON: The man himself is in this country. If you feel we ought to go that far, we can talk to him. That would be the direct thing to do.

H.M.JR: I have met him. He makes a very good impression. I met him at a cocktail party. Mrs. Pepper introduced me to him. So why not let's send for him?

MR. GASTON: This has nothing to do with our report on him, but if I were doing the recommending, I wouldn't recommend a man for anything who had made a couple million dollars dealing with the Chinese during the last few years.

- 3 -

H.M.JR: I am not recommending him for anything, but all that report does is leave me on the spot.

If you and Joe agree, I would send for the man and say, "Look, you say you are innocent. All right, we want to see your books and the business you did while you were abroad. We would like to see how you are operating your company. If he refuses, that is something else.

MR. GASTON: I take it it isn't a case; he isn't charged with anything. We have been asked to make a personal investigation, and that includes the tax thing, and we would say that we would like to have some tax disclosures.

H.M.JR: O.K.

MR. GASTON: Yes.

H.M.JR: What have you got on your docket?

MR. GASTON: I haven't anything particular, except I have a memo here on the column that Ray Tucker wrote that you may have seen.

H.M.JR: No.

MR. GASTON: "Sweeping Senate investigation of big time liquor violators has been quietly squelched by Administration leaders because of corporations involved contributing heavily to the Democratic campaign chest." This is Ray Tucker's column. I have had the boys look into that, and I have a page-and-a-half memo from Alcohol Tax through Nunan which explains what the case is that they are talking about and also a report of the Senate investigation on which, apparently, Ray Tucker based this thing. You might like to take a look at this. It is the American Distilling Company case. The Department of Justice assured us they are going to go ahead with it.

H.M.JR: Is there anything to it?

MR. GASTON: No, I don't think the charge has any basis. It won't have if the Department of Justice keeps its promise and goes ahead with the case.

H.M.JR: Shall I write the Attorney General?

MR. GASTON: I don't know enough about the case to justify that, no.

H.M.JR: The last time I wrote him a note it was very effective. (Laughter)

MR. GASTON: Well, I told you the other day that we had made a treaty with the Department of Justice. I said I would, but now I say we because of later developments. We had an arrangement with Mr. McGranery that we would give them all the help they wanted on this Ginsberg case, and hereafter they would refer all cases involving Treasury personnel to us; they wouldn't attempt to investigate it. He shook hands on that and made that statement before Joe and me.

He called me up about four o'clock in the afternoon and said that he had talked to that other man, whom he later named as J. Edgar Hoover, and was sorry that Mr. Hoover wouldn't agree. Mr. Hoover said that we should go to Congress and get Congress to give us exclusive jurisdiction and then he wouldn't feel he had any responsibility. He told me, however, that after I had exploded a little bit about that--he told me to leave it to him and he would work it out. What he now means, I take it, is that he will, that Hoover won't dig into any more cases at present, but that he won't give us any promises.

H.M.JR: Well, I have always wondered who ran the Department over there.

MR. GASTON: That makes it pretty definite about Hoover's end of it, anyway.

H.M.JR: O.K. What else, Herbert?

MR. GASTON: I haven't anything else.

H.M.JR: Any report on the twenty-five thousand dollar fur coats in New York?

MR. GASTON: No.

H.M.JR: Didn't Nunan get anywhere?

MR. GASTON: Nunan hasn't done anything yet. He left--was it yesterday--yesterday or today for that dinner for Pedrick and he isn't back from it.

MR. GAMBLE: The Chairmen are meeting on the 28th or 1st of March or 2nd of March. Are you definite about your time around the first of March?

H.M.JR: Chairmen? What Chairmen?

MR. GAMBLE: The War Finance Committee Chairmen.

H.M.JR: The 28th or 29th?

MR. GAMBLE: Or 1st or 2nd of March. The 2nd of March would be a good date.

H.M.JR: It would be a bad day for me. The twelve Federal Reserve Bank Presidents are coming in here at three o'clock on the 27th. You have got to be here because it is more your business than anybody else's. I will make a note of that.

When do you want to do it?

MR. GAMBLE: March 1 is all right.

H.M.JR: How many are going to be here?

MR. GAMBLE: About twenty.

H.M.JR: Chairmen?

MR. GAMBLE: I am guessing now.

H.M.JR: Do you want me to have them for lunch?

MR. GAMBLE: I will have them for lunch and have you.

H.M.JR: Would you like me to have them for lunch?
Will you stop arguing? I will have them for lunch.
Apples, twenty-five cents.

MR. GAMBLE: Byrnes closed up our all night theaters,
so-- (Laughter)

H.M.JR: The price of Baldwins is up twenty-five cents.

MR. GAMBLE: We will have it March 1.

H.M.JR: All right, that is three more bonds. You
made it--you tried to find out. Tell them downstairs in
the cafeteria.

MR. GAMBLE: We would like to get a few details on
the meetings in New York and Detroit. If we can spend
five minutes with you during the day it would be helpful.

H.M.JR: Everybody wants to see me. If you stay
behind, we will get rid of those people. I have three
requests from different people, so we will excuse those
that are not interested.

MR. GAMBLE: It would just take a minute.

H.M.JR: If you don't mind--it is a bad day.

MR. GAMBLE: That is all I have.

H.M.JR: Roy, I have you in mind, because I am going
to see you.

MR. BLOUGH: There are a number of things developing.
I don't know if you want anything said this morning or not.

H.M.JR: Why not? It involves fifty million tax-
payers, and everybody in the room is interested.

MR. BLOUGH: I could take two or three minutes. The Joint Committee met again yesterday.

H.M.JR: I guarantee White will have an idea.

MR. BLOUGH: The Joint Committee met again yesterday and went over proposals which had been received from businessmen and others. They seemed interested in certain loopholes, capital gains loopholes and the bond financing subsidy; our present tax system encourages use of bonds instead of stocks for financing. They also discussed accelerated depreciation for a while with no inclusion.

After the meeting the House Members discussed two problems, one is the problem of the deduction for expenses, lodging expenses for Congressmen. They would like to have it done through the regulations if they can; otherwise they will probably provide some legislation. I think our position and Stam's is that the status of the law is such that it could not now be provided through regulation.

H.M.JR: They can deduct that as an expense, their lodging?

MR. BLOUGH: Washington expenses.

H.M.JR: Have they no sense at all?

MR. BLOUGH: I beg your pardon.

H.M.JR: Have they no sense at all?

MR. BLOUGH: They have no deduction at all.

H.M.JR: Have they no sense? I don't go along with that. I mean, that is about as stupid a proposal--if they have no sense, I have a little, not much.

MR. BLOUGH: I think, Mr. Secretary, that they should have a limited deduction for keeping up two residences. One of the reasons we haven't been able to get more out of

them in the way of taxes during the war is, for a ten thousand dollar salary, the Congressmen probably have less really deductible income than anybody else in the country. I am not in favor of unlimited deductions of all expenses, but it seems to me legislation should permit moderate flat deductions for lodging in Washington, which is quite an appropriate thing.

MR. LUXFORD: When a salesman goes on the road he gets deductions.

H.M.JR: Tell them the story I heard out there. Did I tell you the story of old man Pulitzer.

(Discussion off the record.)

MR. GASTON: I think there is good theoretical basis for allowing them some deductions, but it ought to be done by legislation.

H.M.JR: Very apropos.

MR. WHITE: Perfect.

MR. PEHLE: The Treasury would be in a wonderful position if it could find a way without embarrassing Congressmen. They tried to do it on the pensions, and the most unfair attack was made on Congressmen because of pensions.

MR. GASTON: You can make a report to Congress showing how fair that would be. But certainly you can't do a thing like this that reverses all precedents in the past; you can't do it in the dark.

H.M.JR: I wrote the President of the United States--Luxford gave me suggestions before--last year that they should raise the salaries of Congressmen. I am on record. But he did nothing about it.

I know it is embarrassing, but I think the thing to do is not to make a mountain out of a mole hill.

MR. BLOUGH: I agree with that.

H.M.JR: The thing to do is tell somebody up there for their own sake that nothing out of my hide--the reaction of the country would be very, very bad.

MR. PEHLE: It wouldn't be so bad if the Treasury did it as if the Congressmen did it. It is when they have to do it themselves that it is embarrassing.

MR. BLOUGH: Let me give you two reasons why the Treasury should not do it. Reason number one is we have to reverse the tax court to make that change, and in so doing we would extend the similar privilege to State and local officials and to a great many other people who do not now have it. The second reason is that it would be necessary to allow an unlimited deduction if you did it by regulations, and it would not be possible to limit it to lodging, but it would have to apply to subsistence and any other expense which the Congressman could say is properly chargeable against his business. It seems to me if they want to pass by legislation a limited, perhaps flat deduction, based on the idea of keeping two residences, it would be much sounder than for the Treasury to do it for those reasons.

H.M.JR: A lot of people keep two residences for other reasons and would like a deduction, too.

MR. GASTON: A lot of people keep residences for the same reason, political appointment.

MR. PEHLE: It is nice for Congress to pass legislation, but politically speaking they can't pass legislation.

H.M.JR: You are just reporting.

MR. BLOUGH: That is right.

MR. WHITE: I think the approach could be taken, couldn't it, Roy, for them to say, "You have taken a position urging an increase in salary. That is a thing you think should be done, and you took the initiative on it?"

H.M.JR: Tell them the Pulitzer story, and tell them that is the best way, I think, to increase their salaries. The best thing to do would be to increase their salaries.

MR. BLOUGH: I will be glad to tell them that. I hope you won't too strongly oppose flat deductions for lodging.

H.M.JR: It would be stupid for me to oppose it, and stupid for them to propose it.

MR. BLOUGH: Our opinion wasn't asked, except as to whether it could be done by regulations, and our position would be that it would be a pretty drastic thing to do it by regulations.

H.M.JR: I agree with Herbert that that would be out.

MR. GASTON: You have to discriminate between Congressmen and a lot of other people.

MR. BLOUGH: We might be put in a position--Patman's Small Business Committee is proposing a series of hearings on taxation of small businesses, and it is reported in the paper they will ask the Treasury to testify before them.

The Ways and Means Committee Members and the Joint Committee are disturbed about that, and they are going to Rayburn for leadership to see whether the thing can't be harmonized in such a way that there won't be a conflict between those two committees. Well, so much for the Joint Committee.

I suppose you noticed in the paper that this ultra secret tax on speculation that has been considered here in Judge Vinson's committee was spread on the Record by Eccles yesterday before the Banking and Currency Committee.

H.M.JR: Yes.

MR. BLOUGH: And I assume now that he, having put it on the record, will sit back and wait and see how people react to it as a trial balloon. It is still under study.

I reported last Saturday on that. It is still under study.

The proposed Work-Fight Bill which the Senate Committee is proposing to substitute for the House Bill may embarrass the Treasury to this extent: They propose to use non-deductibility of wages as one of the penalties for failure to obey the War Manpower Commission's order, so if the WMC should order an employer not to employ certain people and they went ahead and employed them, then later on the Bureau of Internal Revenue audits the return and they would be obliged to disallow the payment of wages. I think it is bad on two grounds. First, it uses taxation as a penalty for enforcing regulations that ought to have other kinds of penalties in it, and two, there is no way an employer would know he was obeying the WMC order to the satisfaction of the Commissioner of Internal Revenue, but Mr. Wales and Mr. O'Connell are on that, and I don't know what will come out of it.

H.M.JR: Am I correct in saying that what Mr. Stimson asked for Sunday night he did not get?

MR. BLOUGH: Absolutely.

H.M.JR: They did just the opposite.

MR. BLOUGH: He is not going to get that; it is pretty nearly the opposite.

H.M.JR: I missed out all day Sunday because I didn't see the papers, but I gather he asked for something quite different from what the--

MR. BLOUGH: He asked for the House Bill, and the President asked for that.

MR. GASTON: It isn't just Stimson, but the President, too, is being turned down.

H.M.JR: Monday they turned around, just the opposite.

MR. GASTON: The President made a plea at the same time. He made a plea on Monday, and they turned him down.

H.M.JR: I am so busy reading what I did in Philadelphia that I don't get time to read anything else.

MR. BLOUGH: And then if you want to go into that Railroad Retirement matter--

H.M.JR: No, not today. White looks too healthy today. I want to do it some day when he looks tired.

MR. WHITE: No matter how tired I am when you bring up that subject I will get pepped up.

MR. BLOUGH: I am sending around to the various people the issues that are involved in Railroad Retirement. Maybe we can get everybody to agree. I doubt it, though.

H.M.JR: Wonderful! Anything else, Roy?

MR. BLOUGH: That is all.

MR. COE: I have just one thing. You may be interested to know that the Alien Property Custodian has gotten in Dutch for investigating German and Japanese assets, and we will be talking with them in a couple of days, various groups here.

H.M.JR: As I see by the papers, Argentina is supposed to have frozen German assets.

MR. COE: Yes. It looks as though they have got a pseudo purification campaign on that.

H.M.JR: This concerns both of you. Just before you people came in Mr. McCloy called up and said he had stopped the two men who were on their way to the Philippines at San Francisco, but they were going there on the invitation of the Commonwealth. He just got through talking to a man by the name of Fortas.

MR. WHITE: Fortas of Interior.

H.M.JR: Abe is his first name.

Mr. Fortas informed him that the Interior Department had been consulted and they had cleared these people, so I said, "The dirty so and so. The Interior Department has been needling us on this, and they wanted us to get in on it so they could get into it." Fortas first said, "Do nothing," and then called them back and said this had had the blessing of the Interior Department and Hernandez, the representative here of the Philippines; he had cleared it with Fortas.

MR. WHITE: That is interesting.

H.M.JR: Who was here from Interior?

MR. WHITE: Mr. Hester, who is in charge of the Philippines.

H.M.JR: What did they say?

MR. WHITE: I didn't attend the meeting. I will check.

H.M.JR: I promised McCloy--and I have to keep my promise--that before sunset I would let them know. They are holding these people up. They are going down at the invitation of the Commonwealth quasi independent Government with the approval of the Interior Department, and Mr. Fortas saw no reason why the Treasury should send anybody to the Philippines.

MR. WHITE: Would you mind if I call Mr. Fortas up?

H.M.JR: I would be furious if you didn't.

MR. WHITE: I will be furious when I do.

H.M.JR: You can read the conversation in Mrs. McHugh's room.

This just happened now, but here Fortas tells him there is no reason why we should send anybody over. Harry, make it your business. I don't know--

MR. WHITE: We will follow it up, and you will get word on it.

H.M.JR: After lunch, because I promised McCloy-- he has been terribly decent on this.

Anything else, Frank?

MR. COE: No, sir.

MR. PEHLE: I sent you, or am sending you a copy of a letter I got from Oscar Cox following up the telephone call he made to me about how important it was to push the French stuff.

H.M.JR: He called me, and I said, "Why don't you call Pehle direct. Don't you know him?"

MR. PEHLE: He did, and I asked him to give me a letter, and I want to raise a point here. We have a lot of French requisitions, and there are more coming in. And Oscar Cox is taking a strong position that we have got to tap the pipeline, so to speak, on all this stuff going to France.

MR. WHITE: It isn't signed yet.

MR. PEHLE: As I read in the papers, there are problems in that case, and I would like a little policy guidance.

MR. WHITE: The papers haven't been signed as far as I know.

H.M.JR: McCloy said to me, "Has anybody heard from Monnet?" He had not yeard.

MR. WHITE: We had received no indication that the negotiations had been completed and the papers had been signed.

H.M.JR: This man Yost comes over once a week, and believe me--I don't know whether you know him or not, but he is a very good man.

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MR. COE: I wonder if the President is going to reverse lend-lease again after getting rebuffed.

H.M.JR: After Yost leaves I will tell you--certainly if the purchasing is being done on the assumption that this thing is signed--

MR. PEHLE: Sure.

H.M.JR: Then what I would say is this: Rather than say we stall, I would do the thing formally instead by having me write a letter to Mr. Crowley and say, "By what authority is he doing this?"

MR. COE: I am not sure that is necessary, Mr. Secretary. As I understood it a few weeks ago they had a very curious letter in exchange with Monnet--in September--under which Monnet was allowed to put their requisitions in on the assumption that there would be a later settlement. They were all put through on the ground that cash would be paid for them, but it could be reversed later on, so they can say that these requisitions are coming through on the basis of that understanding.

H.M.JR: I see.

MR. PEHLE: There is no way we can tell by looking at the requisitions whether they are for cash or what.

H.M.JR: Have we ever seen that correspondence?

MR. COE: I think you have.

MR. WHITE: It is possible; I don't know.

H.M.JR: Could you check it?

MR. WHITE: Yes.

H.M.JR: I will make you a little bet. We haven't had a bet around here.

MR. COE: Someone in FEA didn't see it, either.

H.M.JR: No, seriously, if there is some letter like that, I think it perfectly proper to ask Oscar Cox -- for me to ask--I won't put you up--I don't want to say we are stalling and making policy. Excuse me. Wait a minute, John, I don't want--I want to make it clear. I don't want them to be able to say that we have a purchasing agreement and we should carry out orders.

It would be perfectly proper for me to go back to Crowley and say, "By what authority are all these orders coming through?" And that should be done.

MR. WHITE: Except, Mr. Secretary, they can quite properly say, "Those orders will be cash if the material is received before the signing of an agreement. They will be credit thereafter if the credit provides--"

MR. PEHLE: I would like to have them say that currently.

H.M.JR: Look, boys, get me up a letter, will you please, White, Pehle, and Frank Coe. Get me up a letter to send to Crowley that I am disturbed about this thing and ask by what authority they are doing it. But don't take too long on it.

MR. WHITE: We will get it to you today.

MR. PEHLE: See, the reason, Mr. Secretary, this becomes crucial is because if we are going to push these French requisitions the way Oscar wants them, they are bound to interfere with other programs. For example, UNRRA is trying desperately to buy some blankets. It is an illustration. They are to go to Czechoslovakia and Poland. They don't have a requisition for them.

MR. WHITE: Who has made such decisions in the past?

MR. PEHLE: They were made between FEA and WPB, I should say.

H.M.JR: By the Priority Board.

MR. PEHLE: The question is, who is to have priority?

H.M.JR: If you fellows will fix me up a letter so I can get it soon, I will sign it.

MR. PEHLE: We ran into another situation yesterday at Fort Worth, Texas where one of our employees had sold a tractor and then bought it back from somebody. We are doing our best to stop that. You have an order outstanding that says no Treasury employee may buy surplus property, and, apparently, this was in direct contravention of the order. As soon as we get the facts, we will take appropriate steps.

MR. GASTON: Did he get a bargain?

MR. PEHLE: I don't know yet; it was eight hundred dollars.

H.M.JR: Most likely he paid the ceiling price.

MR. PEHLE: He could buy it otherwise if he sold it to somebody for less than it was worth.

MR. GASTON: There probably aren't many tractors for sale.

H.M.JR: The trouble is, you go to your county agent who has priorities, and you fill out a form. And if you can get a priority, there seem to be plenty of tractors available. I mean, my neighbors are all buying them. You can get these small International Harvester tractors that sell for about eight hundred dollars new. But you have to get them from your Priority Board in your county.

What else, John? What happened to that individual?

MR. PEHLE: I got over to Civil Service just in the nick of time. They were about to tell us officially they will be glad to let us keep him on. I had a meeting with the whole Commission and several of their people, and I must say I was utterly unimpressed with the Commission. They are doddering. They didn't know the facts.

H.M.JR: Mr. Roosevelt has been here twelve years.

MR. PEHLE: It is awful, really. Outside of Flemming, who did indicate he knew a little bit about what was going on--the other two--

H.M.JR: Just think if he would be here twenty-four years!

MR. PEHLE: It was pretty bad.

MR. GASTON: Worse than pretty bad.

MR. PEHLE: It is no joking matter. The Commission is so bad you get a feeling of kind of ineptitude, and this is the group that is trying to improve the Civil Service.

H.M.JR: What happened?

MR. PEHLE: They listened very patiently and said they would reinvestigate. The investigator seemed to be much more competent than the Commission, and undoubtedly it would be opened up all over again, but I just got there in time.

H.M.JR: Anything else?

MR. PEHLE: Only that our appropriation for Surplus Property--we requested twenty million and they cut us to fifteen, which isn't at all serious from our point of view. We can't tell what we need. The Committee didn't do it critically. We couldn't tell what our needs were, and they left the door wide open to come back for anything we need.

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H.M.JR: Okay. Joseph?

MR. DuBOIS: On the Germans we are proceeding pretty rapidly, and I think that at some point soon you ought to call in Morris Ernst and arrange for a contract.

H.M.JR: Why don't you call him?

MR. DuBOIS: I'll be glad to call him.

H.M.JR: What I thought I'd do--I'll wait until you are through. Go ahead, please.

MR. DuBOIS: On the war criminals--

H.M.JR: Before you do that, what I thought we would do is this. I think that if Mr. Loth would be willing, he might go up to New York tomorrow, and I could do two things with him. I'll take with me my talk in Detroit and let him polish it up, see? I'll try to look at it today. I am desperate for time.

MR. LUXFORD: You probably won't get it until late tonight, Mr. Secretary.

H.M.JR: But I thought if Loth could be in here tomorrow we could start in the first thing with it, and then if he could travel with me, and also I could read chapters, see? What? Then if he wants to, he can go to that Red Army Day dinner tomorrow night.

MR. WHITE: I will arrange for him to get a seat. I'll give him my seat because I wasn't going.

H.M.JR: You might be up on the dais. Let Fitz take care of it.

MR. WHITE: It has been taken care of.

H.M.JR: You are not going?

MR. WHITE: No.

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H.M.JR: Why not?

MR. WHITE: I am pretty tired, and I thought I better conserve my energies. It is quite a trip to go and come back in one day. I have a lot of work to do.

H.M.JR: I thought you were going to go to New York for other reasons.

MR. WHITE: I am trying to do that over the phone.

H.M.JR: If you were in New York, you would be glad to go.

MR. WHITE: I would be glad to go.

H.M.JR: You are the fellow that got me into this thing.

MR. WHITE: Now that you are in--

H.M.JR: ...you wash your hands of it. (Laughter)

MR. WHITE: They weren't interested in getting me, Mr. Secretary.

H.M.JR: Well, you were the schatchen.

MR. WHITE: After the marriage he usually disappears.

H.M.JR: After he gets paid.

MR. WHITE: That's right.

H.M.JR: Do you people know what a schatchen is?

MR. GASTON: Yes.

H.M.JR: He is a marriage broker.

MR. WHITE: He usually gets paid before the marriage.

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H.M.JR: Anyway, I thought I would take Loth with me, and what I was thinking I might do if White approved, I might take him and Bernstein with me, the two of them, and then they could travel with me, and between Thursday and Friday they could whip that speech into shape, and I would also do something on the book. What?

MR. LUXFORD: Very good.

MR. GASTON: What is the Detroit speech to be about?

H.M.JR: Bretton Woods. I want to make it clear to him what it is, but I'll do the book as a bribe if he will polish the speech, see?

MR. DuBOIS: I would be "loth" to agree.

MR. WHITE: Mr. Luxford is going to St. Louis.

H.M.JR: Did you hear what he said?

MR. GASTON: I thought sooner or later we'd have it.

MR. WHITE: Mr. Luxford is going to St. Louis, and I would like to have Mr. Coe go with him.

MR. LUXFORD: I would like to get a commuter's ticket to St. Louis.

MR. WHITE: The Council of Independent Bankers is meeting Sunday, and we need Frank in on that. We need as much help as possible.

H.M.JR: Who is going to do my letters which are two weeks old if Frank goes to St. Louis?

MR. WHITE: You can do them today and tomorrow.

H.M.JR: You ought to have a cutoff today there on some of my mail on Harry's desk.

MR. WHITE: It isn't on my desk any longer. You should have seen it moved. Everything is on Mr. Coe's

desk with the exception of one letter that I sent a note to you on about Sir John Anderson.

H.M.JR: The girls say you are terrible back there.

MR. WHITE: I added to the note of explanation, but I wouldn't put it on, "Call your dogs off!"

H.M.JR: Did you get my note?

MR. WHITE: The other one? Yes. It was about, "Answer the letter before the boys get too old to remember, or too old to tie their shoes--while they are still young enough to tie their shoes." But when those letters are held up, Mr. Secretary, they are held up for a very good reason.

MR. COE: Frequently.

H.M.JR: Well, anyway, supposing at nine-thirty tomorrow morning we have Mr. Loth and Mr. Gaston and Mr. E. M. Bernstein, and Mr. Luxford, huh? And Mr. White?

MR. WHITE: Bernstein can take care of anything. It won't be necessary for me to be there.

H.M.JR: Have something for me by nine-thirty right hot off the typewriter.

MR. LUXFORD: It will be hot.

H.M.JR: I hope it is something that will convince the manufacturers of Detroit that they have a stake in this.

MR. LUXFORD: You are on a national hookup again, too.

H.M.JR: If Bernstein could do something for the manufacturers the way he did for the farmers like the St. Louis speech, it would be very nice. Tell him to give me the second draft the first time.

MR. LUXFORD: It would be an awfully fast retype job.
(Laughter)

MR. GASTON: The first draft might be better, and that would be a mistake.

MR. COE: Detroit's interest in foreign trade is twice that for the country as a whole. The manufacturers did a survey on that.

H.M.JR: Don't you think we ought to do something about it, Frank?

MR. COE: Yes.

H.M.JR: Are you through, Mr. Pehle?

MR. PEHLE: Yes.

H.M.JR: Joe?

MR. DuBOIS: Shick has just finished and has done a good job on this history of the war criminals, and I would like to suggest that he take over the job on the trip to London which is part way finished.

H.M.JR: Can he write a story on why Joe DuBois went to London and never wrote it up? Joe has his nerve.

MR. WHITE: Didn't you finish that?

MR. DuBOIS: Not yet.

H.M.JR: Harry, would you have me take him on another trip. When we go to Russia, shall we take him along?

MR. WHITE: I don't see how. You will never get the story written. I should think you would have to demonstrate.

H.M.JR: It is inexcusable. Could we have Shick for this thing, please?

MR. McDONALD: Yes.

H.M.JR: We've got lots of alibis, but can we have him for that?

MR. McDONALD: All right, sir.

H.M.JR: If he is good, you will have to get somebody else to do his regular work.

MR. McDONALD: That is what disturbs us.

H.M.JR: All right. What else?

MR. DuBOIS: I gather from General O'Dwyer that the War Refugee Board thing went off pretty well.

H.M.JR: He did an awfully good job, and I was delighted at Mr. Grew's attitude. It couldn't have been better. He was very good, and so was Stimson, but I was surprised at how good Grew was, and he had Jimmy Dunn sitting there, and he would just look at Jimmy Dunn, and Dunn would say, "O.K.," and Warren, "O.K." It just swept across.

MR. DuBOIS: That raises another question in my mind. I have discussed with O'Dwyer several times the possibilities that could be used in the refugee field such as supplying of food and trucks, and so forth.

H.M.JR: There is a representative of the War Refugee Board out of here now.

MR. DuBOIS: A number of them.

H.M.JR: That is the trouble.

MR. DuBOIS: This problem came up, as I understand it, in case of prisoners of war. There is considerable difficulty. For example, the State Department tells me when they move these prisoners of war from the camps as the Russians approach, they take them on foot. They have no transportation, and so on. In addition, there are reports coming through as to how well they are being fed, and so forth. There is a possibility that the same sort of device that we sug-

gested on the War Refugee Board conceivably could be used in the case of prisoners of war. For example--

H.M.JR: Don't interject this thing. Miss Hodel has that. She heard the whole thing. Seriously, I get this thing from so many directions that I can't take it. They've got it. And Lauchlin Currie is on this very thing in Switzerland.

MR. DuBOIS: They didn't have prisoner of war problems.

H.M.JR: The War Department has it.

MR. DuBOIS: I know, but--

H.M.JR: What should I get in on this thing for? I can't do my stuff now.

MR. DuBOIS: The only problem as I see it, Mr. Secretary, is this, very simply, that in all these fields a certain amount of imagination and initiative has got to be used. The War Department doesn't have it.

H.M.JR: I happen to be Secretary of the Treasury and not Secretary of War, and I gathered yesterday that Mr. Stimson is giving a great deal of attention to that.

MR. DuBOIS: Is there any harm in supplying them with ideas at least on the prisoner of war problem?

H.M.JR: Anything we have now to go through Switzerland I hope to get for these Jewish refugees, and it is going to be difficult enough. Now, if you want to cross that thing up, all right.

MR. DuBOIS: I certainly don't want to cross that up.

H.M.JR: That is what you are going to do. Mr. Stimson--I got the impression they didn't want it known that Currie is definitely on that thing with the Swiss. It was definitely a part of his instructions to see what he could work out

to get prisoners of war out. Didn't they tell you that?

MR. DuBOIS: He said they were working on it.

H.M.JR: Lauch Currie.

MR. COE: I don't think it is part of his instructions, but Mr. McCloy or Mr. Patterson did ask him at the last minute to take it on.

MR. DuBOIS: My only point was I think we could give them some useful information as to how to handle the prisoner of war problem and some constructive ideas.

MR. WHITE: Why don't you put it in a memo and ask for the Secretary's permission to send it over personally.

H.M.JR: You put it in a memo, and I will read it. I don't know what you have in mind. Write down what you have in mind.

MR. DuBOIS: I shall be glad to do that.

MR. LUXFORD: I should like to remain behind for a moment and talk to you with Feltus on one of the problems with personnel that we are going to have.

H.M.JR: What?

MR. LUXFORD: I'd like to remain behind for a few minutes.

MR. WHITE: I am getting in touch with the oil man Davis who is going to call me back. Oscar Chapman recommended that. Will Clayton had got in touch with a man down South, and I spoke to him yesterday. He is having a meeting with them today. He informs me that the Cotton Association has already decided to support Bretton Woods. He comes around to see me to find out how they can help. They want to go the limit.

H.M.JR: This man is coming around?

MR. WHITE: He is coming around today. And we spoke to Leon Henderson for about an hour yesterday. Things are not what apparently Jack McCloy thought or gave the impression of thinking.

H.M.JR: Excuse me. I thought he was going to go to meet with them Thursday.

MR. WHITE: I had made this appointment previously. This was a luncheon appointment. If you are interested in going into that, I'll be glad to.

H.M.JR: Only if there is something to be disturbed about. If you think you can handle the situation, I've got so little time.

MR. WHITE: It would be merely for your information. I can put it in two sentences. He is very, very disturbed over the complete incompetency and inadequacy of the Army program and preparation for the controls which the Army is going to use. That is one. Secondly, he gave us information which indicated that the State Department and the Army interprets 1067 in a very different way than we thought everybody around here interpreted it, and his criticism is not of the Treasury position. His criticism is of the Army preparation for carrying out the program which they feel, or think is the government program; so Jack McCloy, I think, was either misinformed or misunderstood.

H.M.JR: Have you people been reading Max Lerner after he went into Aachen?

MR. WHITE: I did.

H.M.JR: If you get that memo to Mrs. McHugh by two, I'll read it and give you an answer by three o'clock.

MR. DuBOIS: It doesn't have to be that quick.

H.M.JR: It better be that quick.

MR. WHITE: I'd like to raise a question here and see

how you want it handled about recalling the Draft Board's action on Hoffman. No one seems to know how that, why that was raised.

H.M.JR: I don't know a thing about it.

MR. GASTON: A letter came to me for my signature initialled by Charles Bell, addressed to the Local Draft Board for my signature as Chairman of the Agency Committee cancelling the request for the deferment of Hoffman, and I asked Mr. McDonald, and he knew nothing about it, and Ted Wilson knew nothing about it. I can't find where it originated or what the reason is for asking the draft board to cancel Hoffman's deferment.

MR. WHITE: Can we wait until Charlie Bell comes back?

H.M.JR: No. He won't be back this week, but where did the letter originate?

MR. McDONALD: Apparently with Charlie Bell.

MR. GASTON: You have it, don't you?

MR. McDONALD: I have it. Mr. White's office has the file, but apparently Charlie Bell asked Miss Cullen to go ahead and prepare it, and I assume you had prepared to discuss it with the appropriate people.

H.M.JR: Who is Miss Cullen?

MR. McDONALD: She is in my office. She used to be in Mr. Thompson's office.

H.M.JR: Can it wait until Charlie gets back?

MR. McDONALD: This letter from Congressman Compton White asking what the status--

MR. GASTON: We wrote a letter to Compton White telling the status of deferments in the Treasury, and we assumed that there were no longer any being deferred. It would be a matter of rewriting the letter to assume otherwise.

H.M.JR: Does it get down to one person? Did he inquire about Hoffman?

MR. McDONALD: He wanted a list of all people in the Treasury who were being deferred. He was complaining because people were not available to farms, and he said Government 4-F's and others should relieve the manpower situation. He wanted to know how many we had in the Treasury who were deferred.

MR. McDONALD: We only had eight. Hoffman would have been nine.

H.M.JR: Wait until Charlie Bell gets back since it originated with him.

MR. GASTON: It is all right. I didn't want to sign the letter until I found out on what basis it was being done.

H.M.JR: He will be back Monday, and if we want to rewrite the letter to Compton and say we were in error--

MR. GASTON: It isn't a case of saying we are in error; it is a case of rewriting the letter saying we have nine instead of eight under deferment.

H.M.JR: Has the letter gone?

MR. McDONALD: We have been holding it trying to get the mystery solved.

H.M.JR: Hold it up.

MR. McDONALD: All right. We have acknowledged it.

MR. WHITE: We spoke yesterday, for your interest, to a radio commentator on Bretton Woods, Wills. You have his whole-hearted support. He broadcasts in the morning and afternoon.

H.M.JR: Quarter of eight.

MR. WHITE: You have his whole-hearted support. I spent an hour with him.

H.M.JR: Did Feltus arrange that? He said he would.

MR. WHITE: Feltus brought him in.

H.M.JR: I am trying to find out what Feltus is doing.

MR. WHITE: I spent an hour with Walter Lippmann.

H.M.JR: He is always planning.

MR. WHITE: I turned him over to Bernstein, and Bernstein spent some time with him. I think we have convinced him of the validity of the Bretton Woods position as against the ABA, but we will know better when we read the columns.

H.M.JR: Here is this thing: Mrs. Tillettis doing a lot of work.

MR. WHITE: Who?

H.M.JR: Vice President of the National Democratic Party.

MR. GAMBLE: She is a very good friend of Harriet Elliotts.

H.M.JR: It is funny White doesn't know that staunch member of the Democratic Party.

MR. GAMBLE: I would especially think he would know the women.

H.M.JR: She would be helpful. There was a meeting at the White House yesterday, at which Mrs. Gaston was present. After lunch there was a very good discussion and Bretton Woods was never mentioned. It was all Dumbarton Oaks.

MR. WHITE: I noticed an amusing comment in the press report, a speech by Burgess on Bretton Woods, in which he says the trouble with Bretton Woods is that we may undertake tasks and then run away from them and leave them to Civil Service, who, of course, will botch it. That was the implication. How the hell does he get that way!

MR. GAMBLE: The Star had an interesting comment on Burgess Monday and said he came out in favor of Bretton Woods. Did you notice he didn't differentiate his approval against the Bank and the Fund?

MR. WHITE: I didn't.

MR. GASTON: News story.

MR. WHITE: I can name about twenty-five men, without stopping to think of civil servants, who would know more than him on any subject he would pick out. What an aspersion on people down in Washington! Really, it was annoying. He didn't have any business to make that statement.

H.M.JR: Why don't you get a direct copy of his speech?

MR. WHITE: I saw it in about four papers. It was just that.

H.M.JR: Let's get a copy. Ask Charlie Shaeffer to write him a letter and ask him for copies of his speech.

MR. McDONALD: Yes, sir.

H.M.JR: I don't know if this is a self-starter or if it was instigated, but I have a note here from Helen Gahagan Douglas asking for someone, preferably Harry White, to go up on the Hill and address a freshman group on Bretton Woods.

MR. WHITE: That was not initiated by me. We talked to Luxford, Acheson, and Eccles, wasn't it? There is some discussion and there was some discussion sometime ago, and I met her at--what's the date of that?

H.M.JR: They want you up there February 27th. Could you go between five and six?

MR. WHITE: Someone was going to arrange the meeting.

H.M.JR: I thought you were going to.

MR. WHITE: I was going to, but I didn't.

H.M.JR: Shall I tell her you will be there?

MR. WHITE: What day?

H.M.JR: February 27th.

MR. WHITE: Yes.

H.M.JR: She said on other Treasury matters whom could she contact?

MR. WHITE: I am going to try to call her and ask if I couldn't take Dean Acheson up with me.

H.M.JR: All right.

MR. WHITE: That's all I have.

MR. McDONALD: Just one thing, Mr. Secretary. We would like to have your general approval on having Feltus call in from time to time on an actual expense basis some men of rather high caliber to assist in writing speeches and getting publicity for the Bretton Woods Program. That's a policy we have had for some time to bring them in on that basis. That's all, sir.

H.M.JR: Is that all? Now, I want Gaston to stay, and you and White. If I am going to talk to Feltus, I would like--do you want Frank Coe to get in on these things concerning Bretton Woods?

MR. WHITE: Yes. It won't take him long. He is familiar with it.

February 21, 1945
9:42 a.m.

HMJr: Hello.

John
McCloy: These two Chase Bank fellows

HMJr: Yes.

M: Ballantyne and Lamneck -- we've held them up.
I find that what they -- they were Commonwealth
Government appointees.

HMJr: Yes.

M: Uh -- didn't have anything to do with either
Army or Interior; however, after they were
designated by Hernandez, who is the Philippine
representative here, they were notified to the
Department of the Interior.

HMJr: Yes.

M: And the Department of the Interior consulted with
them and -- and then they went over with the
approval of the Department of the Interior.

HMJr: Really?

M: The Department of the Interior is taking the
position that -- now, after looking into it --
they -- when I talked to Fortas, he said he
hadn't heard anything about it, but he said he
found that they had been -- they had gone through
in a regular way, and that

HMJr: Fortas said that he'd cleared them?

M: Fortas told me just a minute ago on the telephone
that, contrary to what he had told me before, he
found that they had been notified.

HMJr: Yeah.

M: And that they were appointees of the Commonwealth
Government, and they didn't feel that they had any
jurisdiction to -- to disapprove them if the
Commonwealth Government wanted to employ them.

HMJr: Yeah.

M: That that was a quasi-independent government and that's the way they had always been treated.

HMJr: Yeah.

M: And that short of any indication of -- oh, disloyalty or playing around with collaborationists or something like that

HMJr: Yeah.

M: they didn't feel that they had any field to intervene.

HMJr: Yeah.

M: And then I said that you thought that you might want to send somebody over

HMJr: Yeah.

M: from your shop to -- to look over the situation. He said that he had some question as to the propriety of that, but if you -- that is, if the Treasury would -- did want to do that, that that was a matter for them to take up with the Philippine Government; that this wasn't a U. S. Government appointment -- it was a Commonwealth Government appointment, and perhaps they could work something out.

HMJr: What the hell is the matter with Fortas? I mean, they've been needling us on this thing.

M: Yeah. Needled you to

HMJr: Oh, sure.

M: Yes, really?

HMJr: Sure. I'm -- I'm always willing to play straight across the table..

M: Yeah.

HMJr: I don't know what the hell is the matter with him.

M: Well, I don't know. He just -- (Laughs)

HMJr: He figured that if we did something, maybe they could get in on it.

M: Huh! Well, I don't understand it. I don't understand it. I just had that telephone call from Fortas a minute ago, in which he pointed out that contrary to what he had previously told me

HMJr: Yes.

M: and I know that I had not notified him of it -- he said that Hernandez had notified him, and that those fellows had been over there and that they didn't feel that

HMJr: Well, Jack, give me a half a day to turn around. Will you?

M: All right.

HMJr: I'm going -- and before

M: In the meantime, I'm holding the guys up at some risk of offense to the

HMJr: Well

M: to the Commonwealth, but I can continue to do that.

HMJr: Between now and sunset, I'll definitely give you an answer.

M: All right.

HMJr: I thank you very much.

M: Right.

TREASURY DEPARTMENT

45

INTER OFFICE COMMUNICATION

DATE Feb. 21,
1945

TO Secretary Morgenthau
FROM J. W. Pehle

I think you will be interested in the
attached letter received by me from Oscar
Cox expediting French requisitions.



Attachment

COPY

FOREIGN ECONOMIC ADMINISTRATION
Office of the Administrator
Washington 25, D. C.

Feb. 19, 1945

Mr. John Pehle
Assistant to the
Secretary of the Treasury
Room 7022
Treasury Procurement
7th & D Street, S.W.
Washington, D. C.

Dear Mr. Pehle:

As per our telephone conversation, I advised you we are very desirous that the French program be expedited as much as possible, in order that we can quickly build up a satisfactory inventory of goods, so as to maintain a balanced shipping program, and also be in position to take advantage of any extra shipping availabilities that may arise.

I do not want you to feel that we are of the opinion that your handling of the program to date has not been satisfactory; the contrary is the case. The point I want to make is that the situation in France has become so critical that we are exerting every effort possible throughout our own organization, WPB and the Procuring Agencies to ship at the earliest possible moment the supplies France must have to bolster her war effort.

In accordance with your request our records show that the following CF requisitions are in your hands for contracting, or completion of contracts.

CF-19	CF-107	CF-144	CF-169	CF-206
20	108	151	171	209
41	109	152	177	212
64	110	154	179	213
67	112	157	180	214
71	113	158	181	215
72	117	159	182	217
73	118	161	183	226
74	119	162	190	234
75	123	163	191	239
86	125	165	200	241
89	127	166	205	268
93	134	167		
94	135	168		

It is possible that you may not have received all of the action copies from WPB, but to take care of this I have communicated with Mr. Krug asking his assistance in this effort.

However, we have in process a great many more requisitions for France which will reach you shortly. I will appreciate it if you will have your organization place contracts on these without delay, with the best delivery dates obtainable.

With kindest regards, I am

Sincerely yours,

/s/ Oscar Cox

Oscar S. Cox
Deputy Administrator

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE February 21, 1945

TO Secretary Morgenthau

FROM Mr. Coe FC

Subject: Progress of Currie Mission

This is to bring you up to date on the reports received yesterday from the Currie Mission. The Swiss have taken some steps, and have offered to take other additional steps to the end of controlling German assets. They must do much more, however, before we can feel that they are giving us real cooperation.

The action taken by the Swiss to date represents a formal gesture to satisfy the U. S. which by itself has some value. However, it carries no concrete guarantee that German assets in Switzerland will in fact be frozen. The following is a brief summary of some of the measures which the Swiss have taken, or propose to take, with respect to the problem, with an indication of the deficiencies.

A. Controlling German Assets. On February 16, 1945, the Swiss Federal Council issued a decree controlling German assets within its jurisdiction. The more significant provisions of this decree are the following:

1. The decree provides that Germans, whether domiciled in Switzerland, Germany, or German occupied territory, can no longer use their assets in Switzerland unless authorized by the Swiss National Bank. Because of the limited group of Germans and their agents subject to the decree, Nazi cloaks in Argentina could freely manipulate funds in Switzerland.

2. Germans in Switzerland are permitted by the decree to freely dispose of their assets for "normal" professional and personal transactions, and no authorization is required, among other things, for the "normal administration" of German assets. Much will depend on how the Swiss interpret the term "normal" and how conscientiously they carry out the objectives of the decree. Unless the Swiss are strict in their interpretation of "normal" and vigorous in their investigation of ostensibly innocent professional, personal and commercial transactions, agents in Switzerland will be able to freely use German assets to further Nazi underground activities.

3. The decree delegates to the appropriate Swiss officials authority to request information from banking institutions, with respect to the ownership of accounts within Switzerland. Much will depend here again, on how vigorously this authority is exercised to remove German assets from the Swiss protective secrecy law.

B. Gold Policy. The Swiss have indicated that they are prepared to cease accepting gold from the Germans but only in payment for Swiss exports.

C. Census of Foreign Assets. The Swiss propose to take only a census of Swiss accounts held in the United States. The Mission reports, however, that the Swiss may yet agree to take a census of all property held in or through Switzerland for enemy nationals and nations, now or formerly, occupied by the enemy.

D. Other Measures. The Swiss are prepared to prohibit dealings in foreign currency and to segregate foreign and Swiss assets and to take a census of all property held in Swiss accounts in the United States.

We shall keep you advised of the further concessions which the Mission anticipates receiving from the Swiss.

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date
February 21, 1945

TO Secretary Morgenthau

FROM Mr. White

HDW

Information

Following through on your suggestion, Feltus had David Wills come over yesterday. They spent two hours together, during which time Luxford and I talked to Wills also.

Feltus says, and I concur, that Wills is intelligently interested in Bretton Woods and will be helpful. He wants to study the materials we gave him before broadcasting, and also will probably wait until he has a "news peg" - perhaps the opening of the hearings. But he is on our side.

Feltus also talked to Raymond Swing, who had already broadcast last Thursday. Feltus immediately sent for a transcript and wrote a note to him for your signature. He will help us again at some later date.

Incidentally, William Shirer said some nice things a few days ago. This may or may not have resulted from Feltus' having called the matter to his attention when he was in New York.

February 21, 1945

MEMORANDUM FOR THE FILES:

I spoke to Mrs. Tillett, Vice Chairman of the Democratic National Committee, this afternoon and inquired as to whether she had made any decision as to what Bretton Woods material she would like to have in connection with her educational work.

She stated that they were just finishing on their Dumbarton Oaks program and intended to take up Bretton Woods at once and push for it wholeheartedly. She said that the material we had furnished to them was excellent and that she would call me in the next two or three days and advise regarding the specific material she will need.

WOL

52
February 21, 1945
10:45 a.m.

RED ARMY DAY SPEECH - BRETON WOODS

Present: Mr. Gaston
Mr. Luxford
Mr. Feltus

H.M.JR: Do you think it is all right to release this speech?

MR. GASTON: Yes. I think you should get in touch with Charlie right away. He was getting details so he could release it yesterday.

H.M.JR: He has got it cleared? You have a corrected copy of it?

MR. GASTON: Yes.

MR. LUXFORD: It is a nice talk.

MR. FELTUS: Red Army Day?

MR. GASTON: What I would release if you could get over that material that you got from Russia--

(Secretary holds a telephone conversation with Mr. Shaeffer.)

H.M.JR: What did you say, Herbert?

MR. GASTON: I think there is a lot of interesting material you got from Russia, and it seems to me you might give out a release tomorrow, give out a story tomorrow saying that in connection with Red Army Day you had received a statement from Moscow from the--I don't know just how you would phrase it, but through Stalin.

H.M.JR: General Marshall's office thought I had better not. I put it up to them, and they thought that, well, I had better not.

MR. GASTON: That is the answer.

H.M.JR: They have an Army general going up there. They are going to give this stuff to him and see if he wants to use it. I left the whole thing up to them.

MR. GASTON: There is some material in there worth getting out.

H.M.JR: They said they were going to go over the whole thing. I think that young fellow Pasco is the press secretary; I think that is what he is, P-a-s-c-o. He is quite young, a lieutenant colonel. I doubt if he is over thirty. I imagine he is the press secretary.

MR. GASTON: Yes.

H.M.JR: And if he had it for an hour--they said they wanted to see if there was anything in it they didn't know-- they would give it to the general who was going up there. They thought it would be a mistake for me to use it.

MR. GASTON: That is the answer.

H.M.JR: What is your problem?

MR. LUXFORD: The problem of one of Feltus' assistants. We are anxious to borrow him for sixty days from Lehman. He is Director of Public Relations for them in the Balkans and he is back here. He has worked for Feltus before, and I asked Herbert to ask the Governor about it, and the Governor said no, he couldn't release him.

MR. GASTON: I called him. Somebody had talked to him about it, because he was already primed. He said, "No, positively; he is too valuable for us. We can't let him go."

MR. LUXFORD: The only thought I had, Mr. Secretary, was that perhaps he might do it if you called him.

H.M.JR: No.

MR. GASTON: I don't think any one man is worth that.

H.M.JR: No. Lehman will come back and say, "You see the President. I would like to borrow two men from you." What is the man's name?

MR. FELTUS: Birk.

H.M.JR: I agree with Herbert. herbert knows the Governor very well. There isn't a chance.

MR. LUXFORD: Too bad, because we need him. Well, that is the only thing.

H.M.JR: O.K. Don't be so downcast.

MR. LUXFORD: It is awfully hard to get these men.

MR. FELTUS: We are getting turned down all over the place, and we can't move without personnel of all kinds.

H.M.JR: I don't agree with you. I think you can begin to function. We operate here on a short shoestring all the time, anyway.

MR. LUXFORD: In justice to Randolph, he uses so much of his time in consultation and what to do on the Hill that he has not had the time to do this job. That is one of the things. Getting him a couple of top-notch assistants would permit him--

H.M.JR: If they don't begin to operate on a publicity level pretty soon, it won't be of much use.

MR. FELTUS: I agree with you that we have to operate on that level, but it can't be done. One person can't do everything. I have been here two weeks, and I actually haven't had time to sit down at my desk five minutes at a time. There is one meeting after another. That is important to get these policies straight, but it is also important to do the rest of the job.

- 4 -

H.M.JR: Well, I am carrying more than my share now, and you have nothing to do with it. That's outside of Bretton Woods, and now all of this is dumped on me, and, frankly, every time I see you fellows you depress me so I am reluctant to see you, because every time I get through it seems there is no hope.

MR. LUXFORD: I don't feel that way at all.

H.M.JR: That is the way both of you--that is my reaction each time I see you on things. I feel so depressed. I feel, what's the use? I have to needle myself to go on with it.

MR. LUXFORD: I don't feel that way at all. I feel we are going to get Bretton Woods through.

H.M.JR: You come in here with a glum face and everything else, and it isn't my fault that you had it so long. You just have to do the best with what you have. And I might make a suggestion. I think the time is getting awfully short on seeing some of these people that can help us on publicity.

MR. FELTUS: That is exactly what I am talking about, Mr. Secretary.

H.M.JR: I can't talk. If Herbert Gaston agrees, there is no use calling him.

MR. LUXFORD: All right.

H.M.JR: But there are other people, other shops. But come in a little enthusiastic, gentlemen, please--effervescent. Take an alka seltzer pill. Until I feel the thing is moving properly I am going to be a little pessimistic.

All right, let's get moving. I mean, it is silly, Luxford, to keep after me. I cannot handle any more than I am, and with what I have been trying to do the last two weeks on Bretton Woods, all the rest of my work has been neglected. I have a trunk full of stuff that hasn't been read.

- 5 -

MR. LUXFORD: I realize that.

H.M.JR: And I can't do physically or mentally any more than I am on Bretton Woods. I am stretched to the limit.

MR. LUXFORD: I agree with you. I hope you won't be too tough with us when we do come to you.

H.M.JR: No, but come in a little more cheerful.

MR. LUXFORD: I want to mean it when I come in that way.

H.M.JR: Get something to be cheerful about.

February 21, 1945
11:25 a.m.

Oscar
Chapman: dinner for Justice Hugo Black....

HMJr: Yes.

C: in honor of his services on the bench.

HMJr: Yes.

C: And I'm hoping to get all the Cabinet members to be sponsors of the dinner with me.

HMJr: I see.

C: I have Attorney General Biddle and Secretary Ickes and Claude Wickard -- the ones I have contacted so far. Would you be adverse to letting us use your name for that purpose?

HMJr: Well, what -- what's the occasion? I mean

C: There's no special occasion other than the fact that the Southern Conference -- that a group of people representing many sections of the South -- are going to present him a scroll, which gives recognition for his services on the bench. That's an award they give him here.

HMJr: I see.

C: That's all. They are not, themselves, the sponsors of the dinner. They are one of the sponsors, but it's being formed by an independent committee, of which I am chairman.

HMJr: Well, okay. It's a little out of the ordinary, but I

C: Well, I

HMJr: I mean, I don't know just what he's done, but -- specially, I mean.

C: I agree with you that it has that question to be raised of a specific matter.

HMJr: I mean, why just single him out?

C: The Southern Conference Group is kind of singling him out for a little special honor that they want to present the award

HMJr: I see.

C: to him. And then they asked if I would form an independent committee just for this banquet only -- just for the dinner.

HMJr: Well, I have great respect for Justice Black. I'll be glad to do it.

C: I assure you that if there was anything in it that looked the slightest bit irregular on it, I will call you back immediately.

HMJr: Okay.

C: And let you know.

HMJr: Thank you.

C: I'll confirm this with a letter.

HMJr: Thank you.

C: Thank you so much, Mr. Secretary.

79
February 21, 1945
11:31 a.m.

HMJr: my picture taken for the Crippled Children's Society.

Mrs.H.G.
Doyle: Well, it was for you to open the drive.

HMJr: Oh.

D: Mrs. Roosevelt did it two years ago and Mr. Wallace last year. Now, knowing your interest, they're very anxious for you to do it.

HMJr: Well, I'll be glad to do it. Is next week too late?

D: No.

HMJr: It is not?

D: No, it is not. Any time up to the first of March.

HMJr: Well, shall we say eleven o'clock Tuesday?

D: Eleven o'clock next Tuesday, and I will -- of course, you will get a formal letter, but they are so very anxious to have you.

HMJr: Well, I'll be glad to do it.

D: Fine. Well, fine -- thank you very much. I'll tell them right away.

February 21, 1945
2:20 p.m.

Operator: Go ahead.

HMJr: Hello.

Dean
Acheson: Hello, Henry.

HMJr: Hello, Dean.

A: I have finally incurred the wrath and displeasure of all of my associates now so that I am free at three o'clock.

HMJr: (Laughs)

A: You do raise hell with me, don't you.

HMJr: I raise hell with you?

A: (Laughs) I mean, to get myself out of these engagements in which -- I was -- I've gotten everybody very cross with me.

HMJr: No, well, the point was this: I got your message and I don't know what they told you, but I thought that this was the kind of a meeting, being highly political, that you couldn't send a substitute to.

A: Yeah.

HMJr: That's all I said.

A: Well, what is the meeting, Henry?

HMJr: Well, we're meeting with the Democratic Leaders. Hello?

A: Yes.

HMJr: And Bob Hannegan.

A: Yeah.

HMJr: To discuss what should be done to get votes.

A: Oh, I see. That's the meeting that you were going to have at lunch?

HMJr: That's right, and they couldn't do it.

A: Oh, I see. I didn't -- didn't understand.

HMJr: That was it, and I didn't think it was the kind of thing that you could send a substitute to.

A: No. Well, I didn't realize what it was.

HMJr: But I'm sorry if I've got you in wrong.

A: I'm not in very wrong.

HMJr: I don't see why you should be.

A: (Laughs)

HMJr: But that -- you agree with me, don't you, that you couldn't very well send a substitute?

A: Yes, I didn't realize what it was.

HMJr: No.

A: Now, I will

HMJr: We're leaving here about

A: Shall I meet you up there at the Speaker's office?

HMJr: Whichever is most convenient.

A: How long do you think it's likely to take? An hour?

HMJr: Oh, I would -- I've allowed an hour.

A: Yes. All right. Well, I can go up and come back with you.

HMJr: Right. You'll go up with me, or meet me up there? Either way which is agreeable to you.

A: Well, suppose I meet you up there and then ride back with you.

HMJr: I'll be delighted.

A: Will that be all right?

HMJr: I'll be delighted.

- 3 -

A: All right.

HMJr: I'm sorry I've put you to so much trouble, but this is the meeting, you know, that I said the other day that we'd have.

A: I remember when you spoke of it.

HMJr: And -- well, anyway, you're coming and it's fine.

A: All right, Henry.

HMJr: I'm delighted.

A: I have an editorial of the St. Louis Post Dispatch here which speaks very highly of your meeting in St. Louis.

HMJr: I haven't seen it yet.

A: All right. I'll bring it along with me if you'd like to see it.

HMJr: If it's pleasant, by all means bring it along.

A: I think it will please you.

HMJr: Thank you.

A: All right. Fine.

February 21, 1945
2:37 p.m.

HMJr: Your memorandum to me on these American war prisoners, I've referred it to Harry White and asked him to discuss it with you.

Josiah
DuBois: All right. Fine.

HMJr: He'll talk about it with you.

D: All right. Swell. Thank you.

February 21, 1945

MEMORANDUM FOR THE SECRETARY'S FILES:

Meeting held in Speaker Rayburn's office
at 3:00 p.m., February 21, 1945.

Present: Speaker Rayburn
Secretary Morgenthau
Robert E. Hannegan
Dean Acheson
Harry White
Congressman Spence
Congressman Ramspeck
Mr. O'Connell

Subject: Bretton Woods legislation.

The meeting was called at the suggestion of Secretary Morgenthau to discuss some practical aspects of the handling of the Bretton Woods legislation on the Hill, and particularly what we in the Treasury Department can do to facilitate the prompt consideration and passage of the legislation.

1. It was agreed that hearings should start as soon as possible in the House Banking and Currency Committee, the Speaker stating that in his view the Bretton Woods legislation should be the first order of business before that Committee. March 7 was tentatively agreed upon as the day on which hearings will start. About a week's notice of the hearings will be given by the Chairman of the Committee, and in the meantime we are to present to him and discuss with him the line-up of witnesses for our side, together with the order of their appearance.

2. Mr. Hannegan believes that more attention should be given to individual Congressmen on the Democratic side than is ordinarily done, and made the specific suggestion that Secretary Morgenthau might call each of the Democratic members of the Banking and Currency Committee with a view to expressing his great interest in this legislation. After some discussion this suggestion was agreed to.

3. There was some discussion of the extent to which interested and friendly organizations such as the farm organizations and the major labor organizations could be

helpful at this time. The Speaker seemed to feel that it would be well for them to do little until they appeared before the Committee in support of the bill, but there did not seem to be any general feeling that they should be actually discouraged from continuing to indicate their approval in the interim. Such difference of opinion as existed in the group seemed to be largely one of emphasis, and it is the writer's impression that the Speaker was more concerned about over-emphasis at this stage in the game than he was over the general propriety of having interested organizations evidence their sympathy in their usual fashion. The Speaker also suggested the desirability of getting support from such national organizations as the National Association of Manufacturers and the United States Chamber of Commerce. It was agreed that further effort should be made to get the support of these two organizations in particular, although not much optimism in this regard was evidenced at the meeting.

4. Mr. Hannegan thought that no time should be lost in ascertaining, to the extent possible, any weak links in the Democratic side of the aisle so that shaky members can be bolstered up a bit in whatever fashion seems most appropriate in the particular case. Both the Speaker and Congressman Ramspeck were initially of the view that little need or could be done in this regard until the bill has practically reached the floor, and Congressman Ramspeck (the Democratic whip) has made a survey of the House and can tell pretty accurately where the weak spots are. Although there was no exact meeting of the minds on this point, the consensus of the meeting seemed to be that as weak spots develop (and we are all to watch for them) everything possible will be done to correct them, in one way or another.

5. The Speaker seemed to feel, and the rest more or less shared his view, that the vote on the George bill, with only 19 Democrats "off the reservation," augurs fairly well for the future of administrative legislation such as Bretton Woods. The general feeling seemed to be that, without attempting to make the issue a partisan one, reasonable attention to the Democratic side of the aisle from here on in should minimize the possibility that when the bill reaches the floor we will be short of enough Democratic votes to carry it.

6. Congressman Spence is reasonably confident that he can hold all of the Democratic members of his Committee in line, with the possible exception of Barry of New York and Baldwin of Maryland. He is also reasonably optimistic that Jesse Wolcott will support the bill, and that if he does we may pick up one or two other Republicans in Committee and certainly a few on the floor.

The meeting adjourned at 3:50 p.m.

Joseph J. Connell

February 21, 1945
4:00 p.m.

Re: WAR FINANCE

Present: Mr. D. W. Bell
Mr. Gamble
Mr. Haas
Mr. Eccles
Mr. Burgess
Mr. Stonier
Mr. Kuhns
Mr. Hagermann
Mr. Smith
Mr. Arnold
Mr. Brown
Mr. Morris
Mr. Newell
Mr. Spencer
Mr. Strickland
Mr. Wiggins

MR. BELL: The gentleman from Chicago. That's the only gentleman the Secretary hadn't met.

H.M.JR: Burgess, do you want to make a speech? I would like a report. You can make it any way you want.

MR. BURGESS: We have conferred with your experts, Mr. Secretary. We have followed the agenda, and have some suggestions to offer.

We haven't written this out yet. It is in the process of being written. We thought we would talk with you orally first and then after that write it out, because it is not impossible that you might change your point of view on certain matters. First, with respect to the Drive for individuals. On the stepping up of that as suggested, we are all for that. We think covering a three-month's period on the pay roll savings, setting a goal of four billion dollars on E Bonds and seven on individuals is a large order, and we think that is the thing to do, because we simply must reach as many individuals as we possibly can,

and we must set ourselves a larger goal. The two-months' period has been too short on the pay roll savings, and I think we can carry through three months to advantage, and with that added period I think the goals are not impossible to achieve. They make us work, but I think it could be done. Then, as to the dates, April 9th to July 10th on pay roll savings seems all right. Starting the regular Drive on the 14th of May and carrying it through for a month seems all right. I assume that would include your house to house canvass for E Bonds and other savings bonds.

Now, as to when you open it up for corporations, I am not sure that our suggestions are completely in agreement. We feel that that shouldn't be entirely after the individual drive, because our experience, and particularly Mr. Rathje's, who has been running a house to house visitation in Chicago, showed that you get a lift in your publicity, and so forth, out of the corporations coming in and buying, and you ought to keep on with your individuals during that time.

MR. GAMBLE: Yes.

MR. BURGESS: I think there is an advantage.

MR. GAMBLE: I think we agree with that.

MR. BURGESS: I think we agree in substance on that. While the bank participation was mentioned as a subhead, later on we would like to comment in connection with the campaign for individuals that we have discussed our own relation to this thing. We are anxious to do a better job than we did in the Sixth, and we think we can. Our organization is developing, and I think we were more effective in the Sixth War Loan than in the Fifth, and I think we can be still more effective in the Seventh,

using the same methods about building up the organization, and we had decided to have a separate committee for the promotion of the sales part of it. You know we did work through a sub-committee of this committee, but we think by selecting a separate committee to work with us, we get fellows who have more time to give to it, and do it more effectively. We have a chairman in each State, and a regional chairman and picking up the fellows who don't do the best job, and it will grow just as the War Loan organization has grown in effectiveness as you went on through organization. I think we can do a better job. We are laboring under additional handicaps of manpower which sometimes bog down our own work from time to time, and we are working pretty long hours to get our routine bank work done. But nevertheless, we are going to do our best and I think we can do better than before.

Now, with respect to the market basket, we note one thing, that since our last meeting and since the last Drive, the rate structure that we have all been working on since the war has partially broken down. We are regretful about that because we shared with you people responsibility for that, and I think you have helped in working with the banks in maintaining the structure. We came out with one of the first reports advocating bank purchases be limited to ten years, remember, and that the war be financed on a steady rate instead of a rising rate, and I think our campaign in that regard has something to do with the maintenance of it.

Now, we are apprehensive about having the rates decline from this point of view, that you and Vinson's office and all of us have been working on getting people to save and not spend, and the reasons for that are becoming every day more obvious because inflation is moving forward. We see it in the real estate market, and security markets, and the farm market, and hidden inflation is going on in changes of quality, and the instruments of inflation must be sharpened instead of dulled, and attract particular people to say they depend in part on what you can offer them. So we think it would be a pity if this rate change went to a point where it affected the rate on the bonds that you offer generally within savings. That means insurance companies, savings branches, and so forth.

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Now, I start with that, and I hope we can all work together to maintain that rate structure a little more effectively to see if we can't prevent any diminution of the inducement that we offer to the savers. Now, starting from that point of view, we think it is very desirable to continue along with two and one-half percent bonds, and not have any change in that rate, because if you let that slip, you imperil the offers of interest returns and the cost of policies for insurance companies and savings bonds, and so forth. We think that can be worked out on the market so that it doesn't cause any break in the market that is going to bother anybody.

H.M.JR: What other bond will you--

MR. BURGESS: It could be a bond similar to the one you offered last time, only two or three years more maturity, or Mr. Bell raised the question of whether you could differentiate this bond somewhat by giving it a ten-year call spread, and say putting out a '65-'75, and we are inclined to think that that has some merit, because the justification for putting out a bond after this change in rate is it is a little different bond, so that you move into the market without hurting your present issues particularly.

H.M.JR: Does anybody suggest selling at a premium?

MR. BURGESS: No, that's equivalent to breaking your rate.

H.M.JR: If you sold a one hundred dollar bond, say?

MR. BURGESS: That breaks your rate. That means by just that much you are throwing away the attraction you offer to the general saver.

MR. BELL: Even the broken bond breaks the rate some, which you admit has to be done in the present market.

MR. BURGESS: You extend your maturity a little.

MR. BELL: Mr. Burgess, how about calling it gift bond rather than tap.

MR. BURGESS: The Treasury never used the expression tap, but I think there is some merit. I never thought of calling it that.

MR. BELL: Call it a restricted bond.

MR. BURGESS: Restricted isn't a very--I think your department of semantics ought to--you ought to work on that. All these bonds have names and nouns, and all those things, and maybe you would like to call that one Morgenthau, or something like that.

H.M.JR: I think I would pick another one. (Laughter)

MR. BURGESS: How about calling it Henry the Eighth? (Laughter)

MR. BELL: Henry the Seventh coming up--the Seventh War Loan.

MR. BURGESS: Henry the Seventh. (Laughter)

MR. BELL: We had the "gay nineties." That was one.

MR. BURGESS: Well, so much for that.

Now, you get into the question of a new leading bond. There are loads of people who don't want to buy a two and one-half. They don't want to go quite that far, and that includes the savings banks, and to some extent certainly the insurance companies. Some other buying of individuals-- we suggest there a two and one-quarter percent bond which would run about thirteen, seventeen years, under similar restrictions to the two and one-half. That is not eligible for bank purchases until it gets to be ten years old, or ten years from maturity, or you call it later maturity-- I don't know. There is some difference, but the point is it should be restricted, and only for these institutions and individuals who are genuine savings sort of people. I think it is important to have something between your long two and one-half and the shorter thing that we talked about.

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Then, of course, the E, F, and G's and the tax notes-- now when you come to the lower end, of course, seven-eighths for everybody, then we would suggest--we had quite a long discussion of whether the lower end of the scale should be one and three-quarters or one and one-half, and the majority of us would favor the one and one-half, with the idea that you would have one you could offer to the corporations as well as individuals. After all, one of the reasons for your great success in your Drives thus far has been that you offered a security for each type of buyer, so that it meets his needs, and that is one reason you have had good response.

Now, there are a certain number of corporations, as well as individuals, who are willing to take five-year obligations at one and one-half and would go for that where they might not go for anything else, and whose needs would be met by that, and whose needs would not be met without it. So, we think we will have that.

Now, the problem of policing and avoiding a great churning, and so forth, comes in just at that point. We think with the one and one-half written very close to the market, five years or thereabouts--we can't tell--you can't fix that maturity yet. You don't know just what the market will be. We think that would not have enough gravy in it to attract a great deal of free-riding. It behaves pretty well. We think it will behave better if, at the conclusion of the Drive, you offer something directly to the banks so they won't be scrambling for it in the market. Not a large offering, about two or three billion dollars, and incidentally, the banks would feel a lot better about it because they have been a little bit upset about not having any offerings directly for the banks, but they have to pay a premium every time they go out and get these things. But I think it would help keep that thing in order and keep your rate structure in order.

Now, deferred subscriptions, we would continue that for insurance companies and savings banks. You had some instances of abuse. I think with the two and one-half and two and one-quarter, you won't find that so much. It is with the two's,

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I think, that you would have the most abuse. If you and the Federal Reserve fellows, who have never had the problem to handle, feel there is danger of the abuse of deferred subscriptions, we suggest that it be restricted in some way like taking the actual growth of investible money that the institution subscribing has. Take the savings bank. Suppose they had a five million dollar increase in deposits in the two months just preceding the loan; limit their deferred subscriptions to that actual rate of growth. Now, I don't think that's a very hard thing to do.

MR. BELL: Work out some formula, in other words, for deferred subscriptions.

MR. BURGESS: So they don't fall out. I think part of your trouble over the turn of the year was you didn't want to show borrowed money.

MR. BELL: Before you go on to the next one, did you say a certificate of indebtedness in each of the baskets, individual and corporate? You agreed to that.

MR. BURGESS: Yes.

Now, bank purchases of restricted issues for savings accounts. I think what you did last time was just right, that is, ten percent of their savings deposits or five hundred thousand dollars, whichever was less, and they liked that. The point about it isn't just that they like it. It's that the small banks who use it have the problem of attracting deposits and of paying a rate in savings depositories that does attract them. It's the same thing we talked about earlier about the savings bond. ABA has been preaching and we have had several savings conferences on it--an increase in the rate of interest on savings deposits. During the depreciation the banks had to cut their interest rates on savings deposits. I mean, they have cut them more than they had to, but it was a good thing to do. It was necessary. We have been preaching that they should stop cutting those rates, and if possible increase them some, and what you have done in the way of making available some

of these longer bonds in modest amounts in relation to their savings deposits, helps us in our campaign to keep the savings deposit attractive for savings.

(The Secretary leaves the conference temporarily.)

MR. BURGESS: Now, we discussed this whole series of things about reducing switching, and war loan account purchases, and all that. Ted went over that pretty carefully with Mr. Bell. We think with the market basket that has been suggested that that problem will not be so serious. We do think it is wise to get out and send to the banks a little earlier this time, a request that was made that banks should not pay above the market for outstanding issues in order to get the war loan account. That was done, but done a little late, and it wasn't followed through.

MR. BELL: It was quite a way ahead of the Drive, wasn't it?

MR. BURGESS: It didn't get through.

MR. GAMBLE: It was in New York, but not other sections. It was a little later in some sections of the country.

MR. BELL: It came up before the Drive.

MR. GAMBLE: The buying had started. Our deals were made.

MR. BELL: We can't get ahead of those.

MR. BURGESS: We discussed the reduction of war loan account purchases and various ways that it can be done. We recognized that one reason that this rate structure has broken down a little is due to what happens at the time of a drive. That is, the banks suddenly find themselves with a billion dollars extra of excess reserves, because they spring out from private to Government funds, and the result of that is they go out and buy bonds, which is only natural,

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and if they are in that position, and it is a smart fellow running the bank, he is going to do it.

Now, there are various ways that it can be cut down. One way, of course, would be for the Fed just to take in the sale and sell off some certificates or bills. Of course, they do sell bills. Another way that has been suggested--and I think Bill Kuhns was the originator of the suggestion--was that the collateral that is held against war loan accounts be limited to securities within one year or six months of maturity. That would make sure that the banks keep that much liquidity, keep them that much short. We are inclined to think that has some merit and that it ought to be explored. That could be done without having the Fed look over the statements of some of the banks and see what they have got actually in collateral on hand, and how it would affect them. We don't want to give the small banks that have been working for us pretty hard any shock on this thing. We have gone out and sold them the idea of having a war loan account and using it to get subscriptions for their customers. We don't want to give them a shock on it, but at the same time any bank ought to keep liquidity against the war loan account. It isn't sound banking to have bonds against it because some day that springs down, and it would be a better practice if we kept pretty short on that. Also it would help you a little bit, George, in supporting your security market.

MR. HAAS: The bill market. You don't get that fired out.

MR. BURGESS: Look at that smile.

MR. BELL: It would help that money.

MR. BURGESS: We think it ought to be explored. We are not prepared to make any recommendation on it. That's a question of policing, and so forth. It is more a Federal Reserve problem than ours. We are promoters.

MR. BELL: You could reduce the amount of the designation.

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MR. BURGESS: Yes, that's another thing we discussed at some length, whether you should say that there should be a top limit on the war loan depreciation. These are thirty percent of the deposits, less Government deposits, but with the provision on that in any particular bank where their computation of their deposits were so unusual they needed help on it that you give them a dispensation. That's another way you could do it. But I do think that that problem of a tremendous swelling up of the excess reserves when payments are made at the time of the Drive needs to be tackled, because it is that that causes a lot of this trouble.

MR. BELL: Spread this drive over the dates indicated there and have the corporate drive from the 16th to the 20th. Wouldn't you also help this situation some because you would spread out your drive money over a period of three months instead of confining it largely to a month?

MR. BURGESS: The big money would come within thirty days.

MR. BELL: But you would have spent in the meantime the money you would have accumulated from April 1 to June 15, and all you would have in the war loan account would be the corporate money you get in the last ten days, so you would never probably have as much as twenty billion dollars gain in the war loan account.

MR. GAMBLE: Probably never more than two-thirds as much.

MR. BELL: Probably even down to fifteen, so you might not need it in any other drive. It would follow this matter, but I don't know--but I do think this suggestion has some merit. We ought to study it. We probably could apply it to one class of banks. You see, we split our war loan accounts into two classes, and we take one class that has deposits of three hundred thousand dollars less and just give them a schedule of payments over the five months, and they meet those. We don't call on them twice a week. The others we call on twice a week and that would help our small country banks, and there isn't much money in there, around eight hundred million dollars in the last classification of small banks.

MR. BURGESS: That isn't money that gets into the market.

MR. BELL: That's right. A small country bank needs to invest in the higher coupon in order to make its earnings.

Is that all?

MR. BURGESS: On the suggestions and techniques of the Drive, I don't think we have turned up anything very specific.

H.M.JR: Do you want to say something, Ted?

MR. GAMBLE: I wanted to ask Randy a question to make sure I understood him yesterday, because it is a very important problem. When I asked you yesterday if you didn't think that we could police individual subscriptions as successfully as we policed them in the last Drive, I think I mentioned we had some objections raised by the Fed with respect to that policing job, and it was the most successful job up to date with respect to holding individual speculative buying to a minimum. We did hold it to the lowest figure of any of the Drives, and we certainly wanted to repeat it in the next Drive. We didn't want to relax that any, and I think I asked you the question, and if I understood you correctly, you said you didn't think we would have any difficulty, or it could be done.

MR. BURGESS: Of course, I know about the policing because I have done it and it isn't an easy problem. It is a very difficult problem to police, because you have decisions to make, and the ability as to the success of the policing depends a lot on your setup. I think if you were to offer one and three-quarters just to individuals and not to corporations and banks you would have a very hard time policing it. So, we don't like that on several grounds, partly because your difficulty of policing would be very great. It would accentuate that problem. Also we don't like it because you have a lot of corporations that supported you, and so forth, and I think you want to offer them a security that meets their needs, and they are going to resent it if you specialize in individuals.

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I think you avoid the difficulty still more, however, by going to a one and one-half where the gravy is reduced to a minimum, and then offer it to both corporations and individuals, and I would say banks also, in which you reduce the temptation to a minimum. Then, your policing is not too difficult and has a very good chance of success. I think you cut out the racket to a minimum.

MR. GAMBLE: In several sections of the country they had some disagreement in the last Drive, but it has been our belief that the experience of the last Drive and the fact that they took those very positive steps toward cleaning up those speculative purchases would actually make the job easier this time.

MR. BURGESS: I think that's right.

MR. GAMBLE: They felt the shock of that, some of those fellows. They felt the Treasury was issuing some very mild regulations which they expected everybody was going to violate, but--

MR. BURGESS: We had some comebacks I may say.

MR. GAMBLE: And there were some who realized when the Drive got underway that the Treasury wanted those carried out and provided a plan for carrying them out.

MR. BROWN: If you don't offer securities direct to corporations, Ted, it will mean a regular increase of the problem.

MR. GAMBLE: Of policing?

MR. BROWN: Yes, because corporations can ask people to subscribe to their account. They could provide them with money. The transactions don't go through the banks, and while the Feds are in contact with the banks and it gets reports weekly of changes in their Government bond holdings, and almost daily during the Drive, there would be absolutely

no way of policing hundreds of thousands of corporations throughout the country, and we think that if securities are offered directly to corporations as well as to individuals, the problem would be much less. It would mean one and one-half's offered to individuals only and the corporations would not be allowed to subscribe for them.

MR. BELL: Wouldn't you police the corporation subscriptions? Wouldn't you see whether or not any corporation was putting in for any money they positively couldn't pay for?

MR. HAAS: Last time we policed the individuals.

MR. GAMBLE: If you ever had another security eligible--

MR. BELL: You could police the corporations to see whether or not they were subscribing for more than they had money to pay for, and maybe they are subscribing for double their amount and they would sell to a bank after the Drive is over on the one and one-half's.

MR. BURGESS: That is done in the New York bank. I don't think it is--

MR. BELL: It hasn't been done extensively in other banks.

MR. BURGESS: I may be exaggerating the control, but the New York Reserve Bank has always done policing and has kept, for example, files of the net worth of all the regular lists, and you get used to it. There is a regular list of people that try to cheat, and we had a file--and I know they still have it--of every one of these people so that you just refer to the subscription and slash it down, and until you build up a file like that it is not easy to do because you have to make some pretty close inquiries. It is a mighty difficult job. It can be done if you are really on the ball and do it.

MR. BELL: You would be surprised at the name of an individual who was on that file a couple of years ago, Chris Devine, when he first started into business. Poor Chris.

MR. BURGESS: We made Chris come in.

H.M.JR: If there is nothing else--unless you people have something. George, do you want to ask something?

MR. HAAS: I have one question. I was wondering about Randy's estimate of what this Drive would produce. It seems to me that would go up to twenty-one or twenty-two billion dollars, I mean, under the same conditions as the Sixth.

MR. BURGESS: Well, we would hope there would be less churning in this thing. I don't know. I like the estimate, the emphasis Ted put on it of thinking in terms of the individual quota and E Bond quota, and stepping down, de-emphasizing the corporate end of it.

MR. HAAS: The only contribution you made to try to reduce the switching--in other words that is where the indirect bank financing was--is that you left out the two, and Bell made it thinner.

MR. BURGESS: We are also proposing to give the banks some directly afterwards. That can have a great effect because it produces their eagerness to buy stuff in the market, if they can get stuff directly on their books.

MR. HAAS: I think it is a real important point that if the amount of each Drive can be kept down, then the Drives are more frequent, and the frequency of the Drives brings in more individual money, because the amount you get from individuals seems to be determined more on the Drive rather than the period which has elapsed between Drives, and that was one reason in the setup Mr. Bell suggested to you, of the Fed switching seven-eighths and the banks' earnings position was kept from rising too rapidly, and it would tend to keep the switching down. I doubt if there is very little break on this. They can use one and one-half. That is all I have to say.

MR. BURGESS: I would like to say that on this frequency of drives--I think twice a year is the right spacing for your drives. I think last year there were three drives, and that was too close. It made it pretty tough going.

MR. HAAS: The record will look better if we have three.

MR. GAMBLE: Unless you develop pre-drive efforts.

MR. BURGESS: Two drives over three months--you have a pretty good program there.'

H.M.JR: That's right. Would some of the other gentlemen on this committee like to say something?

MR. ARNOLD: Mr. Secretary, I would like to ask Ted a question, if you don't feel that some of the State War Finance Chairmen could do a better job of policing themselves? Don't you think so?

MR. GAMBLE: Of course they could do a better job. Yes, I am sure that they could. I think we had to take pretty much the steps we took in the last drive, Lawrence.

We were actually concentrating on two or three bad areas in the last Drive, and it had to be stopped, and it was stopped. We had to have someone assume the joint responsibility for actually policing every sale, so far as it was physically possible to do it, and now that the War Finance Committee people have had the experience of that working with the Feds, I think that they can make it much easier for the Feds by stopping some of those sales before they ever get there; and you know in your territory we stopped the two worst offenders in the Northwest, and it was as much our fault as theirs. They were being encouraged by a War Finance Committee representative to make these purchases.

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H.M.JR: Anybody else?

MR. BELL: They got a lot of encouragement.

H.M.JR: Well, I want to thank this Committee, Mr. Chairman, for their trouble.

MR. BURGESS: We would be glad to write this out if you would like to have us do so.

MR. BELL: I think we would like that.

MR. BURGESS: We'll write a memorandum.

H.M.JR: There are an awful lot of rumors and gossip.

MR. BURGESS: There is a lot of talk that there won't be a two and one-half, and there won't be a two. It's all right if you offer two and one-quarter and one and one-half. You can get that kind of anchored. That is important to do.

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2/21/45

REPORT OF COMMITTEE ON TREASURY WAR BORROWING
OF THE AMERICAN BANKERS ASSOCIATION MEETING IN
WASHINGTON FEBRUARY 20 to 21, 1945

The Committee conferred for two days with Secretary Morgenthau, Under Secretary Bell, War Savings Director Gamble, Governor Eccles, and other officials regarding plans for the 7th War Loan. We considered the agenda laid before us by the Treasury and the following comments follow that agenda.

1. The Committee approves the emphasis on sales to individuals proposed by Mr. Gamble including an E bond goal of 4 billion and a goal for individuals of 7 billion. It was believed that the emphasis should be placed on these goals rather than on the overall goals. These individual goals are approved on the understanding that the books would be open for three months for savings bond purchases including particularly a three months' effort on payroll savings accounts.
2. Dates. We approve the proposal that the drive for payroll savings accounts be from April 9th through July 7th and that the savings bonds sold for a period of three months be included in the drive quotas. We approve for the main drive for individuals the period May 14th through June 16th. During this period a house to house canvass would be made for E bonds and intensive drives for sales of market bonds to individuals would take place. While the books would be open for corporate subscriptions during the whole period, we suggest that the results of corporate purchases be announced only during the last ten days of the period.
3. The Basket. The Committee is concerned that the rate structure on which Treasury War financing has taken place has partly broken down since the 6th War Loan. The Committee has a sense of responsibility in this matter because from the beginning of the war we have cooperated with the Treasury in its efforts to maintain this general rate structure. From a long range point of view we believe a further reduction in the rate of interest received by individuals and corporations whose funds represent true savings is most undesirable. The Treasury together with the Director of Economic Stabilization is working on a program to encourage savings and discourage spending. The banks of the country are cooperating in this program. The maintenance of rates at least as attractive as have prevailed is necessary to the success of this whole program.

In our recommendations with respect to rates, therefore, our primary concern is in making an offering that is attractive to the savings of the people so that the greatest amount of surplus funds may be put into savings with a retarding effect on inflation. In accordance with this policy we urge most strongly that a long 2- $\frac{1}{2}$ % bond be retained in the market basket. This could be done with a maturity two or three years longer than the last offering or the issue could be varied by introducing a ten-year spread between the call and maturity date, as for example, a bond of 65-75.

We also suggest that a 2 $\frac{1}{4}$ % bond with a maturity of approximately 13 to 17 years be offered on a restricted basis similar to that governing the 2 $\frac{3}{8}$ % bonds and

should be available for bank purchase only when they get within ten years of maturity or call date. A 2- $\frac{1}{4}$ % bond of this middle maturity will be attractive to many investors who do not want to go quite as far as the 2- $\frac{1}{2}$ % bond but whose needs would not be met by a very short maturity.

We recommend the inclusion in the basket of F and G Savings Bonds and C Savings Notes and Certificates of Indebtedness for both corporations and individuals and, of course, E Bonds for individuals.

For individuals and corporations we also recommend a 1- $\frac{1}{2}$ % Treasury note or bond of approximately five-year maturity. We believe that this security would not be subject to the same dangers of free riding and speculation as a longer security of 1- $\frac{3}{4}$ % or 2%, but would fill the needs of many investors. In order to keep an orderly market and prevent the bonds going to an excessive premium, we believe a limited offering should be made directly to the banks at the close of the drive, to be announced before the drive begins.

4. Deferred Payment Subscriptions. Because we find it to be to the interest of the Treasury Department to attract to Government bonds all increases in the assets of insurance companies and savings banks, and the deferred payment subscription plan helps to achieve that end at no extra cost nor market disturbance, we recommend its continuance with proper safeguards to avoid abuse.

If there appears to be danger of abuse, the preferred payment subscriptions might be limited to restricted market securities in an amount not in excess of the growth in reserves of insurance companies and in deposits of savings banks over the two months' period, December 20, 1944 to February 20, 1945.

5. Bank Purchases for Savings Accounts. We recommend that the same program of offering restricted issues for bank savings accounts be followed as in the 6th War Loan; i.e., 10% of savings deposits or \$500,000, whichever is smaller. The American Bankers Association has been carrying on an educational campaign in keeping with the general program for planned savings to encourage banks to offer as attractive rates as possible to savings depositors and to promote an increase in those deposits. The Treasury arrangement for allowing limited purchases of restricted issues for bank savings accounts is very helpful in this general program.

6. Plans to Reduce Switching and Market Abuses. We suggest that the banks be requested by the Treasury through the Reserve banks not to buy outstanding issues above the market and to keep switching at a minimum consistent with normal portfolio operations.

The partial break-down in the rate structure and free riding is largely connected with the increase in excess reserves of banks at the time of war loans and we suggest the desirability of exploring methods by which this increase to excess reserves can be moderated either by Federal Reserve open market policy or by possible restraints on the size and character of war loan accounts. Policing of individual subscriptions should be continued as in the 6th War Loan. We believe the proposed offerings of securities will make policing easier.

7. Recommendations for Improvement in War Loan Drive Technique. The banks are planning to strengthen their nation-wide sales program and their organization for the 7th War Loan drive. A separate committee is being organized for promotion by States and regional groupings. Every effort will be made to increase depositor participation by the wider use of bank quotas, scoring, reporting and staff competition.

February 21, 1945
4:06 p.m.

HMJr: Hello.

Jean Wehner: Yes, sir.

HMJr: Who is this speaking?

W: This is Miss Wehner, Mr. McCloy's secretary.

HMJr: Well, this is Mr. Morgenthau.

W: Yes.

HMJr: I promised to let Mr. McCloy know about those two men he was holding somewhere on the West Coast

W: Yes.

HMJr: on the way to the Philippines.

W: Yes, sir.

HMJr: Are you familiar with it?

W: Yes, sir.

HMJr: You tell him that -- to let them go.

W: (Laughs) All right, I'll do that.

HMJr: What?

W: I will do that.

HMJr: - And tell him I also say, "Thank you".

W: All right, sir, I'll do that.

HMJr: Thank you.

W: He's down with the Secretary right now.

HMJr: But I told him I'd let him know before the sun set someplace.

W: Well, that's very nice of you.

HMJr: I don't think it will set in Washington today.

W: No, I don't believe it will set today.

HMJr: All right.

W: Thank you.

FEB 21 1945

Dear Mr. Pinanski:

I have been informed of your recent appointment as National Chairman of the War Activities Committee of the Motion Picture Industry, and I want to take this opportunity to extend to you my personal best wishes. I know that as Massachusetts Chairman for the previous drives you have done an outstanding job, and I feel confident that under your experienced guidance the national program for the Seventh War Loan will be a tremendous success.

Please feel free to call upon the Treasury Department for any assistance we can give. The part the motion picture industry plays in the War Loan drives is most important to us, and we stand ready to cooperate with you and your committee to the fullest.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Samuel Pinanski
National Chairman
War Activities Committee of the
Motion Picture Industry
M & P Theatres
60 Scollay Square
Boston, Massachusetts

MSpriggs: beh
2/19/45

WE THE PEOPLE

C.B.S. Network

285 MADISON AVENUE, NEW YORK 17, N.Y.

February 21, 1945

Ashland 4-8400-8437

Secretary Henry Morgenthau
Treasury Department
Washington, D. C.

Dear Mr. Secretary:

On behalf of the members of the staff of WE THE PEOPLE who had the pleasure of working with you previously and at the broadcast last Sunday, may I express our sincere gratitude to you for being with us and for your assistance in making the program a success.

Very respectfully yours,

Lindsay MacHarrie
Producer
WE THE PEOPLE

Lindsay MacHarrie;vg

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

TO Secretary Morgenthau
FROM Mr. Shaeffer *B.P.*

February 21, 1945

Attached is the finished copy of your speech in New York tomorrow night.

For your information, this afternoon's 2:40 plane for New York will carry 100 copies air mail special delivery for George Little at the Waldorf-Astoria, who will arrange for distribution.

TREASURY DEPARTMENT
Washington

FOR RELEASE AT 10:15 PM, EWT,
Thursday, February 22, 1945.

Press Service
No. 45-24

(The following broadcast by Secretary Morgenthau at a dinner of the National Council of American-Soviet Friendship, Inc., at the Waldorf-Astoria Hotel, New York City, will be broadcast over the Mutual Broadcasting System at 10:15 PM, EWT, Thursday, February 22, 1945, and is for release at that time).

The celebration of Red Army Day this year comes under the happiest of auspices. In the past, the observance of this anniversary was an assertion of faith. Tonight, it is an expression of approaching triumph.

The greatest and fiercest battles the world has ever witnessed are now in progress. We can no longer be in any doubt as to their issue. A year ago they were waged deep within the heartland of our Ally. But today the invader is invaded. The fighting presses ever deeper into enemy soil. What was once known as Hitler's fortress has been transformed into his dungeon. Soon we shall see imprisoned there - and at last, extinguished - the evil spirit of militarism and Nazism and aggression which has brought the terrible scourge of war upon the world.

It seems peculiarly appropriate for Americans to salute the Red Army on a day which marks the birth of the father of this country. The mammoth Russian forces, like the little band which fought under the leadership of George Washington, had as their cause and goal the independence of the land in which they live. The cause of American independence seemed a hopeless one in the dark winter of Brandywine and Valley Forge. Against an enemy superior in preparation and equipment, General Washington could oppose only indomitable faith and inexorable determination. In the end, these prevailed.

It was upon courage and steadfastness of purpose that the Red Army had to rely in the terrible winters when Moscow and Leningrad and Stalingrad were besieged. Perhaps never in man's history has a whole people - soldiers and civilians alike - endured and surmounted so fearful an ordeal. Many wondered in the early days of the Nazi invasion, whether the Red Army could absorb its shock and then gather the strength to send the enemy reeling back to his own frontiers. What inner resources did the Russian people draw upon to do this? What fountainhead of faith made possible this military miracle?

To be sure, there are many answers to this question. Some will explain it in terms of space and logistics and maneuver. Some will cite numbers and climate and supply. No doubt all these factors played their part. But in the last analysis, the magnificent resurgence of the Red Army, like any other miracle, can be understood, I think, only in terms of the spirit. There are behind the Soviet organization of military might, as there were behind the troops of George Washington's Army, a consuming devotion to an ideal and the rare qualities of leadership necessary to evoke, sustain and mobilize the loyalty of a whole people.

There is, as there was among the people of Britain in the terrible days after Dunkirk, a sense of exaltation and consecration lifting them above ordinary human endurance.

Russian Armies have always displayed bravery and stamina. But in past wars they have been betrayed by poor leadership and inferior equipment. Now, however, the traditional courage of the Russian soldier is directed by leaders of superb skill, from Marshall Stalin himself to the great generals commanding the various sectors of the long eastern front. Everywhere, they have outwitted as well as outfought the Germans opposing them. The present great offensive, now nearing its culmination, is in itself a miracle of planning, of organization and of execution.

In this conflict, the courage of Russian soldiers has been supplemented also by the finest and most effective of modern weapons. This is a war of machines. Waging it as such, the Red Army has equalled and, in many respects, surpassed its enemy. Soviet tanks, for example, are commonly acknowledged to be among the most powerful in the world.

We in the United States take tremendous pride in having shared significantly in equipping and supplying the Red Army. Most of its guns and shells and tanks and planes have come, of course, from Soviet factories - some of them transplanted with prodigious effort clear across the vast country out of the path of the invading Germans. But through Lend-Lease - America's contribution to the vast Allied system of mutual aid - we have shipped huge quantities of needed materials to Russia. The British, too, have shared their weapons with their Soviet Ally. The one guiding principle among us has been to put our arms wherever they could be wielded most effectively. In particular, it is a source of pride to us that the Red Army has

rolled into combat in large part on trucks and tractors made in the United States. Soviet valor gave this country time to harness its tremendous industrial power to war needs. In turn, the products of our factories have been used to strengthen our great Ally in the struggle against our common enemy.

We have developed in this war a great and enduring coalition. The human and material resources of each of its members have been devoted without stint to the attainment of the goal we share. We have been able, because of this unity, to bring our strength to bear upon the enemy with the fullest effectiveness. And it is this unity which is the real source of the success now crowning our efforts on every front. This is the true secret weapon of the war - the one weapon against which neither Hitler nor any other would-be world conqueror could hope to prevail. Hitler must be demented indeed if he still hopes to disrupt the coalition we have forged against him.

The death knell for any such hope was tolled resoundingly at Yalta in the Crimea. There the leading statesmen of the world's three greatest powers demonstrated again that the unity created by the war is to endure even beyond it and is to serve as the bulwark for future peace. It was only disunity among us that made possible Hitler's attack upon us individually. And only through disunity among us can aggression ever again threaten our security.

We have learned a great lesson in the bitter school of war - that peace is indivisible. If we in America have been late in learning it, nevertheless we have learned it well. We know now that the earth is integrated, that the welfare and security of any portion of it is tied to the welfare and security of the whole.

Not only peace but prosperity as well is indivisible. We know now that the improvement of living standards which we seek at home can be realized only through an improvement of living standards in all portions of the world. And we can bring about that improvement only by continuing in peace the unity we have discovered in war.

We have already made a hopeful start in this direction. At the International Monetary and Financial Conference held last summer at Bretton Woods, the representatives of 44 nations composed their differences and found a basis for common action in meeting certain common economic problems. At that conference, the representatives of the Soviet Union set an example for the rest of us in enlightened generosity. They took the lead in bringing the difficult discussions to their successful conclusion.

It is noteworthy, I think, that this was the first international economic conference in which the Soviet Union took part. Like ourselves, the people of that great nation have come to understand that their economy, however it may differ from ours, cannot be isolated. It has a vital stake in the economic health of the world.

Both Russians and Americans, I am certain, will emerge from the war with a new understanding and appreciation of one another. The achievements of the Red Army and the heroic devotion of all Soviet citizens have commanded the admiration of the entire world. Misconceptions about Russian life and character are being cleared away. In the same manner, I am sure, there is growing among the Russian people a new esteem for the greatness of America. They have seen us throw off our lethargy, flex our muscles and devote ourselves and all that we possess to the defense of human freedom. They have seen the valor of their own soldiers matched by that of Englishmen and Americans who stormed the beaches of Normandy, and then swept the Nazi Armies back to their own borders.

There will come a day when the forces of the United Nations will meet and clasp hands in the partnership of victory. They will know that their victory has grown out of their partnership in war. They will understand that their common interests and purposes transcend their differences. They will recognize that their power imposes upon them a high responsibility, that what they won must be held in joint trusteeship for the world. They will forge there a new kind of partnership among nations -- a partnership of peace.

oOo

February 21, 1945

My dear Mr. Novicov:

Thank you for your letter of February 19th with which you forwarded material on the achievements of the Red Army. It certainly is a magnificent record. The material was very helpful as background in preparing my address for February 22nd in New York. I hope you will like the speech.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Mr. N. Novicov,
Charge d'Affaires,
Embassy of the Union of Soviet Socialist
Republics,
Washington, D.C.

EMBASSY OF THE
UNION OF SOVIET SOCIALIST REPUBLICS
WASHINGTON, D. C.

February 19, 1945

PERSONAL

My dear Mr. Secretary:

I have just received from Moscow and am forwarding herewith material on the achievements of the Red Army which you requested in connection with your address in honor of the 27th anniversary of the Red Army in New York.

Please feel free to use it in any way you deem suitable.

Sincerely yours,
N. Novicov

N. Novicov
Charge d'Affaires

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

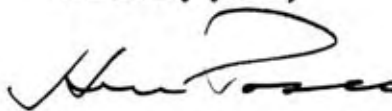
WAR DEPARTMENT
OFFICE OF THE CHIEF OF STAFF
WASHINGTON

February 20, 1945

Dear Mr. Secretary:

I return the material concerning the achievements of the Red Army which you were so kind as to leave with me for the benefit of the General Staff. Thank you for letting us see it.

Sincerely yours,



H. M. PASCO
Lt. Colonel, GSC
Asst. Sec., Gen. Staff

The Honorable

The Secretary of the Treasury

THE RED ARMY'S GREAT OFFENSIVE

In the past year the Red Army has registered a series of new and brilliant victories.

In the winter of 1944 the Red Army scored signal victories in the Ukraine, west of the Dnieper; routed the Germans at Leningrad, and ejected them from the Crimea, where the conference of leaders of the three Allied powers was recently held.

In 1944 the Soviet Army smashed the German defenses on the Karelian Isthmus, as well as between Lakes Ladoga and Onega, and knocked Finland out of the Hitlerite bloc. In the historic battles in Byelorussia the Red Army smashed the Germans' central group consisting of three armies, killing and capturing 540,000 of the enemy. Upward of 250,000 Germans were killed or taken prisoner in the south, where the Red Army surrounded and completely annihilated the German group consisting of two armies.

The Red Army defeated the Germans in Rumania and the Baltic Regions. In the summer campaign in 1944 the Red Army fought its way forward from Kishinev to Belgrade, a distance of over 900 kilometers, and from Vitebsk to Tilsit, a distance of 550 kilometers. In 1944 the Red Army finally cleared the Nazis from Soviet territories, put Finland, Rumania and Bulgaria out of the war, liberated part of the territory of Norway, Poland, Czechoslovakia, Yugoslavia and Hungary, and carried the war into German territory.

In the winter and summer campaigns of last year the Red Army clearly manifested its enhanced military skill and its ability to smash through fortified zones and swiftly pursue, surround and annihilate the enemy. In offensive actions extending over a wide front, Red Army commanders insured precise coordination of all arms

and revealed high maneuvering skill.

It should be stated that Red Army commanders are constantly perfecting their military proficiency and that the Soviet science of warfare, having put the experience of this war to the best effect, has completely triumphed over the enemy on the gigantic battlefields. It is not for nothing that Stalin's science of war is now called the science of victory.

On November 7, 1944, Marshal Stalin authoritatively declared that "the Red Army has grown into a formidable force and is now superior to the enemy in fighting ability and war material." It should be added that the efficient work of the Soviet rear keeps the Red Army uninterruptedly supplied with arms, ammunition and food.

Such were the conditions in which the Red Army prepared for its winter offensive, which is arousing the admiration of the whole world.

1. The general situation. At the close of its summer and winter offensive the Red Army was outside Libau, on the borders of East Prussia, on the Narew and Vistula Rivers, west of Sandomierz and Sanok, and was fighting in Budapest. It was preparing "to consummate, in conjunction with the Armies of our Allies, the complete rout of the German-fascist army..." and hoist the flag over victory over Berlin."

The Germans manned their "Eastern wall" with 200 divisions. Their purpose was not only defensive; they intended to launch another offensive against the Soviet Union.

Reinhardt and Harpe, commanders respectively of the German central and southern groups of armies, declared in their January orders of the day: "Our hour has come again. Our comrades in the west have already passed to the offensive, and at the proper moment the soldiers of the Eastern Front, too, will receive the command from their Fuehrer, 'Forward.'"

2. A brief description of the theater.

a) East Prussia--from which the Junkers for centuries exercised their Drang nach Osten; the stronghold of Hitler and of his misanthropic race theory; supplier of food and raw materials to Berlin and industrial districts--constituted the Germans' strategical flank on the Red Army's route to Berlin.

b) Poland, Czechoslovakia and Western Hungary--sources of food, minerals, war goods and labor power for Germany.

c) Chief objectives in the depth of the theater--Berlin, with its four and one-half millions and numerous industrial plants; Silesia, Germany's second largest metal and coal region; Pomerania, major supplier of grain, potatoes and meat, with a large ship-building, steel-smelting and oil-refining industry; Brandenburg, highly developed industrial (especially war industry) province.

Fortification of these regions was first undertaken in the First World War and continued ever since, especially after the Hitlerites came to power and after the seizure of Poland, Czechoslovakia and Hungary. Old fortifications were perfected

and new up-to-date ones built, in the light of experience of war with the Red Army.

Chief types of fortification were ferro-concrete and steel pillboxes, trenches and massed obstacles. They were supplemented by field fortifications. Pillboxes were dispersed at intervals of 50 to 200 meters, arranged in several zones, each five or six kilometers and more in depth. Fire-power was echeloned in depth. Forts were modernized.

Fortification was facilitated by lakes, marshes, rivers and forests, especially in East Prussia. The Narew, Vistula and Oder Rivers were formidable obstacles.

The Permanent fortified zones were echeloned hundreds of kilometers in depth, stretching beyond the Oder. There were five to eight such zones in all, not counting intermediate ones. Cities, villages and road hubs were converted into powerful strongpoints.

In strength the Eastern wall excelled the Siegfried fortifications.

1. Preparations for the Offensive. Conception and objectives.

The course and results of the Red Army's operation justify us in assuming that the Soviet Supreme Command planned to strike the original blows in several places, which were then to merge into one continuous blow along the entire 1,500 kilometer front. This huge front was to be shattered and East Prussia torn from it.

Lastly, the Germany front was to be dismembered and the enemy annihilated piecemeal, and the offensive swiftly pushed into the heart of the enemy's territory.

For this purpose

a/ In East Prussia the Third Byelorussian Army was to strike its main blow in the direction of Tilsit and Koenigsberg, and the Second Byelorussian Army was to advance from the Narew River on Soldau, then northward toward the sea, and cut off the Germany East Prussian group. The internal flanks were to contain the enemy at the Masurian lakes.

b/ In the center the enemy was to be routed on the Berlin and Silesian sectors. The First Byelorussian Army, operating from two small bridgeheads south of Warsaw, was to perice the enemy defenses, push northward, and simultaneously forcing the Vistula north of Warsaw, was to surround Warsaw and capture. Subsequently this army was to advance on Poznan and Frankfurt-on-Oder.

The First Ukrainian Army, operating from a bridgehead west of Sandomierz, was to advance on Breslau and into the Silesian industrial area and seize both. In the course of these operations, these armies

were to reduce the Lodz fortress, Torun, Cracow and other strategically important points.

c/ In the south, the Fourth Ukrainian Army and the right wing of the Second Ukrainian Army, were to advance through the Carpathians and liberate Czechoslovakia. The left wing of the Second Ukrainian Army and the right wing of the Third Ukrainian Army were to complete the destruction of the enemy in Budapest.

2. The available forces and means were of such character and in such quantity as to make it possible to smash the enemy's permanent fortifications, pierce them and develop the breach. The Soviet Armies were deeply echeloned and supplied with tanks and motor formations which could be quickly introduced into the breaches, and which could advance swiftly for hundreds of kilometers into the enemy's positions.

3. As in earlier offensives, the Red Army made thorough and painstaking preparations for so complex an operation as the simultaneous offensive of several army groups against the Germans' powerful fortifications.

4. Consideration of the position on the Allies' fronts.

The Germans had achieved a certain amount of success in their Belgian counter-offensive, but our Allies, under Field Marshal (General) Eisenhower were able to stem it and develop offensive action in their turn. In Italy, notwithstanding the difficulties offered by the mountainous terrain, Anglo-American Armies were slowly gnawing through the enemy's defenses on the road to North Italy.

Consequently, in January too the main share of the task of routing the German-fascist armies still fell to the Red Army.

The offensive.

1. The main blows. The first blow was struck in the center by the First Ukrainian Army on January 12 from the bridgehead west of Sandomierz.

A second blow was struck two days, January 14. It was threefold: a/ in East Prussia by the Second Byelorussian Army; b/ in the center by the First Byelorussian Army; c/ on the extreme left wing in the Carpathians, northwest of Miskolc, by the right wing of the Second Ukrainian Army.

A third blow was struck on January 15. It was twofold: (a) in East Prussia by the Third Byelorussian Army; b) west of Sanok by the Fourth Ukrainian Army.

Thus the blows which began on January 12 on the Breslau sector, gained in momentum and in four days spread along the entire 1,500 kilometer front.

The effect of this method of striking was: 1/ to merge all blows into one single blow; 2/ to pin the enemy's reserves to the attacked centers and to disperse the German command's attention among several sectors lying 50, 100 and 280 kilometers from one another.

It should be stated that the Red Army was the first in history to demonstrate its ability to deal blows in different places and with decisive aims on an immense front. In 1918, Ludendorff and Foch were unable to administer such blows along an entire front and were compelled to confine themselves to one spot, with the result that the force of

the blows was quickly spent.

In 1941 the Germans did not advance along the whole front, but only in three strategical directions (on Leningrad, Moscow and Rostove).

The Red Army was able to deal simultaneous blows in different spots and with decisive aims because it is a mighty army possessing modern arms (tanks, motorized formations, self-propelled guns, infantry and aircraft in sufficient strength.

2. The course of operations.

The effect of the first blows was stupendous. Everywhere the Red Army pierced the enemy's deeply echeloned, permanently fortified zones, and penetrated his positions to the depths of 40 to 60 kilometers. Not only the tactical depths of the defenses (zones of divisions and corps) but also army defense areas were pierced. The speed of the advance attained 10 to 20 kilometers per day. It was possible everywhere to introduce mobile formations into the breaches to exploit the success. The mobile formations were followed by the infantry to consolidate positions won.

However, breaches of 60 to 100 kilometers were insignificant comparable /comparative/ with a front of 1,500 kilometers. Given the slightest delay on the Red Army's part, or the relaxation of the speed of its advance, the enemy could have concentrated reserves, closed up the breaches and stemmed the Red Army's offensive.

The Red Army was able to prevent this, thanks to its possession of mobile troops and aircraft in sufficient numbers. What is more, the mobile troops and aircraft prevented the Germans from organizing an effective defense on new lines.

But even the possession of adequate troops is not enough. It required a high level of skill on the part of the Soviet Supreme Command, and the commanders of the fronts to group mobile troops and aviation in such a way as to make it possible to shift them easily and introduce them promptly into the breaches. It was also necessary to provide timely support for the advanced mobile troops, which meant having infantry formations and means of transport available, to be sent wherever needed.

The genius of the Supreme Commander, Marshal Stalin, effectively planned the dispatch of the mobile troops into the break-through areas, the cooperation of the air force and support by the infantry. It was he who directed the operations of the front commanders in carrying out these measures. Eight days after the break-through our troops had torn the German front to shreds and were annihilating the enemy piecemeal, had penetrated deeply into his positions and had widened the break-through areas to form one solid front.

Development of Operations

The advance was so swift that the enemy had no time to organize systematic resistance. The strong points were by-passed and left to be reduced by the following-up troops. Hundreds of attacks (sometimes as many as a half score in one day in one area) were repulsed. Hundreds of tanks, and one or two infantry divisions, sometimes partook in the enemy counter attacks.

The encirclement and subsequent annihilation of the enemy was widely practiced. On January 21, one of such a surrounded group,

3,200 Germans were killed, 4,000 taken prisoner and several hundred guns captured. On January 24, in another place, 6,000 killed, 3,000 prisoners, 53 tanks captured. On February 3, in one big pocket southeast of Kustrin, 8,000 killed, 9,500 prisoners, over 200 guns captured, and in another place, 5,000 killed, 1,500 prisoners, 180 guns captured.

Thousands of Germans were killed or taken prisoner, and hundreds of guns, tanks and aircraft were destroyed or captured daily. Particularly noteworthy is the capture of hundreds of aircraft on airdromes.

General Conclusions.

General conclusions.

A. The following features characterize the Red Army's offensive: Firstly, the extraordinary extent of the front: 1,500 kilometers. Secondly, the powerful enemy fortifications. Thirdly, the fortifications were saturated with fire weapons. Fourthly, the unusual stubbornness of the defense. Fifthly, possession by the enemy of operational and strategical reserves; large transfers of troupes from the Western and Italian fronts.

B. Preliminary strategical and operational fronts.

B. Preliminary strategical and operational conclusions: Firstly, the Soviet Supreme Command set the Red Army decisive aim demolishing the enemy. Secondly, the operation was undertaken simultaneously and a vast front by one continuous and cumulative blow to a terrific depth of hundreds of kilometers. Thirdly, right from the first the enemy's front was cut into two huge sectors: East Prussia and the rest of the front followed by the dismemberment, encirclement and annihilation of the enemy; an immense pocket in East Prussia and dozens of other pockets, large and small. Fourthly, the heaviest blows were struck on sectors of major importance (East Prussia, Berlin, Silesia). Fifthly, the unusual speed of the penetration, attaining 20 to 30 kilometers a day. Sixthly, the break through was effected chiefly by the artillery which operated in all weather conditions. It was massed on the major sectors. The effect of artillery preparation devastating the enemy losing 50 to 70 per cent and more of his effectiveness. Seventhly, the success of the break-through and subsequent advance across river barriers were insured by the bridgeheads maintained on the enemy's

bank. Eighthly, the speed of the advance was facilitated by concentrated blows in depth by large mobile formations with subsequent consolidation of the gains by the infantry units. Ninthly, the concentrated employment of aviation which skilfully cooperated with the mobile formations by plastering the enemy reserves moving up to the front, troops concentrations, centers of resistance and strong points, all of which facilitated the swiftness of the advance; in bad flying weather, support was given by the artillery instead of aircraft. Tenthly, the skilful outflanking movements combined with frontal blows. Eleventhly, huge enemy losses amounting on January 24, to over 308,000 men killed or captured, 600 aircraft, 3,000 tanks, self-propelled guns, 8,000 guns, 7,300 mortars, 26,000 machine guns, 34,000 vehicles. The losses in men and material were equally heavy since January 24. Budapest alone cost the enemy 107,000 men. The loss of industrial and agricultural regions has

C. This plan of operations was conceivable and its execution made possible, thanks to the high development of modern arms of the Red Army, and its splendid armament. This in its turn was due to the high development of the Soviet Union's productive forces and the ardent patriotism of its citizens. The working class collective farm peasant and the intelligentsia, by their joint efforts, provided the Red Army with modern armaments.

The Red Army has once more demonstrated that its men and officers are gallant fighters and make splendid use of their weapons, and that the generals are skilfully and confidently leading their troops to victory.

Our enemies are forced to admit that, "Soviet armies are advancing

into the heart of Germany, and that everything hangs on a hair." The Crimea Conference of the three great leaders has reaffirmed that no mercy will be shown to Germany, and that she will be dealt blows of increasing power.

Our Allies characterize the Red Army's offensive as "the most powerful in this war." And we may add for its power and scope, it is without parallel in history.

All this is due to the fact that the Red Army has mastered Stalin's science of victory. It is due to that fact that "The Red Army has grown into a formidable force and is now superior to the enemy in fighting ability and war material," as Stalin said. It is due to the brilliant planning and direction of operations on the part of our Supreme Commander.

The Red Army is now 70 or 80 kilometers from Berlin and in conjunction with the armies of our Allies, it will accomplish the final phase of its mission.

The Red Army is being led to victory by the genius which created the Soviet State, which created the Red Army, and which taught and trained it to win -- the genius of the Great Stalin.

FEB 21 1945

Dear Mr. von Windegger:

Thank you very much for your kind letter of February 15. It was a distinct pleasure to have your enlightened comments on the report by the three committees of the American Bankers Association.

You have made an excellent suggestion about obtaining additional support for the Bretton Woods Agreements by stressing that they are component parts of a broad plan for political and economic cooperation after the war. I can assure you that we will do everything we can to get this point across to the public.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury

Mr. F. R. von Windegger,
President
The Plaza Bank of St. Louis
1230 Olive Street
St. Louis, Missouri

RB:ec 2/20/45



THE PLAZA BANK OF ST. LOUIS
1230 OLIVE STREET
SAINT LOUIS

February 15, 1945

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

Dear Mr. Secretary:

First, I want to congratulate you and your staff on the clear, unequivocal and bold presentation of the Bretton-Woods Agreement that you made last evening, particularly during the question period. Nowhere was the usual diplomatic evasion in evidence except in answer to the question, "Why do the bankers oppose it?", at which time it was both justified and necessary. While the Administrative Committee of the American Bankers Association was authorized by action of the Convention in September, 1944, to speak for the Association, no vote of the membership as a whole has ever been taken as to the question of support or opposition by the individual bankers. With my forty years experience with the regrettably ovine characteristics of the bankers' mentality, it is easy to understand how such an authorization was obtained at the Convention.

One naturally wonders why the objecting bankers claim the support of three banking organizations, the American Bankers Association, the Federal Fiscal Policy Committee of the Association of Reserve City Bankers, and the Study Committee on Post-war Problems of the Bankers Association for Foreign Trade. Is this to give the public an impression of strength and solidarity to their objections? Any one close to the banking fraternity knows that these three organizations are dominated, if not by identical men, certainly by men of an identical philosophy. To anyone knowing the actual conditions, it weakens their case and beclouds their sincerity and good faith. It also raises the question as to the objecting bankers' acceptance of the purposes of the fund, and if those are brought in question, what validity can be given to their objection to detail. Are the objecting bankers and the technicians starting from the same premise?

Is a group of men notoriously short-sighted to be permitted to overthrow this constructive agreement? Remembering the position of the American Bankers Association at the Boston Convention in 1913, when it opposed the Federal Reserve Act, and their more tragic insistence on our remaining on the gold standard after England went off in 1931, it can be suggested that their objections and selfish attitude now should not be given too much weight.

Most regrettable of all is the evidence of isolationism in the bankers' objections. Unless we have the vision and courage to cooperate wholeheartedly with other peoples of the world, let us take our tongues out of our cheeks and prepare now for World War III, which may be the end of civilization.

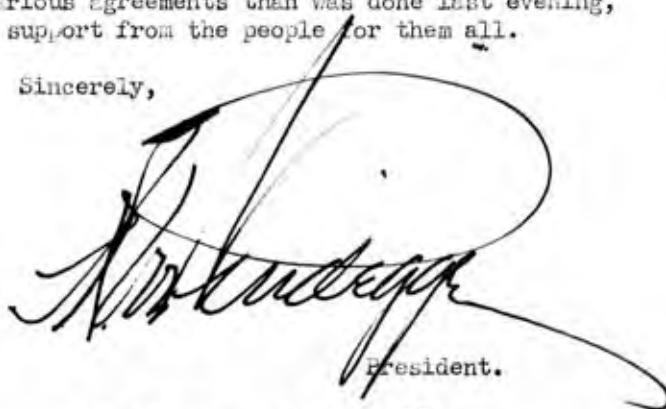
Page 2 - continued

February 15, 1945

It is nothing more or less than a miracle that the experts of forty-four countries could arrive at an agreement as adequate as the one that has been submitted to Congress for approval. Winston Churchill has rightly said, "The price of greatness is responsibility." Our country is at the peak of its power, which, because of the rapid development of industrial production and science, may not be true twenty-five years from now. This is our great opportunity to lead the peoples of the world down the path of peace. There is a growing conviction here in Missouri that the only ultimate solution to these great problems is World Federation.

Last, may I offer what I think is a constructive suggestion? In all of our explanations and in our endeavors to educate the people here, we have taken the position that all of these various agreements, Dumbarton-Oaks, Bretton-Woods, Hot Springs Food, Chicago Aeronautic, Anglo-American Oil, and others still to come, are all component parts of a peace plan and each must be accepted and adopted if there is to be any hope for the success of the plan. Much favorable publicity has been given by the press and commentators to the Dumbarton-Oaks proposal and the necessity for its adoption, but too little stress has been put on the other international agreements which in our humble opinion are vital to the success of the Dumbarton-Oaks agreement itself. If more stress was given to the interdependence of these various agreements than was done last evening, it would be helpful in getting support from the people for them all.

Sincerely,



President.

FRvW:DF

F. R. von WINDEGER

February 21, 1945.

Dear Chester:

It was a real pleasure to receive your letter of February 16 enclosing the St. Louis newspaper reports of my visit.

Von Windegger's letter was most encouraging. We will need that kind of support from a lot of people. Luxford saw Gregory Sunday and he shares your view that Gregory can be a real help.

The reaction to our discussions in St. Louis have been extremely gratifying and I know that this is due, in large part, to your personal efforts.

Sincerely,

(Signed) H. Morgenthau, Jr.

Chester C. Davis, President,
Federal Reserve Bank of St. Louis,
St. Louis 2, Missouri.

FEDERAL RESERVE BANK OF ST. LOUIS

ST. LOUIS 2, MISSOURI

OFFICE OF
THE PRESIDENT

February 16, 1945

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

Dear Henry:

The St. Louis reaction to your visit here was enthusiastic and favorable. The consensus is that you and the members of your staff did a magnificent job. I want you to know also that it gave me great personal pleasure to have you here again.

You will recall our discussion on F. R. von Windegger, President of the Plaza Bank of St. Louis. He has sent me a copy of the letter he wrote you yesterday. Mr. von Windegger is courageous and hard working and I commend him to you most highly as a leader interested in all steps that lead toward international cooperation for peace. His former associate in the bank, whom I mentioned to you but whom you did not meet, Mr. W. L. Gregory, is also a hard-hitting young leader, who unquestionably will do what he can to keep the fires burning for ratification of the Bretton Woods agreements. Mr. Gregory is now vice president of the Easton-Taylor Trust Company, St. Louis. He had another meeting on his hands Wednesday, which made him late in arriving at your meeting, but I saw him come in.

I was sorry Allen May did not attend the meeting. He has served as Chairman of the St. Louis Win The Peace Forum, which has been the most active organization here in support of international cooperation. Mr. May is president of the Mutual Savings Life Insurance Company, St. Louis. I should think that the organization - the Win The Peace Forum - or at least the men who were active in it are likely to prove the most influential supports of the monetary agreements in this community.

I am quite sure your press service has shown you the newspaper reports of your visit here. I am enclosing the news story and the editorial which appeared in the Post-Dispatch. This was the most complete coverage.

I am certain that your visits with the press accomplished a great deal of good in that particular direction.

Thank you again for coming out. I think you may be entirely satisfied with the outcome.

Sincerely yours,

Chester C. Davis
Chester C. Davis,
President.

*P.S. Today's editorial in
Globe, & from Star-Times
also enclosed*
CCD
Enclosures

Mr. Morgenthau's Visit

Mr. Morgenthau did a good day's work in St. Louis yesterday. At a series of meetings, culminating in a Chamber of Commerce dinner, the Secretary of the Treasury, his able Assistant Secretary, Harry White, and other members of the Treasury staff, explained the Bretton Woods proposals and answered many questions about them. Particularly fruitful was the question period after Mr. Morgenthau's radio address. The replies cleared up a good many misunderstandings and misconceptions about the nature of the proposed international bank and the proposed international monetary fund.

However complicated may be the technical aspects of the Bretton Woods proposals, their main objectives are easily grasped. The monetary fund is designed to promote the balanced growth of international trade by stabilizing all currencies in relation to each other. This will permit importers and exporters to make their business transactions with confidence. It will end the anarchy in monetary exchange that prevailed before the war, best dramatized by the fact that a score of different kinds of marks were employed by Hitler's Germany alone in the economic warfare that preceded the shooting war.

The international bank is designed to provide long-range productive investment to repair the ravages of war and to enable the nations of the world to regain their economic security. The bank does not supplant private banking. But in marginal cases where private banks cannot afford risks, the international bank would guarantee loans to rebuild factories, dams, power plants, transportation systems and other forms of wealth that have been damaged or destroyed in the war.

Bretton Woods is a vital complement to Dumbarton Oaks. A system of collective security by political arrangements among the nations of the world is, of course, fundamental. But unless the world achieves some measure of economic and financial security along with these political arrangements, they cannot endure. In a very real sense, Bretton Woods, since its aim is world prosperity—or to put it in simpler terms, jobs and bread and butter—goes closer to the heart of the world's problems than Dumbarton Oaks.

There are skeptics who say that the Bretton Woods proposals are faulty. Only recently a report was issued by the American Bankers' Association criticising the proposals and suggesting amendments to them. The report comes rather late in the day. The bankers were given every opportunity to criticise the plan while it was being formulated, but they come now at the eleventh hour with suggestions which, if adopted, might well wreck the whole elaborate structure raised at Bretton Woods. Moreover, the report reveals an imperfect understanding of some vital aspects of the proposals.

No man is so wise that he can say with certainty that the monetary fund and the international bank will accomplish all they are designed to do. They enter new and experimental fields, and to that extent they represent a gamble. But the biggest gamble by far is to do nothing to prepare for the postwar world's economic and financial problems. We know it to be the bigger gamble by the economic and financial history of the world between the two big wars.

Congress is about to pass upon the Bretton Woods proposals, and we hope it does so with a broad, statesmanlike view. Upon its approval of them may depend the success of the Dumbarton Oaks proposals, for if the world cannot depend upon us for economic and financial co-operation, it is likely to distrust our offers of political co-operation.

BRETTON WOODS MARKS END OF ECONOMIC ISOLATIONISM, MORGENTHAU TELLS C. OF C.

Adoption of Program Would Demonstrate U. S. Determination to Support Principles of Crimea Conference, Treasury Secretary Says in Address Here.

By HARRY WILENSKY
Of the Post-Dispatch Staff.

ADoption of the Bretton Woods proposals for international cooperation in the solution of monetary and financial problems would signify the end of "economic isolationism" in the United States and would demonstrate the country's determination to support with concrete action the principles formulated at the Crimea Conference, Secretary of the Treasury Henry Morgenthau Jr. asserted here last night.

He addressed 800 business men and civic leaders at a Hotel Jefferson dinner sponsored by the Foreign Trade Council and, Member Assembly of the St. Louis Chamber of Commerce.

As did the President in his message to Congress last Monday, Morgenthau emphasized the importance of both major agreements worked out by representatives of 44 nations who met last July at Bretton Woods, N. H.

One created international bank for reconstruction and development, the Treasury Secretary explained, "will begin when private loans have run out," guaranteeing and making direct loans serving to increase world production and expand international trade, while the other, an international monetary fund designed to stabilize currencies in relation to each other, will operate to prevent economic warfare.

Bank Indorsed by A. B. A.

The American Bankers Association last week indorsed the international bank, but opposed the proposed monetary fund and suggested that transfers of currency for trade purposes be assigned to the bank. In a reply issued in Washington, Morgenthau said he would fight to preserve the Bretton Woods agreements intact, assuring the fear that amendments would give the program for world economic co-operation the "bite of death."

In his formal address last night he made no direct reference to opposition from bankers, but the point came up during an informal question-and-answer discussion which followed, and both Morgenthau and Assistant Secretary of the Treasury Harry White discussed it.

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In reply to a question, "Why are the bankers opposed to the Bretton Woods agreements?" White asserted, "They're not." He pointed out that Charles C. Tamm, president of the Federal Reserve Bank of St. Louis, who instructed Morgenthau at the dinner, favored the proposals, as did bankers of Pennsylvania and other states.

"There are, however, a number of influential bankers who favor the international bank but not the monetary fund," White added. "I want no legislation, I'm afraid they're a little confused as to what are banking and what are stabilization operations. The reason is understandable; in their profession, bankers want to be sure what they lend is soundly safeguarded. But they have overlooked what we realize in relation to the vital question of a high level of living standards, which is infinitely greater than what we give."

'No Battle With Banks'

Morgenthau supplemented White's answer by declaring that bankers have the right to present their views, but by expressing his conviction that the difference of opinion was not serious. "I want to offset the idea of any battle with the banks and to emphasize once and for all the action there is a serious difference between us," he said.

In his formal address, Morgenthau had emphasized the monetary fund was not an scheme of lending money to deficit nations, and had declared that he would see it in that light if the American Bankers Association are making its entire meaning. Essentially, it is an instrument to avert a disastrous outbreak of economic warfare.

In reply to another question, White said that the fund, the bank and monetary fund were not set up as separate institutions but as the integral of stability and good administration. The two would deal with different tasks demanding a high order of specialized expertise, he stated.

Asked how much Bretton Woods would cost the taxpayers, Morgenthau said, "I always try to point the darkest picture, and would like you to find it will cost the taxpayer some money—but how much we can see say, inasmuch as these would be new types of operations. But I can guarantee you we do estimate the cost will be small."

Presiding at the meeting was J. M. O'Rourke, chairman of the Foreign Trade Bureau and a vice president of the Merchants' Commerce Bank and Trust Co., the Bretton Woods proposer in reply to a question from a Post-Dispatch reporter.

Mayor Aloys F. Kaufmann spoke briefly at the dinner. Morgenthau's formal address was broadcast over a nationwide network.

Text of Address.

The complete text follows: "The world's spirit has rallied with the news that has come from the Crimea Conference. We face the future with new hope—with hope that out of the chaos and cruelty of this frightful war there will emerge a new order in which those who come after us can fulfill their lives in

security, in peace and in friendship with one another.

"One of the agreements reached at the Crimea Conference is a pledge to assist the people of liberated states to rebuild their national economic life. There will be need of such assistance.

"Victory will find a world with millions of war dead—a world with many other millions suffering from wounds, sickness and malnutrition caused by the war.

"It will find cities even larger than St. Louis literally wiped from the face of the earth. It will find the industry, the railroads, the power plants and other sources of whole nations destroyed or paralyzed. It will find a world of millions without jobs, without homes, without food, medicine or fuel—millions filled with fear and despair.

Can't Turn Our Backs.

"We in this country cannot turn our backs on this picture and hope to be left unmolested. To do so would be to shut our eyes to the appalling fate in the country left of millions of our people, to make ourselves from the outset liable for any famine within man's power to relieve.

"The plan for collective security can provide without the impact of a Europe and Asia in chaos. Furthermore, it offers to us the opportunity to get both on their feet. This means something more than the immediate relief to be administered by our liberating armies and by UNRRA.

"It means, too, that the economic life of these war-torn countries can be restored—so that trade with them can be resumed—and that the world of trade with their living standards and living benefits to all who share in it.

"With this purpose in view, let's examine the role of the Bretton Woods agreements.

"In a message to Congress on Monday, President Roosevelt called these agreements the cornerstone for International Economic Co-operation." "Theory," he said, "is not only an end in itself, but, in a larger sense, a victory of five in the means of achieving the goal of lasting peace and a better way of life.

"Victory does not insure the achievement of that larger goal—in many affairs we see the opportunity—the chance—in case their attainment.

"Realization of this opportunity depends, in the first instance, upon continuing agreement among us as to the steps which our relations with one another are to be conducted. Such rules are no less essential in the economic life of the postwar era. We can talk with one another, despite differences of language, because words possess a reasonably stable meaning when they are understood from one country to another. If we are to trade with one another, using different currencies, then there must also be reasonable agreement as to the value of our currencies when we exchange them.

"After the last war, informal attempts were made to stabilize currencies, but they failed. The underlying cause was that each country regarded currency problems as matters of its national concern. But when a country is in a position to stabilize its currency when another is in a position to stabilize its currency, it is essential to maintain stable exchange relationships with others.

"Countries would be defined in terms of gold. To achieve these purposes, the fund would have assets of \$4 billion, of which the United States would subscribe \$1.5 billion.

"Each member country will have the right to make this clear—the fund is not an scheme of lending money to deficit nations—and those who see it in that light are missing its entire meaning. Essentially, it is an instrument to prevent the disastrous outbreak of economic warfare. It represents the common effort of all the countries to keep their currencies stable in relation to each other.

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international trade. The world needs an expert demand for half of our output, consisting of one billion and nearly one-fifth of our production of wheat, rice, iron and other staples. In the long run, we have a future in which America, operating full employment, it possible only if more than 10 per cent of their production is sold abroad.

The sale of these industrial exports makes the real difference between business profits and business losses.

"America is emerging from this war in a position of world leadership. People everywhere look to us with respect and with hope. We hold this position, of course, in part by virtue of the material power of America—by our invention and overwhelming capacity for production on a scale never being before man's imagination. It stems also from the world's confidence in America's intellectual and moral stature.

"Fundamental to the discharge of our responsibilities in world leadership must be a willingness to take a leadership position on the problem of international economic co-operation. It is the first step in meeting the greatest challenge of our time—the issue of lasting peace. At the Crimea Conference, the foundation was laid for such a peace through agreement among world leaders in vital basic principles.

"The world today wants to know the extent in which we in America are prepared to support these principles with concrete action.

"It is in the light of these principles that we must resolve the fate of the Bretton Woods agreements. They represent a concrete advance toward international cooperation on the economic front. To the world they stand as a symbol of the end of economic isolationism in the United States. They do not represent perfection. But they do represent agreement. And agreement is, itself, the very life blood of international co-operation."

At this conference, the 44 nations formulated an agreement for the international monetary fund, which would stabilize the value of all member currencies relative to each other. It would reduce artificial barriers against making payments across international boundaries. It would provide an supplementary source of foreign exchange from which a member country could obtain assistance in maintaining stable exchange relationships with others.

"Countries would be defined in terms of gold. To achieve these purposes, the fund would have assets of \$4 billion, of which the United States would subscribe \$1.5 billion.

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BRETTON WOODS AGREEMENT

Congress should indorse both the International Monetary Fund and the International Bank for Reconstruction and Development embodied in the Bretton Wood agreement. It should do so without undue hedging or delay.

The Globe-Democrat advocates this course in full knowledge that the plan is not perfect and that it contains some weaknesses which, without wise and courageous administration, could produce some discouraging results. But it is an available vehicle which shows promise of reaching, with probable minor repairs en route, its avowed goal.

Some of the criticisms, emanating from a group in the American Bankers Association, are that the program could be better operated as a single institution, that stabilization loans would not be properly safeguarded, that easy access to the fund would tend to make nations over-borrow, and that the United States is called upon for too great a portion of the quotas. Numerous other more technical objections have been raised.

It should be remembered that the fund and bank, speaking simply, have a single purpose each: The former to stabilize currencies and prevent another disastrous outbreak of economic warfare; the latter to provide damaged countries with loans for such reconstruction projects as utilities, industrial repair, irrigation projects and the like.

The fund's personnel, then, must keep a daily check on the values of 50 or 60 currencies in relation to the dollar and to each other. This obviously calls for the highest-type specialized management. And no less technical skill will be required to investigate and supervise the dozens of long-term loans made by the bank to war-damaged nations. This difference in functions and required skills would appear to demand separate institutions in the interest of efficiency.

The question of safeguards is one most of us are willing to leave to the experts in view of the agreement's general provisions for disciplinary action against recalcitrant members. Over-borrowing, for example, would seem, even if permitted by a majority vote, to create a self-correcting disequilibrium, while any nation devaluing its currency beyond prescribed limits would risk suspension from the fund, which also would automatically close bank loans to it.

On the issue of our subscription, realism forces us to admit that we, as the world's most prosperous nation, must foot a good part of the reconstruction bill whether it is under the Bretton Woods agreement or some other device. United States quotas will be roughly one-third of the totals—\$5,925,000,000 out of \$17,900,000,000. That, however, is the maximum and likely will never be called for.

It is possible, perhaps even probable, the operations in the long run may cost us next to nothing—certainly far less than the \$2,000,000,000 in the government's present stabilization fund—for at the beginning we will pay in only about 10 per cent of our fund quota and 20 per cent of our bank commitment, the rest to be demanded only when and if needed.

This is by virtue of the fact that neither the bank nor the fund swings into action until such time as private investment capital fails to come in through normal investment channels in sufficient quantity to do the job. At this point, the institutions perform their function by guaranteeing, for a fee, private loans. Only in case of a borrowing nation defaulting will the institutions be obliged to pay out money. And since the debtor will be defaulting against an organization of 44 nations instead of one, it is expected the resulting adverse credit reputation will encourage such prompt repayment that the bank's cash disbursements in the long run will not exceed the reserves accumulated from fees.

It has been stated the United States will not get a return from the plan in proportion to its investment—an attitude which overlooks entirely but greatest return. For what we will receive is an agreement from those nations vital to our commerce that they will not use the tactics of economic warfare which crushed world trade in the 1930s; a sort of economic non-aggression pact. This is a return of dollars and cents benefit to every worker in America.

Another important consideration is that the Bretton Woods program is the work of 44 nations—not just the Big Three. Financial experts from all these countries labored more than two years to make it as nearly perfect as possible, and the product represents compromises by all. They admit imperfections but point out with logic that the operational details of such a new and bold plan present problems which can be best met by the institutions' governors and staffs as they arise. They present this draft only as a means of doing something—rather than nothing—to forestall another world-wide economic disaster.

Certainly we cannot afford to do nothing. There can be no full employment for us without foreign trade, for on our 10 per cent margin of that trade depends our high standard of wages. And there can be no foreign trade without world monetary stability. The fund proposes to insure that stability, while the bank's purpose is to see that needy nations get the loans by which alone they can rebuild their capacity to trade with us.

At the conference there was a remarkable sincerity of purpose, a unity which seems to justify faith that the participants now perceive that world interest and self interest are inseparable. If this sincerity really exists, we are bound to concede that any reasonable plan can be made to work. If it doesn't exist, we can hold little hope that any economic plan, however perfect, can be made successful. In that case, we may as well go our isolationist way and await inevitable economic chaos and World War III.

We can hold Dumbarton Oaks peace conferences until doomsday, but they will not prevent war unless some economic formula is accepted by all under which each nation has a fair opportunity to survive and prosper.

Bluntly, the Bretton Woods agreement is a challenge to the United States to put up or shut up on its pose as the Great and Good Neighbor in the world community. If Congress approves it speedily and without crippling amendments, it is regarded as certain a majority of the other countries will do likewise by the Dec. 31 deadline. If it refuses or delays too long, it is laying itself open to proper suspicion of hypocrisy, with the probability that neither the Bretton Woods nor any similar pact will ever go into effect.



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Vice-President.

Against Economic War

There are many good reasons why Congress should approve the Bretton Woods international monetary agreements as the Star-Times indicated on Tuesday, but Secretary of the Treasury Morgenthau, in his St. Louis speech, emphasized one of the best of them.

That is the fact that American prosperity depends on foreign trade in greater measure than many of us realize—and will do so more than ever after the war. Mr. Morgenthau estimated that we shall have to sell at least 10 per cent of our produce abroad if we are to enjoy good times.

Now, that does not seem like a very large figure, and some people will say that they would feel just about as prosperous with 90 cents in pocket as a dollar. But they miss the point. Actually, in a great many cases, that 10 per cent will mean the difference between profit and loss.

Seen in that light, it becomes a very important figure, indeed, and a sector of our economy which must be protected against the kind of economic warfare that Germany's Dr. Schacht was waging long before Hitler unlimbered his guns. Without a general agreement, just about every country in the world—the United States included—will be forced into that deadly game which, in the end, never produces a winner.

The Bretton Woods agreements—the fruit of the best economic minds of 44 nations—are the world's safeguard against such folly. Surely, we cannot afford to have them scrapped by Congress.

FEB 21 1945

Dear Professor Harris:

I want to congratulate you on the fine work which you have done in securing approval of the Bretton Woods Agreements by more than two hundred leading economists. I am gratified to know that the nation's leading economists have so wholeheartedly endorsed the work of the Bretton Woods Conference.

The statement which you and the other members of your committee have prepared endorsing the Bretton Woods Monetary Agreements is an excellent one. I feel sure that it will have considerable influence with the public and with Congress.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Professor Seymour E. Harris,
Chairman, Economists' Committee
on the Bretton Woods Program,
234 Littauer Center,
Cambridge 38, Massachusetts.

HPW EFM:ers
AmB RFM

2/21/45

FILE COPY

F-11-3

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

Date

February 20, 1945

TO Harry White.
FROM Secretary Morgenthau.

I think that was a wonderful job getting all those economists together, and if you would write a letter to Professor Harris at Harvard congratulating him on this, I'd be glad to sign it.

February 21, 1945.

My dear Mr. Daniels:

I am replying after some delay to your letter of February 14. I had a talk with Mills Kitchin after hearing from you and from Bob Doughton and I looked into the matter of the vacancy on the New York Customs Court caused by the death of Judge Walker.

Notwithstanding Francis Biddle's belief that the Treasury's recommendation would be relied upon, I find that the place has already been promised and is not available.

We put in a strong bid for the next vacancy, although I have of course no means of knowing when that may occur.

I find that Mills Kitchin has very responsible work in the Department of Justice and is well thought of by our own people.

Elinor and I were both much pleased to have greetings from you and we return our warmest regards and good wishes. My father is now in Winter Park, Florida. I shall greet him for you when I write.

Sincerely,

(Signed) Henry

The Honorable Josephus Daniels
President, The News and Observer
Raleigh, North Carolina

HEG/ash

THE NEWS AND OBSERVER

JOSEPHUS DANIELS, PRESIDENT
RALEIGH, N. C.

J
February 14, 1945

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

Dear Henry:

You will recall that when I saw you on Inauguration Day at the White House I told you how interested Congressman Doughton and I were in the appointment of Mr. Mills Kitchin of this state to the vacancy on the Customs Court at New York. I had supposed that it being a semi-judicial position, the appointment would come under the Attorney General. When I talked to Mr. Biddle about it, he said you made the appointment or recommended it to the President. He seemed very much interested and commended Mr. Kitchin, who has had an important place in the Department of Justice for some time. I am sure if you speak to him about it, he will second the recommendation which Congressman Doughton and I make to you. He is a good lawyer, upholder of sound principles and a sterling Democrat. He is the son of Honorable Claude Kitchin, who was Chairman of the Ways and Means Committee of the House in the Wilson days.

There is a feeling that New York has more than its share of public positions and that has been accentuated since today, for the first time in history except during reconstruction, there is not a southern man in the Cabinet. Of course, Mr. Kitchin ought not to be appointed on that ground, but because he is capable and sound to the core.

Mr. Doughton is very much interested and so am I, and I hope you can see your way clear to make the appointment.

Always with my affectionate regards to you and Mrs. Morgenthau and to your father when you see him, I am,

Faithfully yours,

Josephus Daniels

Josephus Daniels

JD/f

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

February 21, 1945

TO Secretary Morgenthau

FROM J. W. Pehle

Congressman John Taber recently requested certain information with regard to Surplus Property Office employees whose base salary was \$4600 and above.

You may be interested in the attached letter which I have sent to Mr. Taber, transmitting this information.

Enclosure



COPY

February 20, 1945

My dear Mr. Taber:

Attached pursuant to the request set forth in your letter of February 13, and which we discussed February 15, are summaries showing the date and place of birth, educational, professional, and business background, draft status, earnings over the last ten years and present salary, including statutory additions, of all personnel on the Procurement Division, Surplus Property pay roll whose base pay is \$4600 per annum or more.

I believe that you will find from a review of these summaries that the Office of Surplus Property is staffed by a group whose training, background, and experience well qualify them for the positions which they held. Those of the staff who are directly concerned with merchandising have almost all had years of experience in various phases of the merchandising business and many joined our staff at considerable financial sacrifice, having formerly earned salaries as high as \$36,000 a year. I think you will find that those employees holding service positions, such as those engaged in legal and statistical work, are qualified by training and experience in the fields in which they are engaged. This is reflected by the fact that all of these employees are in the classified service, having been duly certified to the Procurement Division by the Civil Service Commission as possessing experience and qualifications in line with the positions they are occupying.

The average age of this group is 47 years. The draft status of the 151 employees may be summarized as follows: 125 are men of thirty-eight years of age or older and thus not subject to call for military service. Only two are men under thirty, one of whom is classified 1-A and presumably will enter the armed services shortly, and the other is classified 4-F. There are but twenty-three men in the 30 to 38 age group, of which fourteen are classified 2-A, one is classified 1-C, one is classified 2-A (f), one is classified 2-B, one is classified 3-A, one is classified 3-D, and one is classified 4-F.

The Treasury Department's policy with respect to requesting occupational deferments has been a strict one. The Procurement Division has not in a single instance requested deferment for any employee under the age of thirty, unless the employee has been classified 4-F by his local draft board. It is the policy of the Secretary to personally review and pass upon all of these cases. It may be mentioned that no one associated with the Surplus Property Activity falls within this category. With respect to males between the ages of 30 and 38 the Procurement Division has adhered strictly to the policies set forth by the Treasury Department, which are in accord with the directives of the Selective Service System and the War Manpower Commission, which provides that Form 42, which is a request for deferment on occupational grounds, shall be submitted in such cases.

The educational qualifications of this group can be summarized as follows: Forty-nine are college graduates, a number having two or more degrees. Twelve completed three years of college, eleven completed two years of college, eleven completed one year of college, thirty-two are high school graduates who have additional technical training in business or technical schools, twenty-three are high school graduates, and thirteen did not complete their high school work. In the cases of those whose formal education was not completed, practical experience seems to more than offset this deficiency.

Of this group of Surplus Property employees, thirty-two were employed in the Procurement Division prior to inauguration of the Surplus Property Program and have been transferred to this activity. The average basic entrance salary of the 151 employees covered in this report was \$5248 per annum, and the average present basic salary of this group is \$5409 per annum. The average basic salary rate of this group just prior to their employment in the Office of Surplus Property was \$5520 per annum, and the average annual income over the past ten years was \$5057 per annum.

I trust that the information supplied herewith is that which you desire. If you wish to have any further details, we

-3-

shall be glad to furnish them.

Very truly yours,

/s/ J. W. Pehle

J. W. Pehle
Assistant to the Secretary

The Honorable John Taber

House of Representatives

~~XXXX~~

DEPARTMENT OF STATE
WASHINGTON

February 21, 1945

Dear Henry:

I don't know whether you expected a report on the matter we discussed on the phone or not. I imagine you know what the report would be. It is clear, from what you said, that the information didn't come from your Department. It is pretty clear that it didn't come from here. That leaves several alternatives - some of them in this Government and some in diplomatic missions. The particular correspondent you had in mind seems to have made some use of diplomatic missions in the past, and I dare say he is still doing so.

However, as you know far better than I, it is quite impossible to find a leak after the water has spoiled the varnish on the floor. Leaks have a way of closing in one place and opening up in another.

My best to you.

Always,

Faithfully yours,

Archibald MacLeish
Archibald MacLeish

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

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE

February 21, 1945

TO Secretary Morgenthau
FROM Mr. DuBois

Pursuant to your request I called Morris Ernst with respect to the book on Germany. He said he would start immediately drawing up the necessary papers and will consult with Joe O'Connell with respect to the tax features. He will be in Washington sometime next week.

Mr. Ernst also mentioned that he had sent to you a feature piece appearing in the London Times on January 29 discussing the Morgenthau Plan and wanted to be sure that you had seen it.

JED

February 21, 1945

*Copy to White
& Coe - 2/22/45*

SOVIET ECONOMIC POLICY IN
RUMANIA, BULGARIA AND HUNGARY

Basic Factors

Under the armistice agreements signed between these three former Axis satellites and the United Nations, they are obliged to supply the Soviet armies operating or stationed in their territories and also to make reparation payments. The economic position of these countries is thus affected by the wartime economic needs of Allied military operations, in which their own armies are also taking part, as well as by those measures adopted by the Soviet Government which illustrate a definite policy for the economic treatment of these countries.

Much of the apparent harshness of Soviet economic policies can be attributed to the fact that Soviet territory was invaded and ravaged by Rumanian and Hungarian troops and to the fact that the Soviet leaders apparently do not feel that these former enemy states under Soviet occupation should be allowed to enjoy a standard of living obviously higher than that of the people of the Soviet Union.

General Lines of Soviet Policy

Such measures as the Russians have taken to date indicate the following general lines of policy:

1. To give priority to Soviet needs for certain goods and equipment for war production and for economic reconstruction over the needs of the former satellites for maintaining production (even of goods needed for the war effort) and for rebuilding their own economies. This has been clearly shown in Rumania, whence equipment essential for the maintenance of oil production and other irreplaceable industrial machinery has been removed to the Soviet Union, and elements of the German-speaking minority important in the economic life of the country have been deported to Russia for war labor. The Soviet Government has, nevertheless, stated its agreement with our viewpoint, on the oil equipment question, that the Rumanian oil industry should be rapidly rehabilitated and production maintained in the interest of the Allied war effort.

2. To maintain strict control over the transport systems of these countries and over their trade with foreign countries. The

Soviet

Soviet authorities have, however, agreed to the conclusion of a commercial agreement between Rumania and Bulgaria and to the opening of negotiations for such an agreement between Rumania and Turkey.

3. To establish no controls over local currencies.

4. To base economic demands on the armistice agreements and to avoid measures which would justify the charge that the basic internal economic and social structure of these countries is being "communized" or otherwise interfered with.

Possible Contributions to Relief and Rehabilitation

For these reasons there is slight possibility that these three countries, although they normally produce a surplus of food-stuffs and certain other products for export, will be able to make any substantial contribution to the relief and rehabilitation of other Allied states in Europe such as Poland, Czechoslovakia, Yugoslavia and Greece. Soviet authorities accept the principle that the former Axis satellites should make some contribution to the relief of other Allied countries; however, except in the case of Hungary, which is obliged under the armistice to supply \$100,000,000 worth of goods to Czechoslovakia and Yugoslavia as reparation, it is not expected that, after Soviet requirements have been satisfied, much will be left over for that purpose.

Soviet Attitude toward Economic Interests of Other States

It is not yet clear whether the Soviet Government intends to dominate the economic policies of Rumania, Bulgaria and Hungary after the termination of the war and after the fulfillment of the obligations these countries have assumed under the armistice agreements. There are, however, indications that it will not welcome British or American economic influence there, and it is doubtful whether the British, for example, will be able to re-establish their pre-war position in the Rumanian oil industry. The Soviet Government has not yet made known its attitude toward a British project for the resumption of trade between Great Britain and Rumania or to American desires to arrange for the eventual export of tobacco and other products from Bulgaria to the United States. On general economic questions, however, in which the

United

United States has an interest, such as reparation and relief, the Soviet Government has thus far dealt directly with the Rumanian and Bulgarian Governments without consulting our representatives.

Rumanian Reparations

A very recent development is the signature of an agreement between the Soviet and Rumanian Governments fixing the schedule of deliveries of commodities by Rumania to the Soviet Union in the next six years. This agreement was signed on January 17, 1945. Of the total of 300 million dollars which Rumania must pay, one half will be in petroleum products. The second largest item is railway equipment, totaling 48 million dollars; a small portion of this is to come from present stocks and the rest from production. The third largest item is industrial plants (28 million dollars); the Russians have already removed to the Soviet Union several entire factories. The remaining items, in order of importance, are as follows: ships, lumber, grain, horses and cattle. The deliveries are to be spread fairly evenly over the six-year period except in the case of grain, which will be delivered only during the first two years, and shipping, of which there will be heavy deliveries in the first year and much less thereafter. Deliveries of railway equipment will increase as Rumania's heavy industry is brought back into the production of such items.

It is the consensus of students of this problem that Rumania should be able to meet these obligations easily if it is allowed to get back to a relatively normal economy. It will become difficult, however, if the Russians insist on removing essential industrial equipment, particularly entire factories, and if Rumania is not allowed to resume commercial relations with those countries which can supply raw materials and industrial equipment needed to keep Rumanian production at the level it had reached before the war.

A price policy for commodities delivered by Rumania under the terms of the Armistice to the U.S.S.R. has recently been established by the Soviet Government. Deliveries of capital goods such as locomotives and machinery are to be priced at a figure fifteen percent above the prices of 1938. All other goods are to be priced at a figure ten percent above the 1938 price. What 1938 prices are has not been determined for all types of commodities. In the case of petroleum products, however, the averages between Rumanian prices and Gulf of Mexico prices for similar commodities are to be taken.

COPY

FEDERAL RESERVE BANK
of New York

February 21, 1945.

CONFIDENTIAL

Dear Mr. Secretary: Attention: Mr. H. D. White

I am enclosing our compilation for the week ended February 14, 1945, analyzing dollar payments and receipts in official British, French, Canadian, and Australian accounts at the Federal Reserve Bank of New York.

Very truly yours,

/s/ H. L. SANFORD.

H. L. Sanford,
Assistant Vice President.

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

Enclosures 2

TREASURY DEPARTMENT
OFFICE OF THE SECRETARY

February 22, 1945

CONFIDENTIAL

Received this date from the Federal Reserve Bank of New York, for the confidential information of the Secretary of the Treasury, compilation for the week ended February 14, 1945, showing dollar disbursements out of the British Empire and French accounts at the Federal Reserve Bank of New York and the means by which these expenditures were financed.

ANALYSIS OF BRITISH AND FRENCH ACCOUNTS
(In Millions of Dollars)

Strictly Confidential
Week Ended February 14, 1945.

PERIOD	BANK OF ENGLAND (BRITISH GOVERNMENT)									BANK OF FRANCE (CAISSE CENTRALE) (h)			
	DEBITS				CREDITS					Net Incr. (+) or Decr. (-) in \$ Funds (d)	Total Debits (e)	Total Credits (e)	Net Incr. (+) or Decr. (-) in \$ Funds (d)
	Total Debits	Gov't Expendi- tures (a)	Transfers to Official Canadian Account	Other Debits	Total Credits	Proceeds of Sales of Gold	Securities (Official) (b)	Transfers from Official Australian Account	Other Credits (c)				
War Years (g)													
First	1,793.2	605.6	20.9	1,166.7	1,828.2	1,356.1	52.0	3.9	416.2	+ 35.0	866.3 (f)	1,095.3 (f)	+ 229.0
Second	2,203.0	1,792.2	3.4	407.4	2,189.8	1,193.7	274.0	16.7	705.4	- 13.2	38.9	8.8	- 30.1
Third	1,235.6	904.8	7.7	223.1	1,361.5	21.8	5.5	57.4	1,276.8	+ 125.9	18.5	4.4	- 14.1
Fourth	764.0	312.7	170.4	280.9	1,072.3	-	0.5	155.1	916.7	+ 308.3	10.3	1.0	- 9.3
Fifth	1,197.7	300.4	61.4	835.9	1,369.6	-	-	253.0	1,116.6	+ 171.9	-	-	-
<u>1944</u>													
September	151.0	19.9	50.4	80.7	56.5	-	-	1.0	55.5	- 94.5	-	-	-
October	127.9	21.0	7.4	99.5	54.7	-	-	1.0	53.7	- 73.2	-	-	-
November	74.2	45.4	2.9	25.9	92.1	-	-	1.0	91.1	+ 17.9	-	-	-
December	80.4	21.9	-	58.5	91.6	-	-	-	91.6	+ 11.2	56.7	6.5	- 50.2
<u>1945</u>													
January	148.9	96.1	31.3	18.9	54.2	-	-	-	54.2	- 94.7	18.5	6.2	- 12.3
February													
March													
April													
May													
June													
July													
August													
<u>Week Ended</u>													
January 24, 1945	6.0	2.5	-	3.5	7.9	-	-	-	7.9	+ 1.9	0.8	0.7	- 0.1
January 31, 1945	43.2	38.9	-	4.3	10.1	-	-	-	10.1	+ 33.1	-	0.2	+ 0.2
February 7, 1945	12.5	5.9(r)	0.4	6.2	6.9	-	-	-	6.9	- 5.6	0.4	8.0	- 0.2
February 14, 1945	8.3	1.9	4.5	1.9	31.2	-	-	-	31.2(1)	+ 22.9	-	0.1	+ 0.1

Average Weekly Expenditures Since Outbreak of War

France (through June 19, 1940) \$19.6 million
 England (through June 19, 1940) \$27.6 million
 England (through June 20, 1940 to March 12, 1941) \$54.9 million
 England (since March 12, 1941) 22.0 million.

See attached sheet for footnotes.

Reports and Analysis Division

r _ Revised

Regraded Unclassified

- (a) Includes payments for account of British Ministry of Supply Mission, British Supply Board, Ministry of Supply Timber Control, and Ministry of Shipping.
- (b) Estimated figures based on transfers from the New York Agency of the Bank of Montreal, which apparently represent the proceeds of official British sales of American securities, including those effected through direct negotiation. In addition to the official selling, substantial liquidation of securities for private British account occurred, particularly during the early months of the war, although the receipt of the proceeds at this Bank cannot be identified with any accuracy. According to data supplied by the British Treasury and released by Secretary Morgenthau, total official and private British liquidation of our securities through December, 1940 amounted to \$334 million.
- (c) Includes about \$85 million received during October, 1939 from the accounts of British authorized banks with New York banks, presumably reflecting the requisitioning of private dollar balances. Other large transfers from such accounts since October, 1939 apparently represent current acquisitions of proceeds of exports from the sterling area and other accruing dollar receipts. See (j) below.
- (d) Reflects net change in all dollar holdings payable on demand or maturing in one year.
- (e) For breakdown by types of debits and credits see tabulations prior to March 10, 1943.
- (f) Adjusted to eliminate the effect of \$20 million paid out on June 26, 1940 and returned the following day.
- (g) For monthly breakdown see tabulations prior to April 23, 1941; October 8, 1941; October 14, 1942; September 29, 1943; September 6, 1944.
- (h) Transactions for account of Caisse Central de La France D'Outre-Mer included for first time in week ended December 6, 1944.
- (i) Includes \$ 8.2 million apparently representing current and accumulated dollar proceeds of sterling area services and merchandise exports, \$ 19.1 million in connection with the expenses of our armed forces abroad, and \$ 1.0 million transferred from account in this market of Norwegian Shipping and Trade Mission.

ANALYSIS OF CANADIAN AND AUSTRALIAN ACCOUNTS
(In Millions of Dollars)

Week Ended February 14, 1945 Str. y
Confidential

PERIOD	BANK OF CANADA (and Canadian Government)								COMMONWEALTH BANK OF AUSTRALIA (and Australian Government)								
	DEBITS				CREDITS				Net Incr. (+) or Deer. (-) in \$Pun(e)	DEBITS				CREDITS			
	Total Debits	Transfers to Official A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C For Own A/C	For French A/C	Other Credits		Total Debits	Transfers to Official A/C	Others Debits	Total Credits	Proceeds of Gold Sales	Transfers from Official British A/C For Own A/C	For French A/C	Other Credits
War Years (a)																	
First	323.0	16.6	306.4	504.7	412.7	20.9	38.7	32.4	+ 181.7	31.2	3.9	27.3	36.1	30.0	6.1	+ 4.9	
Second	460.4	-	460.4	462.0	246.2	3.4	123.9	88.5	+ 1.6	72.2	16.7	55.5	81.2	62.9	18.3	+ 9.0	
Third	525.8	0.3	525.5	566.3	198.6	7.7	-	360.0	+ 40.5	107.2	77.4	49.8	112.2	17.2	95.0	+ 5.0	
Fourth	723.6	-	723.6	958.8	47.1	170.4	-	741.3	+ 235.2	197.0	155.1	41.9	200.4	-	200.4	+ 3.4	
Fifth	849.3	1.0	848.3	958.5	38.1	61.4	-	859.0	+ 283.3	298.6	253.0	45.6	287.7	-	287.7	+ 10.9	
1944																	
September	74.5	0.1	74.4	91.8	-	30.4	-	41.4	+ 17.3	5.8	1.0	4.8	7.3	-	7.3	+ 1.5	
October	24.1	-	24.1	84.2	-	7.4	-	76.8	+ 50.1	20.5	1.0	19.5	21.0	-	21.0	+ 0.7	
November	38.8	-	38.8	53.7	-	2.9	-	38.8	+ 14.9	3.4	1.0	2.4	5.8	-	5.8	+ 2.4	
December	41.5	0.7	40.8	32.7	-	-	-	39.8	+ 8.8	1.1	-	1.1	19.5	-	19.5	+ 16.3	
1945																	
January	35.1	-	35.1	91.6	10.0	31.3	-	50.3	+ 56.5	27.4	-	27.4	5.6	-	5.6	+ 21.8	
February																	
March																	
April																	
May																	
June																	
July																	
August																	
Week Ended																	
January 24, 1945	2.7	-	2.7	2.9	-	-	-	2.9	+ 0.2	22.1	-	22.1	0.9	-	0.9	+ 21.2	
January 31, 1945	8.3	-	8.3	7.6	-	-	-	7.6	+ 0.7	0.1	-	0.1	0.1	-	0.1	+ 0.2	
February 7, 1945	1.0	-	1.0	16.5	-	0.4	-	16.1	+ 15.5	0.6	-	0.6	3.8	-	3.8	+ 1.8	
February 14, 1945	3.1(c)	-	3.1	25.2(a)	-	4.5	-	20.7(d)	+ 22.1	0.2	-	0.2	0.3	-	0.3	+ 0.3	

Average Weekly expenditures for

First year of war	6.2 million.
Second year of war	8.9 million.
Third year of war	10.1 million.
Fourth year of war	13.9 million.
Fifth year of war	16.1 million.
Sixth year of war (through February 14, 1945)	7.9 million.

- (a) For monthly breakdowns see tabulations prior to April 23, 1943; October 4, 1943; October 14, 1943; September 29, 1943; September 6, 1944.
- (b) Reflects changes in all dollar holdings payable on demand or maturing in one year.
- (c) Does not reflect transactions in short term U. S. securities.
- (d) Includes \$ 0.6 million deposited by War Supplies, Ltd. and \$ 18.0 million received from New York agents of Canadian chartered banks.

DEPARTMENT
OF
STATE

INCOMING
TELEGRAM

137
DIVISION OF
CENTRAL SERVICES
TELEGRAPH SECTION

MF-32

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

Chungking

Dated February 21, 1945

Rec'd 10 a.m.

Secretary of State

Washington

268, February 21, 1 p.m.

FOR SECRETARY OF TREASURY FROM ADLER.

Have consulted Acheson (in Hurley's absence) and Stanton of FEA. Your 262 of February 16. All agree that export of gold to China from National Resources Commission holdings in New York essential to continuation of tin production. Acheson and I are of opinion however that whether shipment of gold for National Resources Commission should replace or be in addition to "normal" shipment of gold to China should depend on availability of transportation facilities, et cetera.

ATCHESON

WSB

CONFIDENTIAL
For security reasons the
text of this message must
be closely guarded.



EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.

February 21, 1945

OFFICE OF THE
EXECUTIVE DIRECTOR

MEMORANDUM

To: Secretary Morgenthau

From: William O'Dwyer

I think that Mr. George Silverman, a civilian who is Chief of Analysis and Reports under General Echols, of the Army Air Force, would be extremely helpful to us in working out the program which the Board approved yesterday. I would appreciate it if you would raise this with Mr. McCloy and ask him to arrange to have Mr. Silverman available to the Board in an advisory capacity commencing immediately.

William O'Dwyer
I talked to McCloy
secretary about this.
(W)

EXECUTIVE OFFICE OF THE PRESIDENT
WAR REFUGEE BOARD
WASHINGTON 25, D. C.



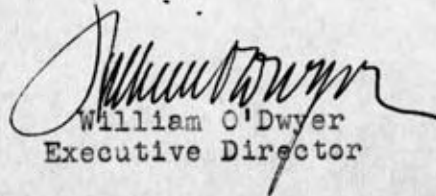
OFFICE OF THE
EXECUTIVE DIRECTOR

FEB 21 1945

My dear Mr. Secretary:

I am pleased to send you herewith a copy
of the report of the War Refugee Board for the week
of February 5 to 10, 1945.

Very truly yours,



William O'Dwyer
Executive Director

The Honorable,

The Secretary of the Treasury.

Enclosure.

Report of the War Refugee Board
for the Week of February 5 to 10, 1945

REFUGEES FROM GERMAN TERRITORY ARRIVE IN SWITZERLAND

Representative McClelland confirmed a report, which reached us from a private source, of the arrival in Switzerland of 1,210 refugees from German-held territory. The liberation of this group of Jewish civilian internees, who are said to come from the concentration camp at Theresienstadt, resulted from the efforts of a former Swiss Federal Councillor. Representative McClelland arranged with the Swiss Federal Police for entry permission and preliminary reception and housing preparations for the group.

This convoy, which arrived in Switzerland on February 7, is composed largely of adults, with approximately an equal number of men and women, the number of children under twelve years of age included being only about 58. McClelland advised us that according to preliminary reports these refugees, only a few of whom are slightly ill, seem to be in fairly satisfactory physical condition in contrast to the recently arrived exchangees from Bergen Belsen. Aside from a report that from 500 to 600 Dutch Jews are among them, no details were available regarding the composition of the group as to nationalities, documentation, etc. It is expected that McClelland will be able to give us further information as soon as the Legation has received the list of the refugees which the Swiss police are to furnish.

There are indications that additional convoys of Jewish refugees from Germany and German-held areas may follow at periodic intervals, the military situation and transportation facilities permitting. Accordingly, the Swiss inquired as to whether the assurances given by this Government with respect to the evacuation from Swiss territory of Jewish refugees from Hungary to Allied regions would be applicable to a group from Germany such as this one. We immediately cabled McClelland that our assurances are not limited to refugees coming from any specific enemy or enemy-controlled territory.

The release of some 540 French men and women and a few Swiss nationals said to have been imprisoned by the Germans on espionage charges was also reported and is apparently linked with the efforts which brought about the release of the group of 1,210 Jews. The French group, who are believed to be

- 2 -

political prisoners, arrived at the Swiss border on February 7 en route to France, and four of the Swiss nationals have already arrived in Switzerland.

EXCHANGED LATIN-AMERICAN PASSPORT HOLDERS

We received a cable from Marseilles advising us that the number of persons in the group of exchangees from Bergen Belsen who are to be sent to Philippeville is between 150 and 160.

EVACUEES FROM BERGEN BELSEN

Representative Mann advised us that he has taken up with the British the question of the possible admission to Palestine of all or a part of the group of 1,672 evacuees from Bergen Belsen who are being removed from Swiss territory. The Foreign Office indicated that it will be able to reply as soon as it has received a full report which it has requested from the British Minister at Bern.

SITUATION IN GERMAN CONCENTRATION CAMPS

From our Legation in Dublin, we learned that the Irish Charge d'Affaires conveyed to the Germans our message indicating our expectations that Jewish and other civilian internees in German concentration, detention, and forced labor camps will be kept alive by the Germans in accordance with their statement that rumors of their intention to exterminate them are without foundation. He was informed that the inmates of the camps at Auschwitz and Birkenau have been evacuated to points in the interior.

Reports from Russia

Our Embassy in Moscow cabled us the substance of reports which have appeared in the Russian press since the capture of Oswiecim (Auschwitz) by Soviet troops. According to the statement of a former Russian inmate, quoted in an official communique of January 31, the number of prisoners in this camp varied between 15,000 and 30,000. His statement confirmed reports from other sources that invalids and men and women who were unable to work were killed by gas and their bodies burned in special furnaces. He reported that those who were fit for labor were forced to work in mines and prisoners who grew weak from hunger, heavy labor, and beatings were killed by the Germans.

- 3 -

An article by a war front correspondent described in detail the arrangements and organization for mass exterminations and told of reports by local inhabitants that five to eight trains manned by special crews and loaded to capacity arrived at the camp daily during 1941, 1942, and the early part of 1943 from the occupied areas of Czechoslovakia, Poland, the Soviet Union, Yugoslavia, and France, and that no train was ever seen to return carrying passengers. Apparently as a result of the disclosure of the findings at the Majdanek camp near Lublin, the Germans were said to have dismantled many of their installations at Oswiecim during the past year in an effort to remove evidence of their crimes at this camp. The correspondent reported that he had seen thousands of tortured inmates of the camp who were saved by the Red Army's rapid advance and described them as people whose age it was impossible to guess and who were so exhausted that "they swayed like shadows in the wind." The number of Jews among these survivors was not indicated.

An American correspondent reported after a visit to Lodz that he was informed that only 829 of a pre-war population of 250,000 Jews survived there.

COOPERATION OF SWISS AND SWEDISH GOVERNMENTS

As a result of the approach made by Representative McClelland in accordance with our request that the Swiss be asked to undertake intensified efforts to keep the surviving victims of Nazi persecution alive during the coming stages of hostilities in Europe, our Legation was advised by the Division of Foreign Affairs of the Swiss Federal Political Department that the protective value of frequent visits by Swiss consular officials to places where Jews are concentrated is being studied by the Swiss Legation at Berlin with a view to determining the lines along which action can most profitably be taken. The Swiss emphasized, however, that the situation is not the same as it was in Hungary, since Swiss intercession in favor of Jews in Germany has up to now been countenanced only with respect to limited categories of beneficiaries of Palestine certificates, United States immigration visas, and Latin-American protective documents insofar as such persons were being considered for exchanges.

Swiss officials were informed that a new appeal by the Swiss Government to the German Government to refrain from further extermination and persecution of the Jews remaining in German-occupied territory would be welcomed by this Government. The Swiss advised our Legation that they have contacted their Legation at Berlin to examine the means of taking action

along the desired lines.

In response to a similar request for intensified efforts on the part of the Swedish Government in behalf of surviving Jews and other victims of Nazi persecution in German-held territory, Swedish officials were skeptical that the Germans would be receptive to Swedish suggestions in this matter. The Board's views were transmitted by the Foreign Office to the Swedish Minister in Berlin, who expressed the opinion that under present conditions an approach to the German Government by Sweden alone would have completely negative results. He reported that German authorities are entertaining no requests by Swedes or others for permission to visit Jewish concentration camps and suggested that some action might possibly be taken by the International Red Cross, which he believed to be the only possible body that could be employed for this purpose. Minister Johnson was assured that the Swedish Government is keenly aware of the dangers and all their implications and that it is exploring every possibility for useful action.

PROPOSED EVACUATION OF HUNGARIAN JEWS FROM AUSTRIA

According to trustworthy information, some 17,000 Jews deported from Hungary in June 1944 are at present in various types of camps under German authorities on former Austrian territory. Bearing in mind the energetic and generous efforts of the Government of Switzerland to arrange for the exit from Hungary to temporary asylum in Switzerland of some 12,000 Jewish holders of Palestine certificates and Swedish protective documents whose departure German and Hungarian authorities had consented to in October 1944 and whose evacuation was prevented by developments in the military situation, our Legation in Bern asked the Swiss Government whether it would be willing to renew its approaches to the German Government in behalf of Hungarian Jewish deportees in Austria. Inquiry was made as to whether the Government of Switzerland would consider it feasible to request the German Government to permit the departure of an equal or a larger number of Jewish refugees of Hungarian or other nationality now located on former Austrian territory, it being suggested that such representations, if limited to those categories of deportees which the Germans are not using as labor, specifically, elderly persons, women, and children, they might have a greater chance of success. Renewed assurances were given that all such Jewish refugees admitted to Switzerland will be evacuated as soon as possible and that expenses incurred for their maintenance in Switzerland will be reimbursed. The Swiss Federal Political Department replied that it is devoting to this question the attention it deserves and in agreement with the Swiss Legation at Berlin will carefully examine

what representations could be undertaken for this purpose.

EVACUATIONS FROM NORWAY TO SWEDEN

A report was received from our Legation in Stockholm concerning rescue and relief operations in Norway conducted from Sweden during December 1944. Six vessels are now engaged in evacuations by sea routes, and over 600 refugees were transported to Sweden during the first three weeks of December. Shipments aggregating 28,000 kilograms of foodstuffs, 2,700 kilograms of clothing, and 770 pairs of shoes were made through licensed and other channels during the month.

JEWISH REFUGEES IN SHANGHAI

A private organization in this country has asked its representative in Stockholm to request the Swedish Government to grant Swedish passports to a number of refugee rabbinical scholars in Shanghai whose evacuation it is seeking to effect. We cabled this information to Minister Johnson and Representative Olsen and advised them that it is our understanding that the organization contemplates evacuating the rabbinical group by exchange against Japanese civilians in a Western Hemisphere country other than the United States or by overland evacuation through Russia to neutral territory, pending arrangements for a permanent destination, without reciprocal benefits for Japan. We have been informed that the first method involves negotiations through the Vatican and complicated shipping and technical arrangements and that, with regard to the second method, it is reported by the Vatican that there is no indication of Japanese consent to unilateral removal of this group.

JEWISH REFUGEES IN YUGOSLAVIA

On the basis of a report by an individual who recently arrived in Italy from Topusko, Ambassador Kirk cabled us that there are 107 foreign Jewish refugees there who should be evacuated as soon as possible, although severe winter weather prevents their removal at present. They were said to be well fed and clothed, although a group of more than 1,000 Jews of Yugoslavian nationality are living there under difficult conditions.

SITUATION OF SLOVAKIAN JEWS

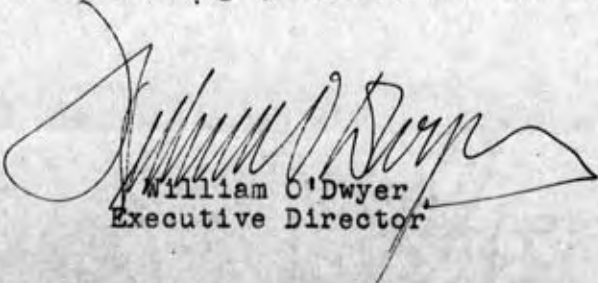
Representative McClelland relayed to us information furnished by the International Red Cross that thirteen Jews claiming American nationality were transferred from Marianka to the camp at Bergen Belsen in spite of the intervention of the Intercross delegate at Bratislava with the Slovakian Ministry

- 6 -

of Foreign Affairs. Four of these persons had previously been removed to Sered and then brought back to Marianka. They reported that they had not been violently treated either on the journey or at Sered and that the food which they received was satisfactory, but they were not able to give any information concerning the remainder of the group of 164 claimants to North or South American nationality, who were segregated pending their deportation.

According to the report of the Bratislava delegate of Intercross, about the only way Slovakian Jews can escape the measures taken against them is to find a safe hiding place, which is very often in a cellar or in the ruins of a bombed house. It is difficult to assist those in hiding, but the delegate is making every effort to find suitable intermediaries for getting needed funds and supplies to them.

Our Legation in Bern cabled that our message protesting the destruction by the Germans of identity documents held by interned Slovakian Jews has been delivered to the Swiss Foreign Office for communication to appropriate German authorities. However, since neither the Legation nor Representative McClelland has a list of the document holders who were at Marianka, they were not able to inform the Swiss as to the names of the persons involved. Although the Intercross delegate at Bratislava did not arrive in Slovakia until after the deportation of most of the Marianka group, McClelland is nevertheless endeavoring to obtain the desired list from him.



William O'Dwyer
Executive Director

CABLE TO AMERICAN EMBASSY LONDON, FOR MANN FROM WAR REFUGEE BOARD

Please deliver following message to Dr. Schwartz from M. A.

Leavitt of American Jewish Joint Distribution Committee:

QUOTE SAMUEL GOLDWYN PRESIDENT WELFARE FUND LOSANGELES NOW PARIS.
IMPORTANT YOU FAMILIARIZE HIM OUR PROGRAM AND FURNISH AVAILABLE
MATERIAL USEFUL FOR LOSANGELES CAMPAIGN. UNQUOTE

THIS IS WRB LONDON CABLE NO. 46

2:15 p.m.
February 21, 1945

CABLE TO AMERICAN EMBASSY LONDON, FOR MANN FROM WAR REFUGEE BOARD

Please deliver following message to Dr. Schwartz from
M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE REFERENCE YOUR CABLE BELGIAN REQUIREMENTS WE ARE NOT CLEAR WHETHER NATIONAL COMMITTEE FOR DEFENSE JEWS ACTUALLY RECEIVED \$150,000 OR NOT. BELGIAN EMBASSY ADVISES THEY CABLED THEIR GOVERNMENT UNDER DATE NOVEMBER 21ST AUTHORIZING FRANC EQUIVALENT BE PLACED DISPOSAL NATIONAL COMMITTEE. WE APPLIED FOR LICENSE REMIT \$300,000 TO ALFRED GOLDSCHMIDT WHICH HOPE SEND NEXT DAYS. FULLSTOP RESNIKS LETTER JANUARY 12TH INDICATES HE ASSUMING RESPONSIBILITY FOR JUGOSLAVIA ALBANIA AND GREEK PROGRAMS. ASSUME PASSMAN MAY FEEL AT LEAST GREECE WITHIN HIS COMPETENCE AND BEFORE CONFLICT JURISDICTION ARISES HOPE YOU WILL CLARIFY RESPONSIBILITIES RESNIK PASSMAN. UNQUOTE

THIS IS WRB LONDON CABLE NO. 47

2:15 p.m.
February 21, 1945

CABLE TO AMERICAN EMBASSY LISBON, FROM WAR REFUGEE BOARD

Please deliver following message to Harold Trobe from
M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE ADVISE RESNIK WE RECEIVED LICENSE REPAY DEBTS
AND SUGGEST HE MAKE REPAYMENTS SECURING COMPLETE
UNCONDITIONAL RELEASE FROM EACH LENDER. WE HAVE MADE
NO REMITTANCE DIRECT TO GREECE AS HAVE HAD NO IN-
STRUCTIONS TO WHOM REMIT AND IN WHAT AMOUNTS. ADVISE
WHETHER REMITTANCE SHOULD BE MADE AND TO WHOM. FUL-
STOP LINDER LEFT FOR LONDON LAST WEEKEND. UNQUOTE

THIS IS WRB LISBON CABLE NO. 144

2:30 p.m.
February 21, 1945

CABLE TO AMERICAN EMBASSY LISBON, FROM WAR REFUGEE BOARD

Please deliver following message to Harold Trobe from M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE ADVISE SCHWARTZ SALY MAYER INTERGOVERNMENTAL COMMITTEE APPROVED \$300,000 RUMANIA \$300,000 HUNGARY \$50,000 NORTHERN ITALY FOR LAST QUARTER 1944 AND FIRST QUARTER 1945. ALLOTMENTS FOR HUNGARY AND RUMANIA AVAILABLE FOR RELIEF AS WELL AS OTHER PURPOSES PREVIOUSLY SPECIFIED AND AS EMERGENCY MEASURE MAY BE USED FOR RUMANIAN AND HUNGARIAN JEWS AS WELL AS REFUGEES THOSE COUNTRIES. APPROVAL GIVEN FOR PURCHASE RUMANIAN CURRENCY AND ITALIAN CURRENCY SWITZERLAND ON SIMILAR CONDITION AS PREVIOUSLY APPROVED FOR PURCHASE HUNGARIAN CURRENCY IN SWITZERLAND. ICC GAVE ASSURANCE TO RUMANIAN GOVERNMENT THAT WE ACTING AS AGENT WILL NOT TRANSFER ANY FOREIGN CURRENCY TO RUMANIA BUT WILL ARRANGE CREDITS IN RUMANIA ON PROMISE REPAYMENT AFTER WAR OR EXCHANGE FOREIGN CURRENCY FOR FUNDS HELD IN RUMANIA BY PERSONS RESIDING OUTSIDE AND IN LATTER CASE CARE WILL BE TAKEN THAT TRANSACTION DOES NOT ASSIST ENEMY. ADVISE WHEN SALY MAYER REQUIRES REMITTANCE ABOVE AMOUNTS. UNQUOTE

THIS IS WRB LISBON CABLE NO. 145

2:30 p.m.
February 21, 1945

CABLE TO AMERICAN EMBASSY LISBON, FROM WAR REFUGEE BOARD

Please deliver following message to Harold Trobe from
M. A. Leavitt of American Jewish Joint Distribution Committee:

QUOTE REMITTED SALY MAYER \$100,000 SHANGHAI GRANT
FEBRUARY AND \$400,000 SECOND HALF FEBRUARY SWITZERLAND.
UNQUOTE

THIS IS WRB LISBON CABLE NO. 146

2:30 p.m.
February 21, 1945

MI-467

PLAIN

Lisbon

Dated February 21, 1945

Rec'd 1:25 p.m., 22nd

Secretary of State,
Washington.

402, Twenty-first

WRB 332 JDC 183 FOR LEAVITT FROM TROBE

Further our 152 Gottfarb advises he will probably send fifty tons bread flour or grain price about twelve cents per kilo freight Stockholm to Leningrad about \$25 per ton probably freight free Leningrad to Lublin.

CROCKER

WSB

MH-453

PLAIN

Lisbon

Dated February 21, 1945

Rec'd 1 p.m., 22nd

Secretary of State,
Washington.

403, Twenty-first

WRB 334 JDC 185 FOR LEAVITT FROM TROBE.

Passman advises "agree shipment medicines
liberated Czecho-slovakia from Stockholm and we
shall confine ourselves to purchases shoes, tex-
tiles only." Advised Schwartz.

CROCKER

RR

LC-454

PLAIN

Lisbon

Dated February 21, 1945

Rec'd 1:06 p.m., 22nd.

Secretary of State,
Washington.

404, Twenty-first.

WRB 335 JDC 186 FOR LEAVITT FROM TROBE.

Mayer advises Maurice Marcus in Belgrade, reports approximately 2,000 Jewish families in great need clothing, blankets, linens, medicaments, housing.

CROCKER

RR

LC-466

PLAIN

Lisbon

Dated February 21, 1945

Rec'd 1:20 p.m., 22nd

Secretary of State,
Washington.

405, Twenty-first.

WRB 336 JDC 187 FOR LEAVITT FROM TROBE

Your 412, Saly giving Intellectuals Committee Swiss francs 10,000 monthly. Schwartz advises this amount arrived at after discussion with Mrs. Boritzer who actively in charge of work. Schwartz believes you should not make any grants to Fanny Silverschein apart from amount already granted in Switzerland. Regarding budget for Paris matter being taken up by Greenleigh who will advise. Schwartz requests you advise if you have any other recommendations.

CROCKER

RR

JIM-473

PLAIN

Lisbon

Dated February 21, 1945

Rec'd 1:40 p.m., 22nd.

Secretary of State

Washington

406, twenty-first.

WRB 337, JDC 188 FOR LEAVITT FROM TROBE.

Saly advises that reliable source informs him approximately 114,000 Jews survived (*) Budapest and that Fildermann has shipped 36 tons food from Bucharest to Budapest.

CROCKER

(*) apparent omission, correction to follow.

BB

MH-452

Plain

Lisbon

Dated February 21, 1945

Rec'd 1:05 p.m., 22nd

Secretary of State,
Washington.

407, Twenty-first

WRB 338 JDC 189 FOR LEAVITT FROM TROBE.

Saly advises credit made available to
Filderman for first quarter 1945 amounts to
Swiss francs six million.

CROCKER

RR

PLAIN

Lisbon

Dated February 21, 1945

Rec'd 1:30 p.m., 22nd.

Secretary of State,

Washington.

408, Twenty-first.

WRB 339.

FOR HIAS, 425 LAFAYETTE STREET, NEW YORK, FROM
DAVID SCHWEITZER HICEM.

Your letter January 15, 22nd, 29th, concerning communications with Rumanian people there most anxious receive news and financial help relatives which Jacobson confirms once more by cable dated February 16 "Must insist some positive action your part for speeding up replies from New York which perhaps should increase staff for handling inquiries speedily since inquiries here getting disagreeably impatient" concerning news since difficult and takes long transmit letters indirect channels (see our letter February 2) are always transmitting telegraphically extracts information from letters sent by our different correspondents as well as Hias therefore most important you obtain and transmit us answers from relatives. Concerning individual financial assistance refer our cables November 27, December 10, your cable December 18 our letters January 16 and 23. Most urgent you obtain license transfer funds directly to Switzerland or to United States being understood that remittances can be effected from Switzerland through International Red Cross Geneva to Bucharest Red Cross actually accepted several remittances for transmission consider individual remittances Rumania vital importance our proteges and urge make all efforts to organize transfers.

CROCKER

RB

MH-468

PLAIN

Easbon

Dated February 21, 1945

Rec'd 1:28 p.m., 22nd

Secretary of State,
Washington.

409, Twenty-first

WRB 340 JDC 190 FOR LEAVITT FROM HAROLD TROBE.

Mosaika advises families Sweden eager send funds relatives in Bucharest ask if they can accept funds whereupon we authorize Filderman pay out equivalent amount. Our impression is every effort should be made effect some arrangement if possible since this would help our relations with Swedish community. Cabled Mosaika we consulting you and will advise soonest.

CROCKER

RR

CABLE TO AMERICAN LEGATION, BERN, FOR MCCLELLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Gerhart Reignier,
37 Quai Wilson, Geneva, Switzerland, from Kurt R. Grossman of
the World Jewish Congress:

QUOTE PLEASE INVESTIGATE WHETHER PALESTINE CERTIFICATES
WERE SECURED AND DISPATCHED TO CLARA DE JONGH-VORST AND
MAXIMILIAN DE JONGH AND HENRI VAN ESSO AND WIFE REBEKKA.
UNQUOTE.

THIS IS WRB BERN CABLE NO. 411

11:00 a.m.
February 21, 1945

CABLE TO AMERICAN LEGATION, BERN, FOR MCCLELLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Leon Kubowitzki,
37 Quai Wilson, Geneva, Switzerland, from Kurt R. Grossman of
the World Jewish Congress;

QUOTE PLEASE INVESTIGATE ABOUT MARIA STEINER AND
JOHANN-ERNA STEINER WHO WERE IN GROSS PERTHOLZ,
AUSTRIA AND ABOUT WHOM CLARA ERES, YUGOSLAV COMMITTEE,
ANXIOUS. UNQUOTE

THIS IS WRB BERN CABLE NO. 412.

11:00 a.m.
February 21, 1945

GHI-225

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

Bern

Dated February 21, 1945

Rec'd 6:32 p.m.

Secretary of State,

Washington.

1153, February 21, 8 p.m.

FOR WRB FROM MCCLELLAND

Please deliver the following message from Noel Field to Charles Joy of Unitarian Service Committee, Boston:

"Have conferred with Jendrichowsky Polish delegate in France who accepts plans in principle but still await confirmation from Warsaw understandably due to military events and transfer seat of government.

Can you remit \$5,000 to Geneva for costs of delegation including equipment travel and token supplies which are considered essential for good will. Itinerary either by plane via Tehran costing about \$1,000 per person or by ship via Yugoslavia, cheaper but slower route.

Arrangements have been made for the quickest transmission of reports to you."

HARRISON

RR

SECRET

COPY NO. 4

OPTEL No. 60

Information received up to 10 a.m., 21st February, 1945.

NAVAL

1. NORTHERN WATERS. 20th. Convoy from North Russia unsuccessfully attacked by 25 JU 88's. 3 shot down.
2. HOME WATERS. 20th. One of H.M. Corvettes escorting convoy torpedoed and sunk in St. George's Channel, 3 officers and 30 ratings rescued. U-boat in vicinity immediately attacked and probably sunk by two of H.M. sloops. 20th/21st. E-boats active in North Sea.
4. SHIPPING CASUALTY. 19th. A 2335 ton Turkish ship mined in Sea of Marmora and beached.

MILITARY

5. WESTERN FRONT.
Central Sector: 3rd U.S. Army made advances of about 1 mile in sectors between Merzig and Remich, north of Echternach and S.W. of Prum.
Northern Sector: Heavy fighting in Goch where enemy still in some strength in southeastern corner of town but clearing of town continued. British troops made useful advances towards Buchholt and eastwards in general direction Calcar. During past 24 hours Germans put in series of very fierce counterattacks against Canadian troops S.W. Calcar and very heavy fighting has been taking place. All attacks driven off.
6. RUSSIAN FRONT.
Northern Sector: 20th. Russian troops repelled German forces trying to break out from Koenigsberg westwards towards Pillau. S.W. of Koenigsberg further 9 places taken.
Central Sector: On west bank of Vistula N.W. of Graudenz, Russians captured over 50 localities advancing at one point to within 5 miles of Chojnice-Danzig railway. N.W. of Sagen limited advances on 30 mile front made, more than 80 localities taken.
Southern Sector: N.W. of Lucence in Czechoslovakia more than 60 localities taken including one 14 miles E.N.E. of Zvolen. On left bank of Danube, east of Komarno counterattacks by large German forces successfully repulsed.
7. BURMA.
Central Burma: By 1800 hours on 18th our bridgehead at Nyaungu covered river line of approximately 15 miles with depth of 8 miles in centre. Our positions improved in Myinmu bridgehead.
North Burma: 18th/19th (night). Chinese troops captured Hsenwi against light opposition.

AIR

8. WESTERN FRONT.
19th. Further reports show bombers dropped 130 tons Lehr, south of Strasbourg and 379 fighters (2 missing) operated over southern sector with good results.
19th/20th (night). 965 tons dropped through cloud on Bohlen synthetic oil plant, bombing scattered, and 99 tons on Erfurt, concentration good. 1 Mosquito missing.
20th. 831 U.S. heavies attacked railway targets at Nuremberg (1879 tons) mainly through cloud with unobserved results. Escorting fighters scored 14,01 in combat and 43,122 on ground. 17 bombers and 31 fighters outstanding. Bad weather restricted operations over battle area. 253 fighters and fighter bombers gave support to land forces in Central Sector and 171 (1 missing) in Southern Sector, destroying or damaging 32 locomotives, 389 railway wagons and 329 MT.
9. MEDITERRANEAN. 19th. 489 escorted heavies (12 bombers, 2 fighters missing) attacked 3 railway targets at Vienna (172 tons); railway centres at Klagenfurt (306 tons), Graz (148 tons) and Pola (198 tons), all with good results. 41 Medium Bombers obtained excellent coverage on Conegliano railway centre, and 274 fighters and fighter bombers successfully attacked targets on Brenner Route and in N.E. Italy.
10. BURMA. 18th. 50 Liberators bombed Yenang Yaung in Central Burma, (195 tons) causing many fires while fighters and fighter bombers flew 254 sorties against targets in Arakan, North Sna, Sna, Sna & Sna.

February 22, 1945
10:21 a.m.

HMJr: Hello.

Operator: Mr. McCloy is out of the building and she doesn't know what time to expect him back.

HMJr: Let me talk to

Operator: Miss Wehner is on the wire.

HMJr: Who?

Operator: Miss Wehner, the same one that you talked to yesterday.

HMJr: Miss Wehner?

Operator: Yes. Miss Wehner.

HMJr: Hello.

Jean
Wehner: Good morning, sir.

HMJr: Good morning. Look, have you got a pencil?

W: Yes, sir.

HMJr: I want Mr. McCloy to give the War Refugee Board

W: Yes.

HMJr: a man by the name of George Silverman.

W: George Silverman?

HMJr: Yes, S-i-l-v-e-r-m-a-n.

W: Yes.

HMJr: He's a civilian.

W: Yes.

HMJr: And Chief of Analysis and Reports under General Echols.

W: Yes.

HMJr: Of the Army Air Force. We'd like to borrow him for two months for the War Refugee Board. They say he's not too busy over there.

W: Two months for the War Refugee Board.

HMJr: Yes.

W: All right. I'll take it up with him and let you know.

HMJr: Can you let -- can you let -- let me know?

W: Yes, sir, I will do that.

HMJr: And we need him very badly.

W: Yes, sir.

HMJr: See what you can do.

W: All right, fine, I'll tell Mr. McCloy.

HMJr: Thank you.

W: You're welcome.

February 22, 1945
10:25 a.m.

PRE-PRESS

- Present: Mr. Gaston
- Mr. White
- Mr. O'Connell
- Mr. Blough
- Mr. Shaeffer
- Miss Chauncey
- Mrs. McHugh

MR. GASTON: Day before yesterday Eccles was up on the Hill testifying on the gold ratio proposition and Federal Reserve notes, and Mike Flynn suggested the question which caused him to spring his idea on penalty taxation of capital gains. I think you have heard of that thing. He proposes a ninety-percent tax on capital gains on stocks and on land, and his purpose is that this will prevent inflation. They are going to ask about that this morning, and I think perhaps Roy had better answer it.

H.M.JR: Isn't it better to tell them the off-the-record facts, that it is being studied, and Marriner just jumped the gun?

MR. BLOUGH: I wouldn't say anything about jumping the gun. I would say something to the effect that he had asked us to look into it and we were looking into it. It seems to me we have got to give a fairly discouraging cast to the comment, because we don't want to be in the paper as indicating serious Administration consideration of this.

MR. WHITE: Is it bad? It seems to have some attractive features. Have you made up your minds on it?

MR. BLOUGH: We haven't made up our minds on it, but one of the worst things about the announcement is its effect on the public, especially if they don't go through

- 2 -

with it, and particularly when the Administration is sure that it shouldn't give in. I have some doubts there.

H.M.JR: May I say this? Give them an explanation of the thing for background. Then if I want to make any comment on the record after I hear it, I will do it.

MR. WHITE: It is one of the things that is strong in the post-war study, like a lot of other things.

H.M.JR: Explain it to them.

MR. O'CONNELL: We rather thought that it would be proper to say that from what we have seen of it so far we don't think much of it.

H.M.JR: I don't know.

MR. WHITE: I am not so sure. His point of view is a little different.

H.M.JR: Are there many boys outside?

MR. SHAEFFER: A lot of them are not working today.

MR. WHITE: There shouldn't be a lot of them out there.

MR. SHAEFFER: The Baltimore Sun isn't even publishing.

MR. BLOUGH: There is one other thing they are going to ask about. Patman's Small Business Committee has proposed a tax plan.

H.M.JR: He knows the answer.

MR. O'CONNELL: The answer is still here, but we can't give them the answer Rayburn gave us because we haven't -- we just received an invitation, so it is a kind of "ify" question. We haven't received any invitation. If we get one, we will be glad to respond.

February 22, 1945
11:05 a.m.

Re: ALLIED COMMISSION

Present: Mr. White
Mr. Glasser
Mr. Gamble
Mr. Brand
Mr. Reams
Mr. Makin
Lieutenant Commander Tasca
Lieutenant Willis

H.M.JR: Will you sit down? I didn't know what the stage of the conversation was going to be. If it is going to be on Italy, do you want to talk?

MR. BRAND: I saw these gentlemen and talked to Mr. Makin on it, and we thought it would be a very good thing if we could come and see you and explain before you about the Italian thing, particularly with a view, if possible, of getting your agreement that Mr. Glasser should go on a short trip with our Treasury man, so if possible, the two Treasuries should try and arrive at the same conclusion about it.

H.M.JR: Well, if that's what it is going to be, Mr. White wanted some of his people in because--who would you like to have come in?

MR. BRAND: Have you anything to say first? Have you anything to say before they come in?

MR. MAKIN: I understand, from Mr. Brand's talk here the other day, that there was a feeling here that the Allied Commission in Italy was getting a little bit out of balance, as between the English and American side, and I have had a good deal of experience with the Commission, because I was in, or rather I was in the Allied Force Headquarters in Italy, ever since its inception. I was with

McMillan , and I do know that we have always been, McMillan, who is now head of it has always been very much concerned to insure that that balance is effectively matured, and I think that if there has been any difficulty recently, it is perhaps because the principal American appointments in the Commission have not--have been vacant for a very considerable period. For example, in the case of possibly the most important section of the Commission, the economic section, there was Mr. Grady who was originally appointed as the Chief American, as the head of the whole section, but he for various reasons was only able to spend a very short time in Italy, and there was a long period during which that post was vacant. Similarly, General O'Dwyer was appointed and went to Italy and spent about six or eight weeks there, and he in turn returned to the United States.

I know that has been a matter of considerable concern to us and to Mr. McMillan, because I think his and our desire was that the American side of the Commission should be strongly and authoritatively represented in these Commissions.

H.M.JR: That, of course, isn't what is worrying me. I think we better--do you mind if we have these people in?

I listened to them when they came back and it isn't who has the most representatives, it is the carrying out of orders.

MR. WHITE: These three gentlemen, whom you know, all spent some time in Italy.

(Lieutenant Willis, Lieutenant Commander Tasca, and Mr. Glasser enter the conference.)

H.M.JR: The thing that bothers me is this: The part the Treasury has to play, and I realize it is a--we are only a small part of the thing, but we do have a certain responsibility, and when these men come back with these various difficulties and very discouraging reports, and what is being done about the treatment of out and out Fascists in Italy, the question

- 3 -

comes to my mind, "What the hell is the use of sending any more people back there?" I can't see that it would help, and what it would do is just re-establish the same people who have been in sympathy with the Germans, and partners-in-crime with the Germans. We are just going to have exactly the same thing in Italy as what I thought we went in there to defeat, and as I say, I realize I am only on one segment, but within that segment--and I have done it without consultation with the State Department. I don't want--I want them to hear what I was saying, because I realize that this can have broader aspects, and if the other--Stettinius, I mean--I am not going to make a cold statement about this thing or anything like that, but I will be more frank. I have been looking for an opportunity to let the British Government know how I felt, and I didn't know how to do it, and this came along, and this is what I call a natural, so I used the opportunity to let them know how I felt after listening to people like this and General O'Dwyer who have come back. So if you want to get it at first hand, I may even feel that they have been forced out of the Allied Control Commission on account of the confirmed position they have taken toward trying to get rid of some of these Fascists or freeze their funds, and that we are really unwelcome on account of their attitude.

MR. WHITE: In the financial field.

H.M.JR: Wholly within the field of the Treasury. So the question then comes to my mind, when you say, "Join us, and send somebody like Harold Glasser out," it seems more or less useless. Now, do you want to question these gentlemen? I can't be any more frank than I am to say that I view this as an opportunity to get back to the British Government what these gentlemen reported to me.

MR. MAKIN: I should like--

H.M.JR: I wanted Sir John Anderson to know about this, and this was a good way to get it to him.

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MR. MAKIN: Perhaps, Mr. Secretary, I could ask whether the position of these gentlemen is a general position or whether it is based on certain specific cases.

LT. COM. TASCA: What I would like to answer to that is this: It is general in the sense that nearly all of the American officers feel the same way we do. Our position is not just that of a Treasury man, it is the same for all the American officers. They don't feel in general lines that our policy, as announced by Roosevelt and by other officers of the United States Government, is being carried out in Italy. We don't feel that the Allied Commission represents jointly American and British interests, and that it really represents what you people want to do in Italy, and we are not having our policy carried into effect. On the purge I think all of the Americans feel the same.

MR. BRAND: Might I ask a few questions before we come to the purge. Is that because there are too many British representatives or not enough Americans, or what? I mean, clearly it is a combined understanding, and it should be run equally by both sides, and that I am sure is what the British want. Why isn't it so?

LT. COM. TASCA: It isn't so because most of the key officers in the Allied Commission are British. The Finance Sub-Commission is, of course, joint. It's American and British, but the American officer is not an officer that was approved by G-5. He is an officer we didn't want, and he is an officer when we made our own nomination, our nomination was frowned upon by your Chief of the Finance Sub-Commission, Colonel Grafftey-Smith. He didn't want Colonel Bennett to become Joint Chief of the Finance Sub-Commission, primarily, we believe, for the reason Colonel Bennett would have taken a strong independent stand in the formulation of American policy and carrying out the American policy as the Americans saw it. Now, the same thing is true of some of the other sub-commissions. Of course, naturally we don't know as much about that.

H.M.JR: I would stick to what you know. I would stick to Finance.

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LT. COM. TASCA: Yes.

MR. MAKIN: That concerns the general formulation to raise a fundamental question which goes to the whole organization of the Commission, not merely to one section of it.

H.M.JR: I don't want to get in on that. I mean, these people have been loaned to us by the Armed Services to help us in the Sub-Commission on Finance, and I have been asked to send somebody back, and I say--I am repeating myself, I just want to let you know how these men felt, what kind of treatment they got out the British Chairman, how much or how little they could do strictly in the finance field--now, when it comes to how the Committee was set up and all that, that is not my concern, and I don't want to get in on that, but if you want to ask them what they could or couldn't do in the finance section, they will be glad to answer any questions, but I don't want to get in on the over-all--

MR. MAKIN: I would like to say, Mr. Secretary, that after all, the Commission is an administration like any other administration, and it is integrated in the sense it is an Anglo-American combined body. The executive head of the organization is an American officer, Commodore Stern, and he is the responsible head officially for all questions of appointments and administration.

H.M.JR: Pardon me. I am asked to send somebody back under--what's this Englishman's name?

LT. COM. TASCA: Colonel Grafftey-Smith.

H.M.JR: Yes, under Colonel Grafftey-Smith, and to use the vernacular, they are griping against this man. Is that right?

LT. COM. TASCA: Yes.

H.M.JR: It's at that level, and they feel that--can you give some examples?

LT. COM. TASCA: Yes, I can. I can take my own case. There was no purging done in the financial institutions up until the liberation of Rome, and no one was assigned to do it. I took the work on voluntarily, and from June 5th until the middle of August. I put out a number of Fascists from financial institutions. Then it went back to the Italian Government, and I kept pressing the Italian Government to remove more Fascists, whom I couldn't get out--didn't have time to get out--and on two occasions the British Foreign Office made inquiries about me. They first of all wanted to get all my background, and then Sir Noel Charles called up the Allied Commission and wanted to know whether I was a Communist, and it was quite clear that my efforts with regard to purging were not welcomed by some people in the Foreign Office; and later on after the Government crisis, when I took a strong stand during the Government crisis with regard to the purging of the administrative machinery of the Government, on which question your people took the opposite point of view, they said you couldn't purge because it would destroy the administrative machinery of the Government, I took the stand you could and could get much more competent people that were not Fascists, and shortly after the purge I was removed from that function by Colonel Graftey-Smith, and the job was entrusted to a British officer who was Major Baxter at that time. He is now Colonel Baxter.

MR. MAKIN: Mr. Secretary, these are very important statements which are being made, and I think on that I would like to say that the Allied Commission and its administration are responsible through the Supreme Allied Commander to the combined chiefs of staff in Washington, and I think that any statements of this kind really ought to be referred to through that channel to the Head of the Commission for investigation, because clearly I can't speak on these matters here. They are matters which should be investigated by the proper authority, who I would think in this case would be the responsible head of the Commission.

LT. COM. TASCA: May I make one point on that? I don't think personally, from the American point of view, that that would be entirely satisfactory because the opposition of the Finance Sub-Commission has been such that to me it is double

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counting for Washington to refer a matter to the Finance Sub-Commission, because what it means in effect is that the British and Americans here take a view and then ask AC what their views should be, and AC takes the view of the Finance Sub-Commission, I suppose, from the British Foreign Office. It is a British view. I can cite, for example on that, one of the cables that came through to Rome which was dated last fall and which told us to do certain things. That came from Washington. It was joint American and British, and said we were to do certain things with the Italians. We were to encourage them to rebuild their trade with the neutral countries and make financial agreements with neutral countries. That came through and the British Chief of the Finance Sub-Commission didn't like that. He put it away and refused to act on it. I drafted a reply to that cable to Washington which wasn't satisfactory, and nothing ever happened to it, and no answer ever came back. The State Department asked me last week what had happened to this cable, and I told them what had happened to it, and to me.

MR. WHITE: It is not clear what happened.

LT. COM. TASCA: What happened was Colonel Smith did put it aside. He did not agree with the policy stated in that cable, and just put it aside, I presume, under the instructions which he had gotten perhaps from Great Britain, because certainly there had been no reason for not proceeding with the substance of the cable.

The Swedes came to us just about that time and said they were prepared to grant Italy long-term credit, to give machinery to rebuild some of their destroyed plants, and refund the debt the Italians owed, and all of that would have fallen under this cable, but Colonel Smith made it clear to the Swedes that he was not interested in having any arrangements of that kind made with the Swedes, which was contrary to what had come to us from Washington.

MR. WHITE: You had no access, except you couldn't send the cable directly.

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LT. COM. TASCA: There was no way we could do anything. Everything had to go through channels which involved Colonel Grafftey-Smith.

MR. BRAND: Were you in touch with Colonel--Major Lawler?

LT. COM. TASCA: Part of the time he wasn't there, he was in the United States, and when the matter of the Swedes came up he was in Italy.

MR. BRAND: He is the American man with Colonel Grafftey-Smith.

MR. MAKIN: He succeeded Colonel Foley.

LT. COM. TASCA: That's right.

MR. MAKIN: If I may say so, it seems to me if, as stated here, any section of the Commission is not carrying out either the policy of the two Governments or not acting in a proper manner, then those statements should be referred to the responsible officers in Italy for an investigation. I mean, it is--I don't think we here can.

MR. WHITE: I understood the Secretary hasn't asked to refer this to you at all. The Secretary merely, in response to a request to send a man from the Treasury to Italy, and the request came from the British Treasury, is commenting on why he doesn't see the utility of it. I didn't gather that he called you to register a protest to the Government.

MR. MAKIN: No, but I mean, rather important statements are being made which go to the functioning of the Commission.

H.M.JR: I am very frank. I was very much disturbed when these people came back with their reports, and I was trying to find some legitimate way in letting Sir John Anderson know what is going on at the financial level, and this was a good opportunity to do it with Mr. Brand who represents him here.

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MR. BRAND: I had a long letter yesterday from one of the Treasury officials which ended up--it didn't refer to this question because he didn't know anything about it, but he ended up by saying that what they wanted particularly was both sides, the American side and the British side, to feel they were fully represented in Italy, and that they could agree on a common policy in Italy, and that is why they were so anxious that Mr. Glasser go out there with Mr. Wade, so that both Treasuries could have, if possible, some joint recommendations as to what could be done to--

H.M.JR: Could I ask you a question? Have you sent some report back about this incident?

MR. BRAND: I told Mr. Makin and I said that I had seen these gentlemen.

H.M.JR: Did it go back to Sir John Anderson?

MR. BRAND: I shouldn't think he has seen it, but I will be glad to do it.

MR. MAKIN: It seems to me there are two questions. One question is of the functioning of the Commission, and then there is the question of the financial policy which is appropriate to follow in Italy.

MR. BRAND: Then, there is a third question which the Secretary is interested in, too, the question of the policy of the Allied Commission about purging, which is not simply the financial policy. It must be a general policy agreed on with the Italian Government.

MR. WHITE: His interest is in the financial policy because that is an important function of the policy, and his interest, as I gather, as Secretary of the Treasury is not with respect to your first problem. He may be interested, but that is not the question he is raising, the larger question of the functioning and policy of the overall Committee, but only insofar as it reflects at the financial level or the financial area.

H.M.JR: Well, I am certainly not going to file a report or complain, and I don't want to get into long, involved

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investigations. I mean, I would just like to have it brought to the attention of Sir John Anderson.

MR. BRAND: I will do that. He may well have seen what I sent, but I can't be certain.

H.M.JR: If the Foreign Office is disturbed at what I say and want to look into it, that's their business, but I am not going to file any formal complaint, and what I would like to do is have a talk with our own State Department and talk about this thing a little further, and then talk about Glasser going, but give me a few days. I would like to give you an answer, but I said at the beginning I am not going to make a cold play about this thing, and I do emphasize the fact that you are interested in this particular finance section headed by this Colonel Grafftey-Smith, who evidently doesn't see things the way we do.

MR. BRAND: I have only heard from the Treasury. I know from the Treasury and Commander Tasca, when I saw him before, said he had a great respect for his ability, and the Treasury had the greatest respect for his ability.

LT. COM. TASCA: What I said was we didn't hold anything against him personally, and we thought he was carrying out a policy.

MR. BRAND: That's one thing I would like to say, because I will report this to Sir John Anderson, but as I understand it, purging is not the function of any particular individual at the head of a sub-committee, or something like that. It's a policy instituted by the Allied Commission and carried out in conjunction with the Italian Government.

MR. MAKIN: That's the thing.

H.M.JR: That's the impression I get, that he's saying that he assumes that Colonel Grafftey-Smith is carrying out the orders of a superior.

MR. WHITE: He meant to imply Colonel Grafftey-Smith personally was in no way either unpleasant or untoward in his relationships with the men under him. He wanted to

remove any suggestion of criticism with respect to Colonel Grafftey-Smith as a person, and he was suggesting how he did state definitely that he acted effectively in his mind in what he presumed was carrying out the British policy, but he didn't want to have any suggestion of complaint against the Colonel on personal grounds.

MR. BRAND: I can only say what the Treasury has told me. I never met Colonel Smith. They have the highest opinion of him. They think he is a man of great ability and character, and he is on the job at all times. He knows it and he carries out, not the British policy. He has nothing to do with the Bank of England. He was a former employee. He is never in touch with them. He carries out the policy of the Allied Commission which is a combined policy.

MR. MAKIN: If I might interpolate that, it seems to me that one of the points raised here is that the Commission as such--certain parts of it are not carrying out the combined policy, but are carrying out a purely British policy.

MR. WHITE: Not the Commission, but Colonel Grafftey-Smith in the financial policy is not carrying out the Allied policy, as the men understood the American policy to be what they thought was part of the Allied agreement upon policy.

MR. MAKIN: Of course, I couldn't--I don't have the latest information--I couldn't accept that as the case, and that seems to me to be an extremely appropriate subject for inquiry.

H.M.JR: Well, what I would also like Mr. Brand to get over to Sir John Anderson is this: I am very worried about this because they aren't the only people that have come back and told us that. The town is full of them, Mr. Brand, and I am looking forward not only to continued unity while we are at war, but after the war, on these kind of things, and that is why I keep saying I want to get this to Sir John Anderson. This town is full of officers coming back from Italy, and one happens to be a friend of my boy's. He had dinner with us last night. I am not going to mention what service he is in; it is an entirely different service, but

he is stationed in Italy. It is the same thing all over again, only more so, because he was on a level where he knew more, see? It's awfully hard to answer, and this is what bothers me, and why I want to get it to your chiefs. You get it every single day, and what I am saying here is only in the room, or in my own home. God knows I am not spreading it, and I want an answer, and that is that your people--this is not my side, but what I get from these officers--aren't going to touch these Fascists. They are going to leave them in control of the Italian Government, and it's the same business all over again, and I don't know how the hell to answer it! And that is what is worrying me. I only had dinner last night for two hours with a very able young man, and the town is simply full of this thing.

Now, maybe it's wrong. I have only heard one side of it. I have only heard the American side of it, but it bothers me, looking toward the present unity and toward the future unity after VE-Day, and I think something ought to be done about it, Mr. Brand. I really do. If it's wrong, somebody responsible, not I but other people around this town who are anti-Fascist minded, as I think the British people are--I am convinced of that--

MR. BRAND: Yes, yes.

H.M.JR: But something should be done, not a formal investigation--that wouldn't get us anywhere--but something that will cut right across the line so that this could be stopped. There is a constant flow back from Italy that there is some kind of anxiety.

MR. WHITE: In addition, Mr. Secretary, it is not only the Fascists, but a question of the economic policy which apparently is being followed with respect to Italians, and it doesn't seem to Americans to be in accord with what the American policy determined. We think that is a broader aspect. A lot of our own people have told the same story.

H.M.JR: This young man said, as a matter of fact, when Mr. Stettinius gave his statement about Italy's self-determination, that some of our own people didn't see fit to carry it out, so

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it isn't only on the British side, but there is something definitely wrong there. I mean, Mr. Stettinius' statement was so well received with great encouragement, and then nothing happened.

MR. BRAND: I know the Treasury's view, and that is they are most anxious to see how they can--there may be differences, I don't know, but--

MR. WHITE: We get a very different picture from the men who come back and speak freely about Italy. We have had quite a few. We have gone into considerable detail. It is not a question of minor administration and it is not a question of interpretation. It is a question very definitely of their sensing, and they are able to cite first that there is a policy being pursued by the Allied Commission which they interpret is the British policy which is very different at an important level from the policy which the Americans are supposed to follow, which our State Department and Army and President want to be followed, and they allocate that divergence of policy to the fact that there happens to be the balance of power, or whatever there is in Italy.

MR. BRAND: Isn't that very important to clear up, because the Allied Commission is not a British Commission.

MR. WHITE: It's important to clear up, but the Treasury isn't the agency which has the responsibility for that or even general interest in it.

H.M.JR: I have said about all I can. What is motivating me is to clear the thing up, and I don't know just how to do it, but anyway, I thought certainly we are good enough friends so that when I hear these things day after day I ought to get them back to you. And that is what I am trying to do.

MR. BRAND: I will report to Sir John what you said.

The Chancellor discussed these negotiations, and in the course of it the Chancellor agreed that he would, at the proper time give Pleven the information with regard to the different accounts of individual French citizens.

NEW YORKTHURSDAY, FEBRUARY 22

Washington to New York - 222 miles - 1 hr. 15 minutes - LaGuardia Field

Reservations at Waldorf Astoria (Little will be standing by in his room -
12 B Waldorf - from 5:00 p.m.)

1:00 p.m. Leave Washington via Pennsylvania Railroad

4:45 Arrive New York

National Council of American Soviet Friendship
Waldorf Astoria

7:00 Reception - Astor Room

7:30 Dinner - Grand Ball Room

10:15 - 10:30 Red Army Day Broadcast from Waldorf Astoria (Mutual)

FRIDAY, FEBRUARY 23

1:30 p.m. Leave New York

5:35 p.m. Arrive Washington

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WASHINGTON'S BIRTHDAY - - RED ARMY DAY ANNIVERSARY

DINNER HOTEL WALDOEF-ASTORIA

Thursday, February 22, 1945, 7 P. M.

S E A T I N G L I S T

If your name or the name of your party
does not appear on this list, please
inquire at the information desk.

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GEORGE WASHINGTON'S BIRTHDAY • RED ARMY DAY ANNIVERSARY
THURSDAY, FEBRUARY 22, 1945, 7 P.M. • HOTEL WALDORF-ASTORIA, NEW YORK

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Barnard College

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Czechoslovak Military Attaché

BRIGADIER GENERAL LUIS ALAMILLO FLORES
Mexican Military Attaché

MAJOR-GENERAL WEN-TCHIH TSAI
Chinese Military Mission

MAJOR-GENERAL BROSSIN DE SAINT-DIDIER
French Military Mission

HON. EUGENE D. KISSELEV
Soviet Consul-General

CAPTAIN N. SKRIAGIN
Acting Soviet Naval Attaché

COLONEL I. SARAEV
Soviet Military Attaché

HON. N. NOVIKOV
Chargé d'Affaires ad Interim, Soviet Embassy

PROGRAM

CORLISS LAMONT
Chairman, National Council of American-Soviet Friendship

EDWARD G. ROBINSON

FIELD MARSHAL SIR HENRY MAITLAND WILSON
British Joint Staff Mission

MARJORIE LAWRENCE
Metropolitan Opera Association

LT. FERDINAND E. SUEHLE
United States Army Air Forces

REV. STEPHEN S. FRITCHMAN
Editor, Christian Register

JAN KIEPURA

HON. HENRY MORGENTHAU, JR.
Secretary of the Treasury

MAJOR-GENERAL FEDOR IVANOVICH BELOV
Soviet Government Purchasing Commission

MAJOR-GENERAL L. S. KUTER
Assistant Chief of Air Plans, U.S.A.A.F.

EDWIN S. SMITH
Executive Director, National Council of American-Soviet Friendship

*Secretary Morgenthau's address will be broadcast nationally
by the Mutual Broadcasting System at 10:15 P.M.*

NATIONAL COUNCIL OF AMERICAN-SOVIET FRIENDSHIP

February 22, 1945

190

Reading copy of Secretary's speech with mimeographed copy of introduction by Mr. Lamont. Red Army Day - Waldorf Astoria Hotel.

ANNOUNCER

The Mutual Network greets you from the Grand Ballroom of the Waldorf-Astoria Hotel in New York where a dinner is in progress, celebrating Red Army Day. At the speakers' table are top-ranking military leaders of the United States, Russia, Great Britain, China and France. Guest of honor at tonight's dinner is the Secretary of the Treasury, The Honorable Henry Morgenthau, Jr. Now here to introduce the Secretary is the Chairman of the National Council of American-Soviet Friendship, Mr. Corliss Lamont. Mr. Lamont.

LAMONT

Mr. Secretary, the National Council of American-Soviet Friendship has been proud to have you here as our honored guest -- on Washington's Birthday, a day which stands as a symbol of American independence. This is also Red Army Day, a day symbolic of Russian independence. The people of our country have been thrilled by the relentless drive of the Red Army into Germany. We are especially happy to have you here to comment upon the significance of Soviet Russia in the peace which will follow the war. Ladies and gentlemen, the Secretary of the Treasury, Mr. Henry Morgenthau, Jr.

(APPLAUSE LED BY ANNOUNCER)

SECRETARY MORGENTHAU'S SPEECH

The celebration of Red Army Day this year comes under the happiest of auspices. In the past, the observance of this anniversary was an assertion of faith. Tonight, it is an expression of approaching triumph.

The greatest and fiercest battles the world has ever witnessed are now in progress. We can no longer be in any doubt as to their issue. A year ago they were waged deep within the heartland of our Ally. But today the invader is invaded. The fighting presses ever deeper into enemy soil.

- 2 -

What was once known as Hitler's fortress has been transformed into his dungeon. Soon we shall see imprisoned there - and at last, extinguished - the evil spirit of militarism and Nazism and aggression, which has brought the terrible scourge of war upon the world.

It seems ^{especially} ~~peculiarly~~ appropriate for Americans to salute the Red Army on a day which marks the birth of the father of this country. The mammoth Russian forces, like the little band which fought under the leadership of George Washington, had as their cause and goal the independence of the land in which they live.

- 3 -

The cause of American independence seemed a
hopeless one in the dark winter of Brandywine and
Valley Forge. Against an enemy superior in
preparation and equipment, General Washington
could ^{offer} ~~oppose~~ only ~~indomitable~~ faith and ~~inexorable~~
determination. In the end, these prevailed.

It was upon courage and steadfastness of
purpose that the Red Army had to rely in the
terrible winters when Moscow and Leningrad and
Stalingrad were besieged. Perhaps never in
man's history has a whole people - soldiers and
civilians alike - endured and surmounted so
fearful an ordeal.

- 4 -

Many wondered, in the early days of the Nazi invasion, whether the Red Army could absorb its shock, and then gather the strength to send the enemy reeling back to his own frontiers. What inner resources did the Russian people draw upon to do this? What fountainhead of faith made possible this military miracle? 1/11

Pause

To be sure, there are many answers to this question. Some will explain it in terms of space and logistics and maneuver. Some will cite numbers and climate and supply. No doubt all these factors played their part.

- 5 -

But in the last analysis, the magnificent resurgence of the Red Army, like any other miracle, can be understood, I think, only in terms of the spirit. There are behind the Soviet organization of military might, as there were behind the troops of George Washington's Army, a consuming devotion to an ideal and the rare qualities of leadership necessary to evoke, sustain and mobilize the loyalty of a whole people.

There is, as there was among the people of Britain in the terrible days after Dunkirk, a sense of exaltation and consecration lifting them above ordinary human endurance.

1091
98
993

- 6 -

Russian Armies have always displayed bravery and stamina. But in past wars they have been betrayed by poor leadership and inferior equipment. Now, however, the traditional courage of the Russian soldier is directed by leaders of superb skill, from Marshall Stalin himself to the great generals commanding the various sectors of the long eastern front. Everywhere, they have outwitted as well as outfought the Germans opposing them. The present great offensive, now nearing its culmination, is in itself a miracle of planning, of organization and of execution.

In this conflict, the courage of Russian soldiers has been supplemented also by the finest and most effective of modern weapons. This is a war of machines. Waging it as such, the Red Army has equalled and, in many respects, surpassed its enemy. Soviet tanks, for example, are commonly acknowledged to be among the most powerful in the world.

We in the United States take tremendous pride in having shared significantly in equipping and supplying the Red Army.

- 8 -

Most of its guns and shells and tanks and planes have come, of course, from Soviet factories - some of them transplanted with prodigious effort clear across the vast country, out of the path of the invading Germans. But through Lend-Lease - America's contribution to the vast Allied system of mutual aid - we have shipped huge quantities of needed materials to Russia. The British, too, have shared their weapons with their Soviet Ally. The one guiding principle among us has been to put our arms wherever they could be wielded most effectively. 1/2

- 9 -

In particular, it is a source of pride to us, that the Red Army has rolled into combat, in large part, on trucks and tractors made in the United States. Soviet valor gave this country time to harness its tremendous industrial power to war needs. In turn, the products of our factories have been used to strengthen our great Ally in the struggle against our common enemy.

We have developed in this war a great and enduring coalition. The human and material resources of each of its members have been devoted without stint, to the attainment of the goal we share.

- 10 -

We have been able, because of this unity, to bring our strength to bear upon the enemy with the fullest effectiveness. And it is this unity which is the real source of the success now crowning our efforts on every front. This is the true secret weapon of the war - the one weapon against which neither Hitler nor any other would-be world conqueror could hope to prevail. Hitler must be demented indeed if he still hopes to disrupt the coalition we have forged against him.

- 11 -

The death knell for any such hope was tolled resoundingly at Yalta in the Crimea. There the leading statesmen of the world's three greatest powers demonstrated again that the unity created by the war, is to endure even beyond it, and is to serve as the bulwark for future peace. It was only disunity among us that made possible Hitler's attack upon us individually. And only through disunity among us, can aggression ever again threaten our security.

- 12 -

We have learned a great lesson in the bitter school of war - that peace is indivisible. If we in America have been late in learning it, nevertheless we have learned it well. We know now that the earth is integrated, that the welfare and security of any portion of it, is tied to the welfare and security of the whole.

Not only peace but prosperity as well is indivisible. We know now that the improvement of living standards which we seek at home can be realized only through an improvement of living standards in all portions of the world. ^{3/4}

(over)

And we can bring about that improvement only
by continuing in peace the unity we have discovered
in war.

Pause

We have already made a hopeful start in this
direction. At the International Monetary and
Financial Conference held last summer at
Bretton Woods, the representatives of 44 nations
composed their differences and found a basis for
common action in meeting certain common
economic problems. At that conference, the
representatives of the Soviet Union set an example
for the rest of us in enlightened generosity.
They took the lead in bringing the difficult
discussions to their successful conclusion.

- 14 -

It is noteworthy, I think, that this was the first international economic conference in which the Soviet Union took part. Like ourselves, the people of that great nation have come to understand that their economy, however it may differ from ours, cannot be isolated. It has a vital stake in the economic health of the world.

Both Russians and Americans, I am certain, will emerge from the war with a new understanding and appreciation of one another. The achievements of the Red Army and the heroic devotion of all Soviet citizens have commanded the admiration of the entire world.

Misconceptions about Russian life and character are being cleared away. In the same manner, I am sure, there is growing among the Russian people a new esteem for the greatness of America. They have seen us throw off our lethargy, flex our muscles and devote ourselves and all that we possess to the defense of human freedom. They have seen the valor of their own soldiers matched by that of Englishmen and Americans who stormed the beaches of Normandy, and then swept the Nazi Armies back to their own borders.

Pause

There will come a day when the forces of
the United Nations will meet and clasp hands
in the partnership of victory. They will know
that their victory has grown out of their
partnership in war. They will understand that
their common interests and purposes transcend their
differences. They will recognize that their
power imposes upon them a high responsibility, *and*
~~that~~ what they won must be held in joint
trusteeship for the world. They will forge there
a new kind of partnership among nations - a
partnership of peace.

End

(APPLAUSE LED BY ANNOUNCER)

ANNOUNCER

Ladies and gentlemen, you have just heard an address by the Secretary of the Treasury, The Honorable Henry Morgenthau, Jr. Mr. Morgenthau spoke over the Mutual Broadcasting System on the significance of Soviet Russia in the postwar world. His address came to you under the auspices of the National Council of American-Soviet Friendship. On February 26, the Secretary of the Treasury will deliver another important address -- on the meaning and importance of the United Nations' Monetary and Financial Conference, held last year at Bretton Woods. This address will be delivered over another network at 1:30 P.M. Eastern War Time, Monday, February 26. This is the Mutual Broadcasting System.

FEB 22 1945

Dear Mr. Monasterio:

I wish to thank you sincerely for the opportunity you and your associates gave us last week to discuss, in some detail, the Bretton Woods agreements. I should like to compliment you, too, for staging one of the most impressive dinner meetings that has ever been my pleasure to attend.

Frank and intelligent questions, and the keen interest shown by everyone in this meeting, certainly attribute to the enlightening work that must have been carried forward under your direction with the Foreign Trades Committee of the Chamber of Commerce. Lastly, your friendly participation in the luncheon discussions, as well as your own personal contribution to the dinner meeting, was a source of satisfaction to me, and I wish to compliment you on your very good performance.

Altogether, I feel that the day spent in St. Louis was a memorable one, and I am sure that your personal contribution had a great deal to do with it.

Cordially,

(Signed) H. Morgenthau, Jr.

Mr. Juan Monasterio
Vice President
Mercantile Commercial Bank
St. Louis, Missouri

TKG:RFP

FEB 22 1945

Dear Mr. Woodruff:

I wish to thank you and your Company for your gracious help in connection with my Bretton Woods talk from St. Louis last Wednesday night.

During my stay in St. Louis, I took the occasion to visit with Mr. D'Arcy and to tell him firsthand how much we in the Treasury appreciate the splendid cooperation we've had from all members of your Company in support of our important war functions. It is heartening to have this support and I want to thank you sincerely for it.

Cordially,

(Signed) H. Morgenthau, Jr.

Mr. R. W. Woodruff
President
The Coca Cola Company
Wilmington, Delaware

TRG:RFP

WJ RB

FEB 22 1945

Dear Colonel Drake:

I want to thank you again for having made available to the Treasury Department, for the fourth time, your splendid program, "We the People." We of the Treasury feel that we were able to deliver an important message on the value of holding War Bonds to the American people.

I met a number of your representatives in Philadelphia, and was happy to make the acquaintance of your advertising director, Mr. Huber. I also enjoyed the reception at the Racquet Club, where Mr. Garrett was my pleasant host.

Again many thanks.

Sincerely,

(Signed) H. Morgenthau, Jr.

Colonel J. F. Drake
President
Gulf Oil Corporation
Gulf Building
Pittsburgh, Pennsylvania

DL: jd



FEB 22 1945

Dear Mr. Stern:

It was very nice of you to entertain our Treasury party at dinner on Sunday, and I wish to thank you sincerely for your thoughtfulness.

I was especially glad to have had the opportunity of highlighting briefly the plan of our Bretton Woods conference. The caliber of your guest list gave both Dr. White and myself an interesting and enjoyable evening. Altogether, my visit to Philadelphia on Sunday was a memorable occasion and I want to thank you for the contribution you made to it.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. J. David Stern
President-Publisher
The Philadelphia Record
Philadelphia, Pennsylvania

TRG:HFP

The Evening Bulletin

FILBERT AND JUNIPER STREETS
PHILADELPHIA 5
PENNSYLVANIA

Farm 213

OFFICE OF THE PRESIDENT
ROBERT MCLEAN

February 22, 1945.

Honorable Henry Morgenthau Jr.,
Secretary of the Treasury,
Washington, District of Columbia.

Dear Mr. Morgenthau:

It would not be fitting to let the occasion of last Sunday pass without my recording an expression of how interesting and I believe valuable the discussion turned out to be. It was a pleasure to meet you and your associates and to have the satisfaction of bringing the group together.

There is appearing in The Bulletin today and the two succeeding days an interesting experiment in visual presentation of an editorial idea. Because you may be interested in it I am enclosing a copy of today's editorial page and proofs of the remainder of the series. They are entitled "Joe Doakes and the New World."

With renewed assurances of my regard,

Cordially yours,

Robert McLean

Published Daily Except on Sundays and Public Holidays.
Subscription Rates:
Retail Price, 10 Cents
By Mail, \$2.50 per Annum in Advance

Our first objective is to establish a...
The Government has...
The first objective is to establish a...

What We Are Fighting For

It is one of the greatest...
The Government has...
The first objective is to establish a...

Our Naval Strength

Secretary Donnell's report...
The Navy has...
The first objective is to establish a...

Cleaning Our Own Streets

Secretary General Dick...
The city has...
The first objective is to establish a...

Rhythms and Ripples

W. U. ROY TO GO... FEB 22
The rhythm of...
The first objective is to establish a...

The Specter Minked

By the rapid...
The Government has...
The first objective is to establish a...

Joining Right to Work

It is...
The Government has...
The first objective is to establish a...

In German Camp

The following...
The Government has...
The first objective is to establish a...

In Letters to The Bulletin

Readers Say:
Class Street
On the Dealer's Side



My...
The Government has...
The first objective is to establish a...

Joining Right to Work

It is...
The Government has...
The first objective is to establish a...

In German Camp

The following...
The Government has...
The first objective is to establish a...

Candid Shots

Navy Veteran Thinks G. I. Loans Should Cover
New Equipment for the Household



It is...
The Government has...
The first objective is to establish a...

Joining Right to Work

It is...
The Government has...
The first objective is to establish a...

In German Camp

The following...
The Government has...
The first objective is to establish a...

Joe Doakes and the New World



1. There's been a bad argument at the office and after dinner, Joe decided to write. Hardly had he finished the first chapter when a knock came. It was Doakes in the living room. "Joe, look here."



2. "Bumpkin yourself? That was to your man and boy - were you just up with me and my business? ... You just wanted a job."



3. "You said that you had sheltered and... approved to the rest of the world. You said you wouldn't let me go to the city. You said you wouldn't let me go to the city. You said you wouldn't let me go to the city."



4. "You got to be a damn better man. Let the rest of the world go to hell. That was your damn way. But you couldn't let me go to the city. You couldn't let me go to the city. You couldn't let me go to the city."



5. "You really want to know the best thing to do? Get your own damn business. Get your own damn business. Get your own damn business."



6. "You mean, Joe, that had there not been... Joe said he was going to get a job. Joe said he was going to get a job. Joe said he was going to get a job."



7. "You said to me, Joe, that had there not been... Joe said he was going to get a job. Joe said he was going to get a job. Joe said he was going to get a job."



8. "You mean, Joe, that had there not been... Joe said he was going to get a job. Joe said he was going to get a job. Joe said he was going to get a job."



9. "You really want to know the best thing to do? Get your own damn business. Get your own damn business. Get your own damn business."



10. "You mean, Joe, that had there not been... Joe said he was going to get a job. Joe said he was going to get a job. Joe said he was going to get a job."



11. "You really want to know the best thing to do? Get your own damn business. Get your own damn business. Get your own damn business."



12. "You mean, Joe, that had there not been... Joe said he was going to get a job. Joe said he was going to get a job. Joe said he was going to get a job."

Joe Doakes and the New World

Chapter 3 - The Future

By F. O. Alexander



1 Joe wakes up! But his dream of the Past and Present was so vivid that he set about drawing his own conclusions with respect to the Future at once. "First," he thought, "I'd run these bags out of the picture!"



2 "Then, I think I'd be wiser than an old World is, passing and a new World is being born. A new, exciting World with brand new opportunities in commerce and industry, travel, learning and honest wealth!"



3 "The trademark of the Allies against a common foe, money has been really something! I fancy we may see in it that the Unity of Purpose which is winning the war is kept alive to insure winning the Peace!"



4 "I'd recognize that the good of any one country is best, linked with the good of the whole world. Seems as though we could still celebrate our Independence Day while plugging for a Day of Interdependence!"



5 "As wretched a matter of self-interest, if nothing more, I'd betj others to help themselves. Boosting the health, labor and living standards of people in places so long as far off will defeat unemployment at home!"



6 "Whenever any nation uses its power to suppress the political will and deny the economic needs of a colony or dependency, count on trouble! He'd suggest tossing this Pandora's Box overboard!"



7 "How nice a guy - a crusher! A product of 1918. Despite, he says: 'Civilization has failed before therefore it will always fail! A fine way to face the Future. Into the discard with 'em, I say. Hail 'em away!'"



8 "We're a young nation, but we're innocent pretty O. big. It ain't go to our heads. I'd like folks to be able to picture Uncle Sam as neither patronizing nor meddlesome, but reflecting trust and good-will!"



9 "We've had some funny ideas. We lood up the old World as the world's best and our nation of business progress was a cycle of blunders and hang-overs. Let's get rid of antique customs and bad moon-shine!"



10 "I'd recognize all-power as a tremendous New World force. Nations will vie with each other for its great benefits. But global aviation mustn't run wild. It should be harnessed for the common good!"



11 "Any set-up for international arbitration will need experts—not doubters! Where specialists are required, it's not that this change with his world-leader reforms and special labors would be shunned outside!"



12 "It is always possible, through eliminating the intricate a design, to line patterns with the whole idea. We ought to visualize the general pattern as the best first... We can plan the details as we go."



13 "In the Present we are seeing that war's great horror and anxiety have rekindled spiritual light in the lives of millions. Into the Future we must carry this renewed faith in the Fatherhood of God."



14 "With sane courage and moral vigor, let us assert our faith... to the end that, above others of this war's earnings and destruction, we may guarantee an enduring Peace through the Brotherhood of Man."



15 "The world is looking toward America. The time is short. It is not only our opportunity but our obligation to take the lead in building a World Order... for the watching stars are GOLD!" (The End)

Draft I. 217

2/22/44

ADDRESS OF SECRETARY OF THE TREASURY
HENRY MORGENTHAU JR. BEFORE THE
ECONOMICS CLUB OF DETROIT
FEBRUARY 26, 1945

Here, in Detroit, I feel very close to America in production -- to the America that is producing today for war and will produce tomorrow for peace.

You people in this great center of the arsenal of democracy know with your own senses what it has meant to turn out 75,000 tanks for the Allies -- tanks that are moving in on Hitler from the east, west, and south, tanks that have rolled ashore on Iwo Jima and Luzon and the other islands of the Pacific. You people are close enough to the assembly lines to know what it means to turn out 2-1/2 million military motor vehicles, which are being used today all over the warring world.

The industries of the Great Lakes region have long served world markets, and the people of this area are close enough to the economic realities to know that we cannot have high levels of production and employment after the war unless we continue to have large outlets in world trade.

In the peak peacetime year of 1929, American exports of automobiles and parts amounted to more than half a billion dollars. There was also, in that year, a high point in the export of agricultural implements and

- 2 -

machinery. This was near the close of a period of relative stability in foreign investment, foreign currencies, and demand for American goods. But the depression and the economic aggression of the 1930's largely destroyed foreign markets, which in some lines of business represented the difference between a margin of profit and a bitter struggle to meet expenses.

It took a war to bring us full employment and full production, and it took a war to bring our exports up to, and beyond, those of the late twenties. Through direct cash sales we have sent to our Allies substantial quantities of war materials, including 1,600 tanks and 270,000 trucks. Through Lend-Lease, in the fiscal year 1943-44, we more than doubled the value of motor vehicles shipped abroad in our best peacetime year, 1929.

Certainly none of us wants to see that cycle repeated. We want to keep expanding production and high levels of employment, and use them to wage an active and continuous peace. As President Roosevelt has said, we should treble our previous export trade, in order to meet the enormous needs of the world after the war, and at the same time to utilize our own capacity for ever-increasing productivity.

Our enemies have taught us how effective economic aggression can be. Nazi Germany demonstrated that they could attain some of their power-mad ends through currency depreciation, monetary controls, exchange restrictions,

- 3 -

blocked balances, currencies with different values, outright barter, and cartel agreements among international business groups. They used everything in the book of economic strategy to restrict and depress other nations while building up their own strength. We know now that the only way to meet such economic warfare is to engage in all-out economic counterattack. If the United Nations are to endure in peace, we must cease this kind of economic suicide. We must increase the whole level of world trade so that nations will never again be tempted or compelled to resort to the vice of economic warfare.

We have already, while producing to defeat the Axis, demonstrated a productive capacity never before known to man. But our productivity is so new, and some of it is so hidden under the bushel of military security, that some of us have not yet realized its profound implications for the future.

It is also a little hard to realize, because it is so new, that we are living in a period of international cooperation, a cooperation designed not only to win the war but to make certain of a positive peace. The Crimea Conference was a graphic example of this cooperation. Dumbarton Oaks demonstrated the world's determination to achieve peace through political means. The United Nations Monetary and Financial Conference at Bretton Woods in July 1944 demonstrated the will of 44 United and Associated Nations to achieve peace through international economic

- 4 -

collaboration.

The Bretton Woods Conference formulated concrete plans for an International Monetary Fund. This Fund would stabilize the value of all member currencies in terms of each other; it would remove artificial barriers against making payments across national boundary lines; and it would provide supplementary exchange to assist nations to maintain stable exchange relationships.

The Fund will have assets of \$8,800,000,000, of which the United States will be expected to subscribe \$2,750,000,000. These assets would serve as a revolving fund designed to ~~serve~~^{act} as a powerful shock absorber against international monetary panics. Member countries living up to the spirit and purposes of the Fund would have assurance that in time of emergency they could count on help and would not have to resort to the stifling expediency of economic warfare. The Fund, in short, is intended to insure fair monetary standards and practices which will encourage international investment and international trade.

The Bretton Woods Conference also prepared Articles of Agreement looking to the establishment of an International Bank for Reconstruction and Development. The Bank is intended to supplement the private capital market, beginning where private investment leaves off.

- 5 -

The total subscription of the United States to the Bank will be \$3,175,000,000.

After the war, nations which have been blighted by Axis occupation will be prostrate, with homes, industries, power plants, transportation, and other facilities destroyed. It will be necessary to the economic health of the world that they be restored quickly to productivity. International trade will increase as they come back into prosperity. The United States will be one of the main beneficiaries. We need not worry that we will lose trade when these devastated countries are restored, or that our business will drop off when previously under-developed countries are put in production. Our best customers have always been Canada and Great Britain, and both are highly industrialized and have high standards of living.

From the domestic point of view, we must sell abroad more than 10 percent of our manufactures if we are to have full employment in high-wage industries. American business, large and small, American labor, and American farmers will achieve their full economic potential only if we help others to help us achieve a prosperous peace.

"Affirmative legislation," as Senator Wagner termed it, was introduced in Congress ten days ago on a non-partisan basis. Congressman Spence of Kentucky called it "a bill to assure the economic side of world peace." The President has asked for its enactment.

- 6 -

America has a responsibility in this matter. We are the greatest industrial nation, the only great power with its productive facilities undamaged. We are the greatest potential investing nation. As the first nation to act upon this vital matter, we can create a favorable climate for international investment, international trade, and international peace. The eyes of the world are upon us.

---0---

Treasury Department
Division of Monetary Research

223

Date 2/22 1945

To: Mrs. McHugh

From: Miss Famurak

This is the copy of letter sent to the Finance Ministers and also attached is a list of names to whom these letters were sent.

224 ✓
Diary

FEB 22 1945

My dear Mr. Chairman:

In the thought that you and your associates would be interested in it, I am enclosing a copy of an article I have written about the Bretton Woods Agreements. (Foreign Affairs, January 1945)

(not attached)

With warmest personal regards, I remain

Sincerely yours,

W. N. Morgenthau, Jr.

The Honorable Leslie G. Melville,
Chairman of the Delegation of Australia
to the United Nations Monetary and
Financial Conference,
Commonwealth of Australia,
Canberra, Australia.

Enclosure

The Honorable Camille Gutt,	- Belgium
Leslie G. Melville	- Australia
Rene Ballivian	- Bolivia
Arthur de Souza Costa	- Brazil
J. L. Ilsley	- Canada
Luis Alamos Barros	- Chile
Hsiang-Hsi Kung	- China
Carlos Lleras Restrepo	- Republic of Colombia
Francisco de P. Gutierrez Ross	- Costa Rica
E. I. Montouliou	- Cuba
Ladislav Feierabend	- Czechoslovakia
Anselmo Copello	- Dominican Republic
Esteban F. Carbo	- Ecuador
Sany Lackany Bey	- Egypt
Agustin Alfaro Moran	- El Salvador
Elatta Ephrem Tewelde Medhen	- Ethiopia
Pierre Mendes-France	- France
Kyriakos Varvaressos	- Greece
Manuel Noriega Morales	- Guatemala
Andre Liautaud	- Haiti
Julian R. Caceres	- Honduras
Magnus Sigurdsson	- Iceland
Sir Jeremy Raisman	- India
Abol Haszan Ebtehaj	- Iran
Ibrahim Kamel	- Iraq
William E. Dennis	- Liberia
Hugues Le Gallais	- Luxembourg
Eduardo Suarez	- Mexico
J. W. Beyen	- Netherlands
Walter Nash	- New Zealand
Guillermo Sevilla Sacasa	- Nicaragua
Guillermo Arango	- Panama
Wilhelm Keilhau	- Norway
Celso R. Velazquez	- Paraguay
Pedro Beltran	- Peru
Andres Soriano	- Philippine
Ludwik Grosfeld	- Poland
S. F. N. Gie	- South Africa
M. S. Stepanov	- USSR
Lord Keynes	- United Kingdom
Mario La Gamma Acevedo	- Uruguay
Rodolfo Rojas	- Venezuela
Vladimir Rybar	- Yugoslavia

FEB 22 1945

Dear Mr. Kesten;

The cooperative spirit shown by you and your associates of the Columbia Broadcasting System should not pass unnoticed now that the Sixth War Loan Drive is over.

Our success in going well over our original quota is due in no small part to the special programs arranged by your staff.

I would like you to feel that the Columbia Broadcasting System has been of great service to the country.

Sincerely,

(Signed) H. Morgenthau, Jr.

Mr. Paul W. Kesten
Vice President
Columbia Broadcasting System
485 Madison Avenue
New York, New York

RJS:shah
2/19/45

TREASURY DEPARTMENT

INTER OFFICE COMMUNICATION

DATE Feb. 21, 1945

TO Secretary Morgenthau
FROM Ted R. Gamble

This letter is for reproduction in a special printed annual report of the Columbia Broadcasting System, and is in answer to their request. Hence the lateness of the date. Their cooperation was previously acknowledged but this they wanted for internal purposes.

Attachment

TREASURY DEPARTMENT

228

INTER OFFICE COMMUNICATION

DATE
February 22, 1945

TO Secretary Morgenthau

FROM Mr. Luxford

For Your Information and Action

In examining the House debate on the Treasury appropriation bill, I ran across the following excerpts which I think you should see. Perhaps they have already been called to your attention but they are so good that I know they can bear repetition.

Mr. Frank B. Keefe (Republican from Wisconsin on House Appropriations Sub Committee handling Treasury):

"Mr. Chairman, the Treasury Department, struggling with problems of a magnitude undreamed of a few years back, is in the over-all picture, staffed and manned by men and women of courage, rare intelligence, and distinction. I have nothing but praise for the manner in which the functions of this great department of government have been carried on. In my judgment, it is simply amazing that the Department has been able to attract and keep men of such outstanding character and ability. The tremendous problems of finance have been met with courage and fidelity. The people of the country are entitled to know that from the Secretary of the Treasury down through the long list of administrative assistants and heads of bureaus and agencies, the work of this great department of government has been met in a manner that should challenge the admiration of the people of the country, regardless of political affiliation. This department of government is again in the truest sense a pure service organization charged with the responsibility of administering the vast and complex problems of finance and public debt transactions. In the over-all picture, it is my profound judgment

- 2 -

that they are doing a good job and that they are cooperating in a splendid manner on all fronts in a supremely desperate effort to preserve the financial integrity of our Nation."

Mr. Emmet O'Neal (Democrat from Kentucky on House Appropriations Sub Committee handling Treasury):

"All of us are proud of the Post Office Department and the Treasury Department. The chairman of this committee gives you a picture of their present operations and much of the history of those Departments in the past, which is almost equal to a fine textbook."

I think you will also be interested in the following complimentary remarks on Foreign Funds Control and Surplus Property:

Mr. Ludlow (Chairman of the House Sub Committee on Appropriations handling Treasury):

"We were impressed with the witnesses who spoke for Foreign Funds Control and their evident willingness to meet economy requirements. Orvis A. Schmidt, the director, advised us that the Bureau of the Budget considered their request and approved an estimate for \$2,750,000. After it had done so, on the basis of new military developments and additional information from abroad the Foreign Funds officials returned to the Budget Bureau on their own initiative and voluntarily requested that the estimate that had been approved by the Budget be cut half a million dollars. This very unusual action impressed our subcommittee as being a very praiseworthy move and we were hopeful that the good example might become a little more infectious throughout the Government service."

* * *

"Our subcommittee has a great deal of confidence in John W. Pehle, who is to have charge of the disposal of surplus property for the Procurement Division. We believe that he will proceed in a

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sound and common-sense way to build up an organization to handle this problem. In an operation of such magnitude it is necessary to feel the way at the start. We believe the amount we have allowed will be enough for a safe and conservative beginning."

I assume that someone is taking appropriate steps to prepare letters of thanks for your signature for these friends of ours.



TREASURY DEPARTMENT

231

INTER OFFICE COMMUNICATION

DATE

February 22, 1945

TO Secretary Morgenthau

FROM J. W. Pehle

I think you will be interested to know that from January, 1944 to February 15, 1945, we have disposed of the following motor vehicles:

Trucks	51,198
Used Passenger Cars	6,984
New Passenger Cars	7,582
*Motorcycles	14,713

*About 4,700 new motorcycles included in this figure.



February 22, 1945

TO: Secretary Morgenthau

FROM: J. W. Pehle

The following is a summary of significant developments in the Surplus Property and Procurement offices for the week ending February 10, 1945:

Surplus Property:

The services of an experienced gunsmith have been secured in order that we may have his assistance in preparing sales programs for the large quantity of surplus shotguns that we have on hand. A preliminary inspection of these shotguns indicates that even among the unused guns there are many in disrepair and some having structural defects. The latter are of a type that has been recalled by the manufacturer.

A preliminary report from Standard Brands, Inc., indicates that a large proportion of surplus outdated photographic film will probably prove to be suitable for civilian use.

In cooperation with War Food Administration and the Agricultural Adjustment Administration, arrangements are being made for a spot sale of farm equipment to be held in the near future in the California region.

The War Production Board, the Foreign Economic Administration, and ourselves are studying the problem of whether surplus construction equipment should be sold for export.

- 2 -

7500 electric light bulbs appraised at 72¢ each, have been transferred to Federal Works Administration at 50¢ each, f.o.b. Arrangements are being worked out to transfer a large portion of the 90,000 surplus fuse plugs now on hand to Federal Works Administration and the Office of Procurement. 10,200 rolls of synthetic rubber tape were transferred to the Office of Procurement and the balance on hand has been earmarked for future transfer.

The Army has withdrawn 71 new pavers which had previously been declared as surplus. The original cost of this property to the government was approximately a million dollars and the pavers represent the equivalent of two years normal production.

A study is being made of the feasibility of equipping with surplus tires now on hand, surplus trucks which are without tires.

Surplus horses and mules are being sold at public auction and the average disposal is accomplished within thirty days after declaration as surplus. The demand for surplus dogs still exceeds the number on hand. R. H. Macy & Company has expressed an interest in purchasing 5,000 pairs of homing pigeons.

The Regional Offices have again been requested to ask the Army to withdraw all face masks and other property bearing the Red Cross insignia. Generally speaking, all surplus sewing machines are being lent to fill the needs of the Red Cross.

The Army is conducting an investigation of the assertions made before the Senate Committee on National Defense that medical supplies and equipment declared as surplus, are, in fact, needed by the Army. This incident seems to have been precipitated by the recent issue of the Surplus Reporter, announcing the availability of a large and varied amount of surplus medical supplies and equipment.

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The Army has asked us to withhold from sale all surplus clothing that is wearable, as well as a large variety of other types of merchandise already advertised in the Surplus Reporter. It has been agreed that sales will be consummated only in those cases where sales contracts have already actually been awarded. The Army states that it wants an opportunity to recanvass its need for this merchandise.

Arrangements have been made for a feature story on surplus property to appear in the Kiwanis Magazine which has a national circulation of approximately 140,000. Similar arrangements have been made with newspapers in Cincinnati, St. Louis, Atlanta, Ft. Worth, Dallas, Nashville and Chattanooga.

Work is continuing in cooperation with the Surplus Property Board and other disposal agencies on the formulation of regulations to be issued by the Board to implement the priorities provided by the Act for federal, state and local government agencies and instrumentalities.

All references to Treasury personnel in the hearings before the Senate Committee on National Defense are being checked into.

We are working with the Reconstruction Finance Corporation and various Treasury groups on the problem of state and municipal sales and use taxes as applied to surplus property disposal.

Procurement:

Purchases for the week amounted to \$36,149,417.86, including \$35,800,000 for Lend-Lease (schedules attached) and \$349,417.86 for regular purchases.

- 4 -

Unusual requisitions for the week included 660,000 pounds of used clothing and 11,004 pairs of men's reconditioned shoes for Belgium; 280,000 yards of bleached printcloth for Algeria, Morocco and Tunisia; and 10,000,000 jute bags for France.

Unusual purchases for the week included 1,111 gross of colored paper-wrapped pencils for England, where they are urgently needed for plotting vital aircraft direction; and 5,199 ampoules of Moranyl for use in French North Africa to combat sleeping sickness, which is threatening the entire population in some regions.

Lend-Lease carloadings for the week totalled 4,061 cars.

The Price Adjustment Board disposed of three 1943 cases. Excessive profits amounting to \$140,000 were recovered.

In connection with the allocation of the recent reduction in revenues ordered by the Public Utilities Commission, Potomac Electric Power Company has been directed to submit to the government, all orders and computations upon which the company's proposed allocations are based in order to give the Procurement Division, the Federal Works Administration and the Department of Justice time to consider this information. The hearings before the Commission have been adjourned for sixty days.

In order to carry out the purposes of the Royalty Adjustment Act, interested agencies have agreed to a form of letter to be used to solicit pertinent information from both licensees and licensors of patents. The form letter has been submitted to the Bureau of the Budget for its approval.

The British Government has indicated that it desires to take over certain contracts which have been entered into

on British requisitions for Lend-Lease aid and we are working with the British Raw Materials Mission on procedures to be followed in effecting such substitutions.

Administration:

A request was made to the Director of the Bureau of the Budget for additional funds required by the Procurement Division to cover necessary expenses for personal services and other obligations under the Lend-Lease program for the fourth quarter of 1945.

The need of competent personnel in the lower grade positions remains a major problem.

Data has been compiled as a basis for preparing recommendations concerning the stockpiling of surplus property for government use.

A handwritten signature in black ink, appearing to read "J. W. [unclear]", is located in the lower right quadrant of the page.

LEND-LEASE
 TREASURY DEPARTMENT, PROCUREMENT DIVISION
 STATEMENT OF ALLOCATIONS, OBLIGATIONS (PURCHASES) AND
 DELIVERIES TO FOREIGN GOVERNMENTS AT U. S. PORTS
 AS OF FEBRUARY 10, 1945
 (In Millions of Dollars)

	<u>Total</u>	<u>U. K.</u>	<u>Russia</u>	<u>China</u>	<u>Administrative Expenses</u>	<u>Miscellaneous & Undistributed</u>
Allocations	\$5956.1 (5956.1)	\$2628.0 (2628.0)	\$2457.4 (2457.4)	\$ 172.8 (172.8)	\$17.4 (17.4)	\$680.5 (680.5)
Requisitions in Purchase	\$ 164.5 (159.0)	\$ 25.2 (29.5)	\$ 22.8 (21.5)	\$.4 (.5)	- -	\$116.1 (107.5)
Requisitions not Cleared by W.P.B.	\$ 91.5 (109.6)	\$ 19.0 (20.9)	\$ 45.2 (44.3)	\$.7 (.7)	- -	\$ 26.6 (43.7)
Obligations (Purchases)	\$4646.4 (4610.6)	\$2078.6 (2075.7)	\$2034.4 (2007.6)	\$ 104.1 (104.0)	\$16.7 (16.3)	\$412.6 (407.0)
Deliveries to Foreign Governments at U. S. Ports*	\$2927.7 (2911.7)	\$1601.7 (1597.9)	\$1242.3 (1230.1)	\$ 26.4 (26.4)	- -	\$ 57.3 (57.3)

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

Note: Figures in parentheses are those shown on report of February 3, 1945.

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FEB 22 1945

My dear Minister:

This is in reply to the letter of January 31, 1945 from M. Gutt with reference to expenditures of the U. S. Army in Belgium.

We are in the process of obtaining the information from the War Department which will be necessary to give the Belgian Government a statement with regard to U. S. Army expenditures in Belgium, and expect to give you our first statement about March 15, 1945. At the same time we will make payment on account for net troop expenditures in Belgium. Thereafter, it is planned to make regular quarterly payments for net troop expenditures within a period from sixty to seventy-five days after the end of each quarter.

I am requesting the War Department to authorize the appropriate finance officer of ETOUSA to make available to the Belgian Ministry of Finance such information as it has relative to U. S. Army expenditures in Belgium.

With regard to your payments for civilian supplies brought into Belgium by the Allied Forces, I would like to point out that the delays incident to submitting bills for these supplies are not likely to be shorter than the delays incident in our payments to you for net troop expenditures.

I wish to assure you of my fullest cooperation in this matter.

Sincerely yours,

(Signed) H. Morgenthau, Jr.

Secretary of the Treasury.

Honorable Gaston Eyskens,
Minister of Finance,
Brussels, Belgium.

Feb. 16, 1945

*WFO to
answer*

from Miss Chauncey. Original
is being held for the Secretary.



Brussels, January 31st, 1945.

My dear Secretary,

As you know, under our Lend-lease and reverse Lend-lease Agreements, certain amounts spent in Belgian banknotes in this country by U.S. troops have to be met in dollars by the U.S. Treasury.

To determine the exact figure to be credited to Belgium, the expense-accounts of the American Armies have to be broken down and examined carefully by the Treasury in Washington.

The bigger item, i.e. the pay of the troops, could be readily ascertained and, I understand, is known to the Fiscal Officer ETOUSA.

As it is important for us to know at any time approximately where we stand, I should appreciate it if you could authorize the American Army groups concerned to communicate to the Belgian Minister of Finance any information available on the various categories of their outlays in Belgian banknotes and direct the Treasury in Washington to speed up the sending of detailed accounts to the Belgian Government.

May I incidentally draw your attention to a problem which is closely connected with that dealt with in the present letter: there is a long delay between the time the banknotes are drawn by the Army from the Banque Nationale de Belgique and the time we are credited in dollars. On the other hand, if and when we are to pay cash for civilian supplies brought into Belgium by the Allied Forces, we should have these dollars at our disposal - in order not to resort to the sale of gold, which would be abnormal at a time when, as explained above, we are actually heavy creditors from the British and American Governments.

Believe me, my dear Secretary

Yours very sincerely

Guth

To
The Secretary of the
Treasury,
WASHINGTON
D.C.

Henry
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February 22, 1945

Dear Morris:

I have received your letter of February 20th enclosing the article from the London Times. I had not seen this before, and am looking forward to reading it.

Sincerely yours,

(Signed) Henry

Mr. Morris Ernst,
Greenbaum, Wolff & Ernst,
285 Madison Avenue,
New York 17, New York.

GREENBAUM, WOLFF & ERNST
285 MADISON AVENUE
NEW YORK 17, N. Y.

TELEPHONE CALEDONIA 5-1582

February 20, 1945.

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LAWRENCE S. GREENBAUM
EDWARD S. GREENBAUM
HERBERT A. WOLFF
MORRIS L. ERNST
JONAS J. SHAPIRO
SAMUEL J. SCHUR
ALEXANDER LINDEY
JEROME HANDLER
THEODORE S. JAFFIN
BENJAMIN KAPLAN
LEO ROSEN
HAROLD H. STERN
HARRIET F. PILPEL

SYLVESTER BENJAMIN
RAYMOND HERZOG
CASSRELL GREENBERG
MONROE R. LAZERE
ELLIOTT E. RUSKIN
CECILE BENNETT
J. OZIAS KAUFMAN
ALAN L. ROSENBLUM

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

Dear Henry:

I thought you might have missed the story in the London Times.
Don't bother to acknowledge receipt.

Yours,
[Handwritten Signature]

Enc (1)
London Times

REBUILDING A CONTINENT

I—THE TWO PILLARS OF EUROPEAN RECONSTRUCTION

SECURITY AND ECONOMIC RECOVERY

From a Correspondent

The economic settlement of Europe, which no doubt will again be considered at the forthcoming Three Power meeting, must satisfy two conditions. First, it must be consistent with and reinforce, the military and political arrangements to prevent the resurgence of Germany as a war-making Power. Secondly, it must provide a sound basis for the recovery and steady expansion of the living standards of all Europeans.

These two objectives are of equal importance. Without the first there can be no security for anyone, and there can be no economic recovery without security. Without the second social forces making for war will ultimately take root in Europe—most especially in Italy in Germany, economic depression and inequality are a most fertile breeding-ground for war. Sooner or later the occupation of Germany must end, and the Germans be allowed to govern themselves. This, however, can never safely happen until there is a reasonably stable and progressive European structure, economic and political, into which the Germans can fit themselves. Nor is the danger confined to German aggression alone, given mass unemployment and economic collapse, any nation or group of nations may seek refuge for its troubles, in war. The constructive objective of the settlement is an imperative at the policy side.

MORGENTHAU PLAN

Current decisions to limit Germany in the economic measures related to the war, Germany's war-making power. These range from the Lend-Lease cessation attributed to Mr. Morgenthau, through the various proposals for the demobilization of the Reich, to relatively moderate plans for the continuation of certain industries which are regarded as being essential for the conduct of war. Some of these plans has much substance in reality, for it is difficult to see how they could physically be done.

The so-called Morgenthau plan, for example, calls for the destruction of factories as an industrial country's taken as a fact, rather, it would appear to require as a measure in the preparation of the population living by agriculture from one-fifth to, say, one-half, which would push European back economically to her position a century ago, when the population was less than one-half of the present total. Such a plan would require the removal of such a proportion of people from Germany, or the demobilization plans are hardly more reasonable from the economic point of view. The economic results of the demobilization of the Heppenburg Empire were not a catastrophe except a quarter of a century ago, and the various parts of Germany are now, already, recovering from the relatively undeveloped Austria-Hungary era was. To goad and do more the consequences in material terms of a policy to use to provide the decision, but merely to add to confusion which must be considered in arriving at the current political objective. There is one point most certainly be economic progress sufficient evidence, but European economic life would have to pay a heavy price for them.

WAR POTENTIAL

The more modest programmes by which individual industries would be developed are present difficulties. They are based fundamentally upon the idea that there are certain branches of the economic system which are peculiarly indispensible for war-making—machine-tool, multi-type, printing, synthetic oil and synthetic rubber, and so on. It is argued that if these industries can be permanently destroyed, Germany's power to make war will be permanently impaired.

It is both possible and necessary to destroy the special armament industry in Germany, and the agencies of international armament control set up under the Disarmament Oaks procedure should be able to keep it dormant. This notion of industry, however, is small, and its bearing upon Germany's war potential is not great. A nation's war potential consists of the whole of its engineering and chemical industries, its trained industrial man-power, its research establishments, its cadres of technicians and managers. Only a minor part of these belongs to the special armament industry—perhaps rather more in Germany than in British and more in Britain than in the United States. The bulk of war-time resources, however, is done in the ordinary engineering and chemical industries, directed by civilian or men and women from other industries. An increasing part of a modern army's stock consists of such things as motor vehicles, locomotives, wireless equipment, bulldozers, and tractors, which are made on ordinary peacetime plants, the war-time tasks being automatically

from peacetime activities, and adapted instruments from motor institutions.

War potential is thus necessarily related to the size and range of normal peacetime engineering and chemical production. There is no single point which can be isolated and destroyed. To destroy Germany's war potential it would be necessary to destroy really large sections of the German engineering and chemical industries, with a permanent ban on rebuilding. If the war were not permanent the German war potential might in fact fall from such a policy, for it would be possible to rebuild the destroyed industries at the most modest and up-to-date manner. To be effective this sort of proposal would have to be carried almost to the same stage of completion as the Morgenthau plan, and it would obviously be most difficult to carry out. Any industries for a period of six, ten years, and then allow—see fall to prevent—the reaction of new plant when the occupying forces had left.

It is because war potential and peace-time engineering and chemical production are much the same thing that the difficulties of arriving at the two objectives of the European economic settlement become great. Germany's responsibility over the rest of Europe in these fields was established even before the war. Germany had only one-fifth of the population of Continental Europe yet of Reich, but she produced about 60 per cent. of Europe's coal, about half the pig iron and steel, over half the aluminium, 20 per cent. of the cement, one-third of the telegraphic steel; in production of electrical machinery, machine-tools, locomotives, scientific and optical instruments, and indeed in engineering of all kinds Germany dominated the rest. In spite of racialist propaganda, skilled workers, technical institutions, modern plant, and producing power—all the basic foundations of war potential—German had Europe. Other European countries (with Germany in certain fields—France in motor cars, Sweden in ball bearings, Switzerland in watches, the Czechs in optics), they had not the range and scale of engineering and chemical production which Germany could develop. Europe's economic life thus came to depend upon Germany, not only directly in trade but also indirectly through the fact that the German firm were much the predominant investors.

NAZI DOMINATION

During the war the present day developed much further. The original Nazi conception was of an industrial Europe, with Germany as an absolute monopoly. It was to be a single industry, heavy from the R.A.F. side put an end to this, the Germans had to use raw German industry in the field, and they carried out a large industrial expansion in Eastern Europe. This development was done by the great German empire—the Hermann Goering works, Henschel, E.G. (Friedrichshafen), and the like. The plans were made with little regard for Germany's big stride in the European war and engineering activities were brought within these activities. Certain companies, such as those based in France, could refer to Poland, which, since the Nazis, and the whole over-extended apparatus in Germany. The industry of Europe passed under German control; it became completely dependent upon German devices, foodstuffs, and organization.

Thus the technical superiority of Germany has become more marked than ever. German industrial dominance, with their years of experience in the management of large establishments on a European scale, and necessary, for as an advantage over their opposite numbers in the theoretical countries, the best of whom have been working means of producing efficiency rather than increasing it. All the economic opportunity in Europe during the last few years has fallen to the Germans. Their advantage in address to them which they had before the war, must by now be substantial.

EUROPE'S DILEMMA

There is the dilemma. The reconstruction and steady expansion of European economic life calls for a large flow of engineering and chemical products of all kinds. It also calls for the organization of economic activity on an all-European scale, and for the application to Europe's problems of the most modern techniques of large-scale management and administration. If the reconstruction task, and Europe's economic life hangs over a chasm of uncertainty and petty competition, Europe will probably become a warring zone. In spite of the German responsibility in the relevant situation, how can the reconstruction be prevented, if it must be prevented, from leading to a rapid re-annihilation of German war potential and a speedy resumption of German economic hegemony over Europe? This is the big economic problem of the post-war settlement, and will be discussed in a further article.

To be concluded

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February 22, 1945.**Dear Mr. Cox:**

The Secretary was very glad to receive your note of February 20, which transmitted a copy of the Eighteenth Report to Congress on Lend-Lease Operations. He appreciates your thoughtfulness in sending a copy of the Report to him and will go through it with deep interest.

Sincerely yours,

(Signed) H.S. Klotz

H. S. Klotz,
Private Secretary.

Honorable Oscar Cox,
General Counsel, Foreign Economic
Administration,
Washington, D. C.

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no:

Secretary Morgenthau:

Attached is a copy of the
18th Lend-Lease Report to Congress
which is scheduled to be released
at noon today.

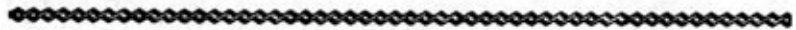
I think you will find it
interesting.

OSC

February 20, 1945

Oscar Cox

G-2358



**EIGHTEENTH REPORT TO CONGRESS
ON LEND-LEASE OPERATIONS**



For the Period Ended December 31, 1944



.....

EIGHTEENTH REPORT TO CONGRESS ON LEND-LEASE OPERATIONS

For the Period Ended December 31, 1944

.....

"The President from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the public interest to disclose."

[From Section 5, subsection b, of "An Act to Promote the Defense of the United States" (Public Law No. 11, 77th Congress, 1st Session).]

For sale by the Superintendent of Documents, U. S. Government Printing Office
Washington 25, D. C. - Price 20 cents

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1 0 0 4

LETTER OF TRANSMITTAL

To the CONGRESS OF THE UNITED STATES OF AMERICA:

Under the authority vested in me by the Executive Order of September 25, 1943, and pursuant to the direction of the President, I am submitting herewith to the Seventy-ninth Congress, a report on operations under the Lend-Lease Act, from the passage of the Act, March 11, 1941, to December 31, 1944.

LEO T. CROWLEY,
Administrator, Foreign Economic Administration.

WASHINGTON, D. C.
February 20, 1945.

Chapter 1

WEAPON FOR VICTORY

On March 11, 1941, when the Lend-Lease Act was enacted, the nations of Europe were being overrun by the Nazi military machine and the peace-loving peoples had not yet stopped the rising tide of aggression. In June of 1941, the Soviet Union was invaded and by December this country and the peoples of the Pacific and Far East were plunged by Japanese treachery into world-wide total war. Today, freedom-loving nations everywhere have combined to stop and defeat the Axis Powers.

During these past four years the United Nations have freed the Mediterranean of the Nazi aggressors, and liberated France, Belgium, Luxembourg, Greece, and Poland, and parts of the Netherlands, Norway, Yugoslavia, Albania, and Czechoslovakia. On the other side of the world, the allied forces have driven the Japs back from New Guinea and the Solomons, the Admiralty Islands, Saipan, Morotai, and Peleliu, and have brought our flag home to Guam and the Philippines.

The United Nations have achieved these victories through an effective fighting partnership and a system of combined war supply. The tremendous striking power of the simultaneous offensives around the world has been made possible by the mobilization of the combined resources of all the United Nations. Through lend-lease and reverse lend-lease, these combined resources have been used, regardless of the origin of the supplies or who uses them, where they will hit the enemy hardest and hasten the day of final victory.

LEND-LEASE AID

From the start of the lend-lease program in March 1941 through December 1944, we have supplied to our allies goods and services valued at \$35,382,000,000. During the first half of 1944, in preparation for D-Day in Normandy and the great Soviet winter offensive on the Eastern Front, lend-lease aid to our allies reached an all-time high. In the second half of the year, when we were sending large quantities of munitions to our own forces in both the European and Pacific theaters, shipping shortages

TOTAL LEND-LEASE AID
March 1941 through December 31, 1944

Category	Amount	% of Aid
Goods Transferred:		
Munitions (including ships)	\$18,132,310,000	51.3
Industrial Materials and Products	8,322,857,000	23.5
Agricultural Products	4,955,061,000	14.0
Total Transfers	31,410,228,000	88.8
Shipping and Other Services	3,972,418,000	11.2
Total Lend-Lease Aid	35,382,646,000	100.0
Consignments to Commanding Generals*	788,083,000	

*Goods consigned to United States commanding generals for subsequent transfer in the field to lend-lease countries. The value of such goods transferred is not included in the lend-lease aid total of \$35,382,646,000. Further information on consignments to commanding generals is given in Table 18, page 42.

Table 1

caused lend-lease aid to our allies to fall off. But in December lend-lease aid rose again, totalling \$1,319,000,000 for the month, as shown by Chart 1.

In addition to direct lend-lease aid we have also consigned supplies amounting to \$788,000,000 to United States commanding generals in the field for subsequent transfer to our allies under lend-lease. Most of these supplies were turned over to the French forces in North Africa and to China. Approximately three-fourths of the supplies which have been thus consigned to date have been guns, ammunition, tanks, and other vehicles.

Ninety-eight percent of all lend-lease aid has gone to our four major fighting allies—the Soviet Union, the British Commonwealth, China, and France. The remainder has been effectively used for such purposes as the equipping of Norwegian, Dutch, Greek, and Yugoslav merchant ships and airmen, the furnishing of supplies to Polish and Yugoslav prisoners of war, and the strengthening of our own hemispheric defenses.

Lend-Lease for Victory

Military considerations constitute the paramount and determining factor in the provision of all lend-lease aid. We furnish lend-lease aid in order to aid ourselves. Since the beginning of the program, lend-lease aid has

been used and will continue to be used for one purpose and one purpose only—to enable the United States and its allies to bring their combined resources to bear against the common enemy and speed the day of final victory.

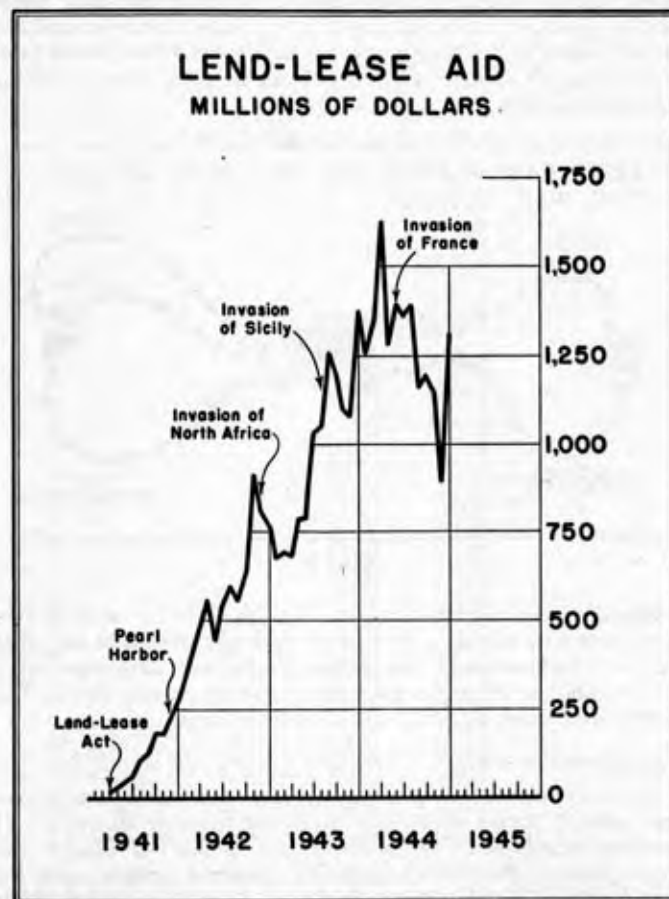


Chart 1

Munitions

Munitions constitute by far the largest portion of lend-lease transfers, amounting to 58 percent of all goods transferred to date under lend-lease. The Soviet Union and the British Commonwealth produce the great bulk of the munitions used by their armed forces. But the planes, tanks, motor vehicles, guns, and ammunition supplied under lend-lease have enabled our allies to utilize their full manpower, and have tremendously increased the mobility and fire power of their troops in the combined offensives against the common enemy.

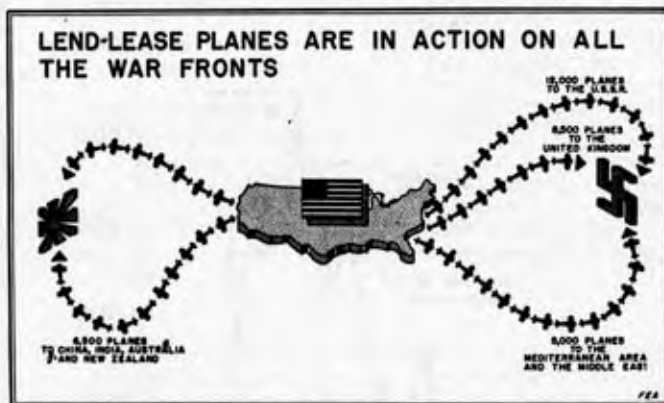


Chart 2

Munitions sent under lend-lease have been equivalent to about 14 percent of our total munitions production. Sales of munitions to our allies have amounted to about 2 percent of our production. Thus 84 percent of all our munitions production has been retained for our own forces. The figures on munitions include naval and merchant ships.

Petroleum Products

Petroleum products, indispensable to modern mechanized warfare, have constituted 5 percent of our total lend-lease transfers. Two-thirds of lend-lease petroleum shipments during 1944 consisted of aviation and motor gasoline. Part of this has been used by our own Air Forces operating from the United Kingdom, where British and American petroleum constitute a common pool. Lend-lease petroleum products, sent mainly to Britain and Russia, have added immeasurably to the striking power of the allied ground offensives and the air assault—from the West, East and South—on Nazi supply lines, transportation centers and war factories.

On the basis of the short-haul principle, we have received from British-controlled refineries under reverse lend-lease large quantities of aviation gasoline and other petroleum products for use by our armed forces in the campaign against Japan in the Pacific.

Although lend-lease petroleum shipments for use by our allies have been large, they have accounted for less than one-tenth of U. S. production.

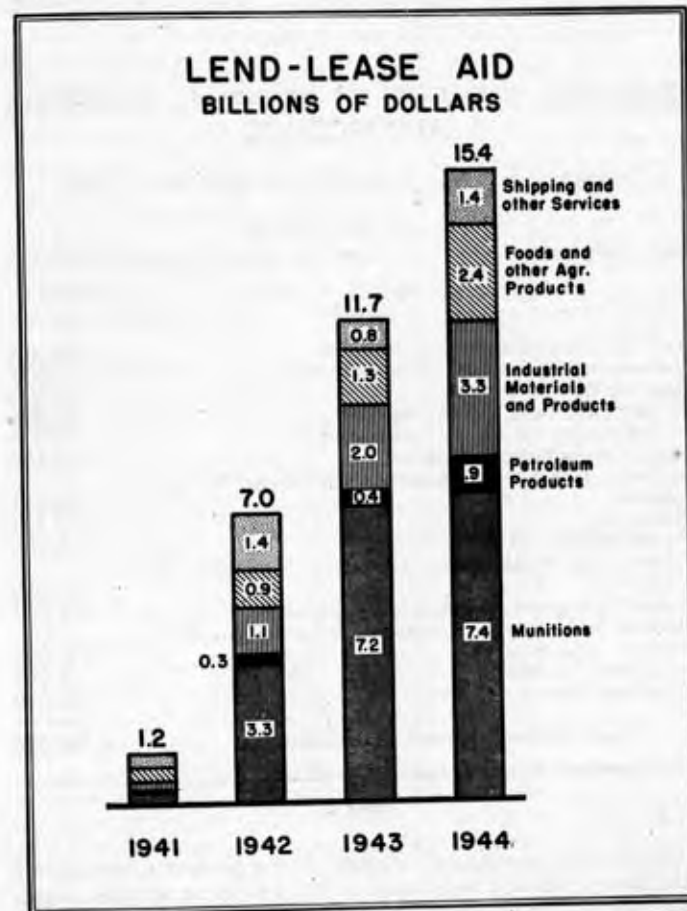


Chart 3

Industrial Materials and Products

Industrial materials and products (other than petroleum products)—amounting to 21 percent of the supplies transferred under lend-lease—consist of such items as signal, quartermaster, chemical warfare, engineer, and medical equipment and supplies; metals and minerals, and chemicals, railroad and road-building equipment, and machine tools and other machinery and equipment for war production.

LEND-LEASE TRANSFERS OF INDUSTRIAL MATERIALS AND PRODUCTS

Cumulative from March 11, 1941, to December 1, 1944

Thousands of Dollars

Category	Amount
Signal Equipment, Supplies and Materials.....	733,611
Quartermaster Equipment, Supplies and Materials.....	616,035
Chemical Warfare Equipment.....	213,209
Engineer Equipment, Supplies and Materials.....	454,926
Medical Equipment, Supplies and Materials.....	80,374
Supplies for Servicing of Vessels.....	159,422
Equipment, Materials, and Supplies for Naval and Military Bases.....	244,293
Chemicals.....	194,719
Metals and Minerals.....	1,606,786
Railroad and Road-building Equipment, Materials and Supplies.....	316,633
Electrical Equipment, Materials and Supplies.....	161,083
Machine Tools, Foundry Equipment, and other War Production Equipment.....	1,040,695
Agricultural Implements.....	51,103
Miscellaneous Items.....	524,699
Total Industrial Materials and Products.....	6,397,588

Table 2

Industrial raw materials and equipment for war production have enabled our allies to make the actual weapons of war in their own factories. Lend-lease materials and equipment are used to fill critical deficits in the war production of our allies. By sending them alloys, for example, we enable them to use their own iron to make steel. By sending them tools, we

enable them to use this steel to make tanks and guns. What the arsenals of our allies produce relieves to that extent the strain upon our own resources and manpower in the United States.

During the first eleven months of 1944, 55 percent of all lend-lease industrial raw materials and equipment went to Russia, far more than to any other country. These supplies included items such as iron and steel, nonferrous metals, machine tools, and power equipment, for use in the production of the vast quantities of guns, tanks, planes, and ammunition used by the Russian armies.

Small amounts of farm machinery, totalling less than 3 percent of United States production, have been sent to areas such as the United Kingdom, Australia, New Zealand, and North Africa where food production has had to be increased sharply during the war, in part to meet the needs of the large numbers of United States and other United Nations forces in the war theaters in which these areas are situated. The foods received as reverse lend-lease from Australia and New Zealand up to October 1, 1944, were equivalent to sixteen times the value of the farm implements supplied under lend-lease to these two countries to assist in their production of food for our own armed forces.

Foodstuffs and Other Agricultural Products

Foodstuffs and other agricultural products constitute 16 percent of all lend-lease transfers. We send food for the soldiers of our allies on the fighting fronts and for those on the production fronts behind the lines. Lend-lease food supplies in many cases have meant the difference between a starvation diet and the minimum essential ration. Lend-lease foodstuffs pack high nutritive value in small shipping space and supplement the deficiencies in the diets of the allied nations, especially in proteins, fats and vitamins.

Lend-lease shipments of food, important as they have been to our allies, took only 8 percent of our total food production in 1944.

The greatest shortage in meats in this country has been in beef. Yet in 1944, our lend-lease exports of beef were equivalent to only seven-tenths of one percent of our supply. The proportion was 1.7 percent in 1943 and three-tenths of one percent in 1942.

In spite of widely publicized food shortages and badly depleted stocks in food markets, the average American civilian had more to eat during the past year than before the war. The lower third in our income scale have had more money with which to buy more and better food than they have ever had before. A one-third increase in food production over pre-war years has made it possible to take care of the needs of our armed forces, to supplement the scanty rations of our allies, and to provide more food for each civilian in this country, on the average, than he had before the war.

Lend-lease supplies are allocated to our allies only after careful consideration of the needs of our own armed forces and civilian population. Shortages of civilian goods in this country have been due largely to three factors: actual war-induced shortage of materials, production facilities, or manpower; the requirements of our armed forces; and a domestic civilian demand in excess of normal pre-war supply induced by greatly increased consumer incomes. A fourth factor, the importance of which has been greatly overstated in numerous false rumors, is the effect of lend-lease.

For example, shipments of cigarettes under lend-lease have been rumored as being responsible for the current cigarette shortage in the United States. The fact is that for every cigarette exported under lend-lease in 1944, we sent 26 to our forces overseas and smoked 55 in this country. Our total lend-lease shipments of cigarettes were equivalent to one cigarette per week for each adult civilian in the United States as shown by Chart 15, page 52. All cigarettes exported under lend-lease have gone to allied military forces; none to civilians. Lend-lease exports in 1944 took only 1 1/4 percent of our production. Our total exports of cigarettes, commercial and lend-lease, in the last three years have accounted for a smaller proportion of our production than was exported commercially in the three years before the war. Moreover, the cigarettes we have lend-leased have been manufactured to foreign specifications, and have not been standard American brands.

Shipping and Other Services

Total services rendered to our allies under lend-lease through December 1944 amount to \$3,972,000,000, while \$31,410,000,000 worth of goods were transferred. Services include primarily the repair and servicing in this country of allied men-of-war and merchant ships, the provision of ocean and inland transportation for lend-lease goods, the construction of factory and shipyard facilities in this country for the production of war supplies for ourselves as well as for our allies, and the training in this country of pilots and other personnel for United Nations air forces.

Chapter 2

LEND-LEASE IN THE WAR AGAINST GERMANY

In Europe the United Nations are engaged in decisive battles on German soil. The offensives upon Germany from the East, West, and South are in every sense of the word a combined operation. Lend-lease and reverse lend-lease are the supply mechanism for these coordinated offensives.

LEND-LEASE EXPORTS TO ALL COUNTRIES

Thousands of Dollars

	Jan.-Nov. 1944	Cumulative to Dec. 1, 1944
United Kingdom	4,680,350	11,332,487
U. S. S. R.	3,157,527	7,436,767
Africa, Middle East and Mediterranean Area	1,128,843	3,523,684
China and India	767,215	1,760,081
Australia and New Zealand	335,241	1,149,196
Latin America	74,818	207,699
Other Countries	269,215	745,256
Total	10,413,209	26,155,170

PERCENTAGE DISTRIBUTION

	Jan.-Nov. 1944	Cumulative to Dec. 1, 1944
	Percent	Percent
United Kingdom	45.0	43.3
U. S. S. R.	30.3	28.4
Africa, Middle East and Mediterranean Area	10.8	13.5
China and India	7.4	6.7
Australia and New Zealand	3.2	4.4
Latin America7	.8
Other Countries	2.6	2.9
Total	100.0	100.0

Table 3

THE WESTERN FRONT

Today American forces are manning the long center section of the Western Front, with British and Canadian troops on their northern flank and French troops on their southern flank. The French army is equipped principally with American and British supplies. It consists of 8 divisions, plus 300 supporting units and an air force of 15,000 men. We supplied the French forces through December 31, 1944, with equipment and services amounting to approximately \$700,000,000. Included were 255,000 small arms; 9,500 machine guns; 2,000 artillery pieces; 3,400 tanks and armored vehicles; 48,000 trucks and other vehicles; and nearly 1,100 planes. Part of these war supplies were furnished to French units which were organized and trained in North Africa, fought in the Italian Campaign, and drove to the Rhine from Southern France with General Patch's Seventh U. S. Army.

Now that France and Belgium have been liberated, additional forces are being recruited and trained. The British have assumed the responsibility for rearming the Belgian units. The United States will furnish the arms for an additional eight divisions for the French Army, as well as an additional sixty combat and service units for the French Air Force. Sections of the front they may need not be manned by American troops.

The British forces on the Western Front are equipped principally with supplies from British sources, although a vital portion of their supplies has been furnished under lend lease. Shipments of lend-lease supplies to the

LEND-LEASE EXPORTS TO UNITED KINGDOM

Thousands of Dollars

Category	January- November 1944	Cumulative to December 1, 1944
Ordnance and Ammunition	804,912	1,714,331
Aircraft and Parts	1,020,931	1,965,073
Tanks and Parts	463,260	983,334
Motor Vehicles and Parts	326,630	588,421
Watercraft	62,916	241,716
Total Munitions	2,678,649	5,492,875
Industrial Materials and Products	1,145,204	2,839,678
Agricultural Products	856,497	2,999,934
Total	4,680,350	11,332,487

Table 4

United Kingdom up to December 1, 1944, amounted to \$11,332,000,000, equivalent to 43 percent of shipments to all of our allies since the beginning of the lend-lease program. In the first 11 months of 1944 they totaled \$4,680,000,000, or 45 percent of the total to all countries during these months.

The peak of the movement was reached in May, 1944, just prior to D-Day, when exports of lend-lease goods valued at \$561,000,000 were shipped to United Kingdom ports. The need was especially great then on the eve of the landings in Normandy. British war industries were working at top speed to produce guns, tanks, and ammunition for use on the Normandy beaches and in the campaign to follow. Tremendous fleets of American and British fighters and bombers made thousands of sorties by day and night from British airfields to attack German supply depots and troop concentrations and paralyze German centers of war transportation and production. The number of American troops arriving for the invasion had increased the strain on British rail and highway facilities which were engaged in the tremendous task of moving men and material to the points of embarkation.

On D-Day 5,000 ships of all types and many thousands of planes carrying hundreds of thousands of allied soldiers, sailors, and airmen took off from British ports and airfields for Normandy. American and British airmen were present in approximately equal numbers. Most of the British-manned ships and planes were produced in Britain's great war industries. But some of both had come from the United States under lend-lease. Some of the British-built ships contained lend-lease steel and some of the British-built planes contained lend-lease engines. The U. S. tanks, trucks and other vehicles that waded ashore had been waterproofed by encasement in British steel plates. Some American pilots flew British Hurricanes; others flew American fighters powered with the great British Rolls-Royce Merlin engines, the designs for which were freely made available to us by the British even before we were attacked at Pearl Harbor. All of the American planes took off from British air bases built specially for our use at a cost to the British of hundreds of millions of dollars.

Almost one-half the total of all lend-lease shipments to the United Kingdom has consisted of munitions, valued at \$5,493,000,000. The largest single item of lend-lease aid has been aircraft. We have sent 8,500 planes and our lend-lease exports of planes, engines, and parts to the United Kingdom are valued at \$1,965,000,000. Planes sent to the British under lend-lease include medium and light bombers, pursuit planes, transports, trainers, and other types. We have also sent 12,400 tanks and 44,000 ordnance vehicles other than tanks, 27,000 trucks and 10,500 other motor vehicles.

Petroleum products sent to the United Kingdom since the beginning of the program have amounted to \$1,071,000,000, of which \$608,000,000 worth were shipped during the first eleven months of 1944. These products have consisted primarily of aviation gasoline and motor gasoline for use by both British and American air and ground forces.

Industrial materials and equipment sent under lend-lease to the United Kingdom for war production and other war uses have amounted to a total of \$1,768,000,000. These supplies have enabled Britain to make the fullest use of her great war production capacity with which she has produced an enormous volume of weapons and war supplies, not only for her own forces, but also for the forces of the United States, Russia, and other United Nations.

Lend-lease shipments of food and other agricultural products to the United Kingdom have amounted to \$3,000,000,000, including 12,430,000,000 pounds of food to supplement the tremendously increased domestic food production program in the British Isles. In normal years, Britain imported large quantities of food from the Continent and Australia and New Zealand. All available foodstuffs now being produced in the liberated areas of Europe, in excess of local civilian needs, are going to meet the requirements of American and other allied forces on the Western Front. And our forces in the Pacific are receiving on reverse lend-lease a large part of the food produced by Australia and New Zealand.

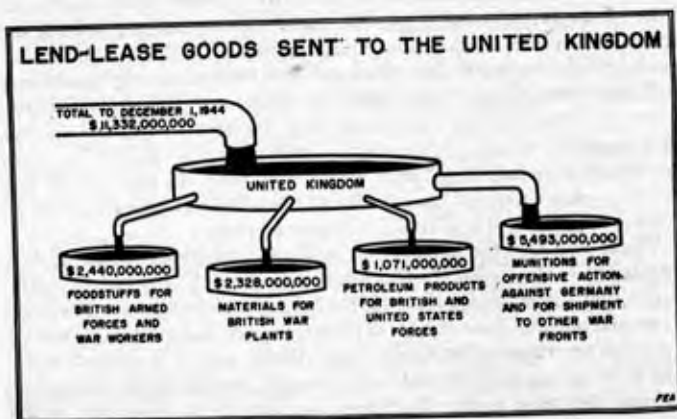


Chart 4

THE EASTERN FRONT

Lend-lease shipments to the Soviet Union up to December 1, 1944, amounted to \$7,437,000,000, which was 28 percent of total lend-lease shipments to all countries. In the first 11 months of 1944 they amounted to \$3,158,000,000, or 30 percent of the total to all nations during those months.

LEND-LEASE EXPORTS TO U. S. S. R.

Thousands of Dollars

Category	January- November 1944	Cumulative to December 1, 1944
Ordnance and Ammunition	183,212	768,099
Aircraft and Parts	525,733	1,376,253
Tanks and Parts	145,776	398,274
Motor Vehicles and Parts	458,854	1,013,471
Watercraft	72,920	182,486
Total Munitions	1,386,495	3,738,583
Industrial Materials and Products	1,238,466	2,401,453
Agricultural Products	532,566	1,296,731
Total	3,157,527	7,436,767

Table 5

The large quantities of munitions sent under lend-lease to support the great Soviet offensives have comprised the largest single item in the Soviet lend-lease program. They total \$3,739,000,000, or one-half the value of lend-lease materials of all kinds shipped thus far to the Soviet Union. We have sent 6,000 tanks, 294,000 tons of explosives, mainly TNT and powder, 1,800 self-propelled guns, 135,000 sub-machine guns, 13,000 pistols, 1,200 half tracks, 29,000 motorcycles, 3,300 armored scout cars, 1,700 ordnance service vehicles, and 8,200 guns of various types, including anti-aircraft guns.

We have also sent 12,000 airplanes to the Soviet, more than to any other ally under the lend-lease program. American planes in the hands of Soviet pilots have been credited with remarkable achievements on the Eastern Front and have brought down hundreds of Nazi fliers who might otherwise have taken to the air over Normandy and Germany to challenge

the men of the American Air Forces. Further to supplement the Soviet air arm, we have sent 253,000 tons of aluminum to be used in the construction of planes, and 1,265,000 tons of petroleum products, including 419,000 tons of aviation gasoline and 560,000 tons of blending agents for the manufacture of aviation gasoline.

The Soviet armies that have covered such great distances in such a short time have required hundreds of thousands of motor vehicles and railroad cars, as well as vast quantities of communication equipment to support their overland advances. Lend-lease has played an important role in furnishing these to the Soviet armies.

Up to December 1, 1944, we had sent to the Soviet Union under lend-lease, 362,000 motor vehicles, including 46,000 jeeps and 29,000 motorcycles. One hundred and forty-four thousand of these were sent during the first 11 months of 1944 in preparation for the Soviet Army's great winter offensive. On some parts of the Eastern Front these American vehicles are carrying more than one-half the supplies moving up to the Soviet troops.

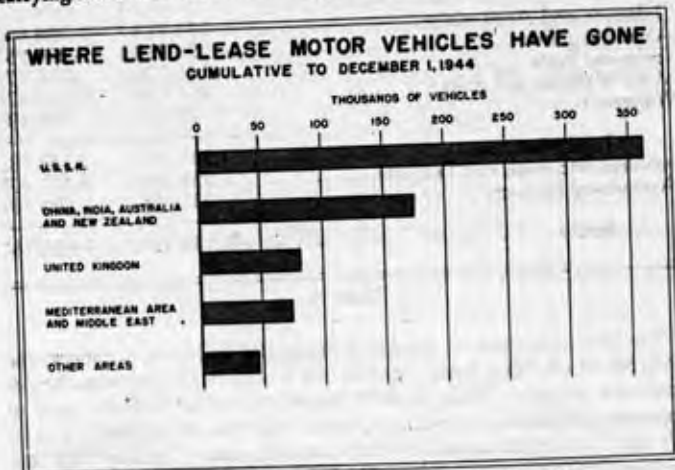


Chart 5

In January 1944, in another effort to meet the tremendous demands of wartime transportation, a program to increase the capacity of the Soviet railroads was undertaken. By December 1, 1944, we had sent under this program 1,045 locomotives, 7,160 flat cars, 1,000 dump cars, and 100 tank cars. In addition we have sent 478,000 tons of railroad rails to help the Soviets rebuild the railroads in the devastated areas which they have liberated and 110,000 tons of railroad wheels and axles which the Soviets

have used to build additional railroad cars in their own great plants. And to help maintain communications along the ever advancing supply lines, we have sent 333,000 field telephones and more than 1,000,000 miles of field telephone cable.

Before the Nazis overran the Ukraine in 1941 the Soviets themselves destroyed essential parts of the \$110,000,000 Dnieperstroi Dam. The Nazis wrecked it further and other electrical plants as well, as they retreated. To provide electric power for war industries in liberated areas, we developed in this country a power train. It consists of a complete steam generating unit mounted on railroad flat cars, which can be moved from city to city or industry to industry as the need demands. As soon as the local utilities are functioning again, the power train moves on to "spark" the industries in another district. Up to December 1, 1944 we had sent 60 of these trains and the Soviets had already put some of them to good use in the Donets Basin.

One of the most vital needs of the Soviet Union has been industrial equipment to produce the vast quantities of war supplies required by the Soviet Armies. Under lend-lease we have sent machine tools, forging hammers and presses, cartridge manufacturing lines, and other machinery and equipment for war production and other war uses totaling \$890,000,000. We have sent 2,120,000 tons of steel, 16,600 tons of ferro-alloys, which are used in the manufacture of tanks and other armaments, and 733,000 tons of nonferrous metals, including aluminum for airplanes, zinc for ammunition, and copper and brass for ammunition and communication equipment.

THE SOUTHERN FRONT

Lend-lease is playing its part, too, in the drive on Germany from the South. American and British ground forces are fighting shoulder to shoulder with the soldiers of many other United Nations. In this theater American troops presently constitute less than one-fifth of the total number involved, but American and British supplies have been pooled to equip the forces of France, Poland, Yugoslavia, Brazil, Czechoslovakia, South Africa, and India that are now engaging in Italy an estimated twenty-seven Nazi divisions that would otherwise be opposing American troops, as they fight through the Siegfried Line, or Soviet troops driving towards Berlin.

Total lend-lease supplies to the Mediterranean theater of war, including Africa and the Middle East, have amounted to \$3,524,000,000, equivalent to 13.5 percent of lend-lease shipments to all theaters up to December 1, 1944. In the first eleven months of 1944 they amounted to \$1,129,000,000 or 10.8 percent of the total shipped during these months to all countries. Nearly 75 percent of the supplies sent to this area under lend-lease are munitions, primarily for the French and British forces. Of these, the major share has been aircraft and parts. We have sent more than 5,000

LEND-LEASE EXPORTS TO AFRICA, MIDDLE EAST, AND MEDITERRANEAN AREA

Thousands of Dollars

Category	January- November 1944	Cumulative to Decem- ber 1, 1944
Ordnance and Ammunition	140,454	678,796
Aircraft and Parts	374,672	805,632
Tanks and Parts	174,533	619,696
Motor Vehicles and Parts	121,976	448,774
Watercraft	16,322	50,975
Total Munitions	827,957	2,603,873
Industrial Materials and Products	197,322	673,715
Agricultural Products	103,564	246,096
Total	1,128,843	3,523,684

Table 6

planes, including 1,600 medium bombers and 1,500 trainers. We have sent also to this theater more than 5,000 tanks and 75,000 motor vehicles.

These supplies have played an important part in the expulsion of the Nazis from Africa and the Mediterranean, the liberation of southern France, and the transport in the Middle East of vital material en route to the Soviet. Today, with Africa and the Middle East freed from the Axis, their principal role is in support of the allied forces fighting in Italy.

THE WESTERN HEMISPHERE

Lend-lease aid to the republics of Latin America for the defense of this Hemisphere and the vital sea lanes to Africa and Europe is limited to weapons of war and other supplies having a military end use. Shipments to these countries have amounted to \$207,700,000 up to December 1, 1944, or about three-quarters of one per cent of total shipments to all nations. More than 44 per cent of the supplies shipped to Latin America have consisted of airplanes and airplane parts. Brazil, which has received more than half of all lend-lease aid sent to Latin America, has sent an expeditionary force of infantry and fliers to the Italian theater. With the ships and planes furnished under lend-lease, Brazil has also been able to take over a large part of the anti-submarine patrol in the South Atlantic, as Mexico and other Central American Republics have done in the Caribbean, thus releas-

LEND-LEASE EXPORTS TO LATIN AMERICA

Thousands of Dollars

Category	January- November 1944	Cumulative to Decem- ber 1, 1944
Ordnance and Ammunition	9,588	30,445
Aircraft and Parts	35,232	91,494
Tanks and Parts	7,755	30,503
Motor Vehicles and Parts	6,691	20,824
Watercraft	853	1,469
Total Munitions	60,119	174,735
Industrial Materials and Products	14,669	32,878
Agricultural Products	30	86
Total	74,818	207,699

Table 7

ing United States naval and air forces for use in other areas. In addition, the airport of Natal in Brazil, situated at the point in the Western Hemisphere closest to Africa has been a vital factor in the air passage of American planes, including lend-lease planes, en route to Africa, Europe, and Russia.

We have sent 950 trainer planes, petroleum products, and other supplies under lend-lease to Canada, for the account of other countries, to assist in training programs for pilots of the other United Nations. We have also furnished munitions to the Canadian forces through lend-lease, but we are reimbursed in full by the Canadian government for all such supplies.

Chapter 3

LEND-LEASE IN THE WAR AGAINST JAPAN

Our exports of lend-lease supplies to the Pacific and the Far East for the war against Japan amounted to more than \$2,900,000,000 by December 1, 1944. More than 37 percent of these shipments left in the first 11 months of 1944. These supplies included 6,500 lend-lease planes and 3,000 lend-lease tanks which are being used against the Japanese by Australian, British, Chinese, Dutch, Indian, and New Zealand forces. We have also sent to U. S. commanding generals in this theater for subsequent transfer under lend-lease, munitions valued at \$247,700,000. With this help from us, our allies are inflicting heavy damage on the same enemy our men are fighting.



Chart 6

AUSTRALIA AND NEW ZEALAND

Lend-lease shipments to Australia and New Zealand up to December 1, 1944, totalled \$1,149,000,000. In the first 11 months of 1944, shipments were valued at \$335,000,000. About 58 percent of the total consisted of

LEND-LEASE EXPORTS TO AUSTRALIA AND NEW ZEALAND

Thousands of Dollars

Category	January- November 1944	Cumulative to December 1, 1944
Ordnance and Ammunition	12,987	131,958
Aircraft and Parts	110,571	294,806
Tanks and Parts	793	55,294
Motor Vehicles and Parts	45,660	178,055
Watercraft	7,146	11,049
Total Munitions	177,157	671,162
Industrial Materials and Products	148,153	440,889
Agricultural Products	9,931	37,145
Total	335,241	1,149,196

Table 8

munitions, 38 percent industrial materials and petroleum products, and the rest agricultural products. Table 8 shows these exports broken down by major category.

With these and other munitions manufactured in their own factories, Australian and New Zealand troops, naval units, and air forces have continued to play an important part in the Southwest Pacific. Dutch airmen and troops in increasing numbers are also seeing action in this theater. These allied forces have fought along side American troops in New Guinea, New Britain, and the Solomons and are now doing most of the fighting in these areas as the greater portion of our forces have moved on to the Philippines.

The industrial materials and products supplied under lend-lease to Australia and New Zealand have been for the most part confined to raw materials and semi-fabricated articles. We are now sending such items as fertilizers and insecticides and farm machinery to increase food production, tinplate to use in canning the food for shipment to our armed forces in the Pacific theater, cotton for the production of military uniforms, tents and surgical dressings, and marine engines for installation in Australian-built hulls.

A large proportion of the goods produced with the aid of these lend-lease war production supplies is being furnished to our forces as reverse lend-lease and without payment by us. By June 30, 1944, which was well in

time to meet General MacArthur's needs for the invasion of the Philippines, Australia and New Zealand had supplied as reverse lend-lease 9,500 landing craft, barges, tug boats and other craft essential to the prosecution of an amphibious campaign over thousands of miles of ocean. Australia alone has supplied 1,500,000 army boots and shoes, over 1,750,000 army blankets, 7,500,000 pairs of socks, and almost 1,000,000 army shirts and jackets. New Zealand has supplied an equally impressive quantity—240,000 army blankets, 675,000 pairs of socks, 25,000 leather field jackets, and nearly 50,000 mattresses.

Tires and tubes offer a dramatic example of the manner in which the resources of the United Nations have been pooled for the defeat of the common enemy. Practically all of the tires and tubes required by our forces in the Southwest Pacific during 1944 were produced in Australian factories—over 250,000 tires and 280,000 tubes. Britain supplied the crude rubber from Ceylon; the United States supplied the cotton fabric, carbon black, and some of the other chemicals needed in tire production. Australian plants and Australian labor were used to manufacture these materials into tires and tubes. Lend-lease and reverse lend-lease were the machinery through which this pooling of supplies was made possible.

CHINA-BURMA-INDIA

Lend-lease supplies valued at \$1,760,000,000 were sent to China and India up to December 1, 1944. In the first eleven months of 1944, lend-lease aid kept pace with the increasing tempo of the fighting in this theater; shipments amounted to \$767,000,000—more than 43 per cent of the total. Almost 66 per cent of the total consisted of munitions, the balance being war production supplies and agricultural products. An additional \$247,700,000 worth were also sent to U. S. commanding generals for subsequent transfer to China under lend-lease.

Our efforts to aid China have been hampered by transportation difficulties, for China has been cut off by land and sea since the Burma Road was lost in April 1942. But at last a new land route to China has been opened through northern Burma and the first motor convoy moving over it reached China on January 28, 1945, the day after combined American, British, and Chinese forces cleared away the last group of Japanese troops menacing the route. The convoy brought needed war supplies for use in the fighting in China. A continuous and increasing flow of supplies is following.

Paralleling this new land route to China, which runs from Ledo in India's northeastern province of Assam through Myitkyina and Bhamo in Burma to a point where it joins the old Burma Road, a 2,000-mile pipe line is being constructed under lend-lease to bring gasoline and oil for China's transportation system and aviation gasoline for the Chinese and American

LEND-LEASE EXPORTS TO CHINA AND INDIA

Thousands of Dollars

Category	January- November 1944	Cumulative to Decem- ber 1, 1944
Ordnance and Ammunition.....	31,221	249,196
Aircraft and Parts.....	312,953	502,254
Tanks and Parts.....	20,915	117,598
Motor Vehicles and Parts.....	105,214	252,711
Watercraft.....	13,434	36,445
Total Munitions.....	483,737	1,158,204
Industrial Materials and Products.....	203,045	475,367
Agricultural Products.....	80,433	126,510
Total.....	767,215	1,760,081

Table 9

airmen now flying against the Japanese from bases in China. With the new land route and the pipe line, and with the aerial highway "over the hump," which has already doubled the 15,000 tons per month that once moved over the old Burma Road, China can look forward to a steadily increasing stream of supplies.

Now that a new land route is open, plans have been made to increase our aid to China. The most urgent program is one to establish a military transportation system in China itself. It has been estimated that there are not more than 6,000 trucks in all Free China today and that half of these are approaching collapse. To remedy this situation a fleet of 15,000 American trucks will be delivered to China under lend-lease over this new land route. To help the Chinese in organizing a transportation system, more than a thousand Chinese will be sent to the United States under lend-lease for training and more than a thousand American technicians will be sent to the Far East to train additional thousands of Chinese to repair and maintain the lend-lease trucks. When this transportation system is established, the combined forces of the United Nations will be able to mount new and greater offensives from China.

Up to December 1, 1944, most of the supplies sent to the China-Burma-India theater had, of course, gotten no farther than India. There a portion of them were stock-piled ready for shipment to China when the new land route should open. But by far the greatest amount was put to good use in

the fighting in India and Burma. Some of the munitions were used by Chinese who were flown out of China and equipped with lend-lease weapons in India and flown back to Burma to help clear the Japs from the path of the American Army Engineers building the Ledo Road. Others were used by the combined British and Indian forces, under the command of Lord Louis Mountbatten, who have driven the Japanese out of India and back to within 25 miles of Mandalay and have landed on Ramree Island on the Southern coast of Burma.

We had sent by December 1, 1944, \$71,000,000 worth of petroleum products to this theater. These have, however, consisted principally of special types of petroleum products not obtainable outside the United States. The major portion of the oil requirements for this theater—ours, as well as British, Chinese and Indian—are supplied from British oil resources in the Middle East. By that date we had also sent to this theater \$404,000,000 worth of war production supplies. Most have gone to India, for India is a major United Nations arsenal which is turning out large quantities of munitions for American, Chinese, and British forces, as well as for her own. India's war industries turn out great quantities of high explosives, small arms, and ammunition; converted railroad shops produce armored cars and gun-mounts; small shops all over India have been converted to war production. Her shipyards turn out invasion barges, mine-sweepers and lighters. Her cotton mills make the light-weight uniform cloth that our own soldiers need for India's blazing hot climate.

Chapter 4

REVERSE LEND-LEASE AID

The United States has never been bombed, it is far from the fighting fronts, and it has the greatest industrial capacity of all the United Nations. Due to the circumstances of our geographical position, we have therefore been called upon to give most in production and money toward winning the war, while our major fighting allies have been called upon to give most in lives, in destruction to their homelands and in the suffering of their people. The Russians have lost 5,300,000 soldiers besides millions of civilians who have met death at the hands of the Nazis. Untold millions of Chinese soldiers and civilians have been killed by the Japanese. The armed forces of the United Kingdom, with a population only one-third as large as ours, had by December 1, 1944, suffered 625,000 casualties not including more than 400,000 casualties of the Dominion, Indian, and Colonial forces. Nor does it include the more than 50,000 British civilians—men, women, and children—that had been killed by Nazi bombs up to June 30, 1944, before the V-1 and V-2 bombs had done most of their damage. Others of our allies have suffered proportionately heavy losses in lives and property.

REVERSE LEND-LEASE AID

Thousands of Dollars

	January-September 1944	Cumulative to October 1, 1944
United Kingdom	1,263,000	2,826,000
Australia	282,480	644,844
New Zealand	57,953	149,839
India	210,687	317,440
Total	1,814,120	3,938,123

Table 10

We have been able to produce more than our own forces could use effectively against the enemy. Our fighting allies, on the other hand, have generally required for their fighting forces most or all of the war supplies they could produce, in addition to what we could send them. The most important return we have received for the lend-lease supplies that we have sent has been the hastening of the day of final victory over our common enemies. But by October 1, 1944, we had received nearly 4 billion dollars' worth of reverse lend-lease supplies and services from our allies. Most of this aid has been provided to American forces overseas by the British Commonwealth, but increasing quantities are being supplied by France, Belgium, and the Netherlands to our troops on the continent. Table 10 on page 29 shows the sums that the British Commonwealth had expended for reverse lend-lease aid to United States up to October 1, 1944.

THE UNITED KINGDOM

The major share of the reverse lend-lease aid we have received has come from the United Kingdom. By October 1, 1944 the United Kingdom had spent \$2,826,000,000 to procure the supplies and services furnished to us.

As our forces in the British Isles increased in number prior to D-Day, the rate at which we received reverse lend-lease also rose rapidly. In 1942 our forces received an estimated 1,121,000 tons of supplies; in 1943, 1,826,000 tons; and in only the first six months of 1944, 3,400,000 tons. During this entire period about one-third of all of the supplies and equipment currently required by the American Expeditionary Force in the British Isles was furnished as reverse lend-lease. Some branches of this expeditionary force received more of their day-to-day requirements under reverse lend-lease than from the United States.

Even though great numbers of American troops have moved from Britain to the continent, the United Kingdom continues to serve as a major source of supply for our operations on the continent. The U. S. forces besieged in Bastogne at the height of the Nazis' December counterattack, for example, received gasoline for their tanks and trucks in jerri-cans built in Britain under reverse lend-lease and dropped to them from planes. These are a few examples of the reverse lend-lease aid that we are receiving to help us in the drive on Germany:

A great artificial harbor installed on the Normandy beachheads, with a capacity equal to that of the port of Dover; millions of jerri-cans for American forces as they raced across France; large numbers of Bailey Bridges to move supplies across the rivers in Belgium and France; 1,000,000 spark plugs for American bombers; 300,000 paper gas tanks to give our fighters the extra range needed to accompany the Flying Fortresses on their deep penetrations over Germany; the cost of transporting many U. S. troops on British ships, including more than 320,000 on the world's two largest

REVERSE LEND-LEASE AID FROM THE UNITED KINGDOM

Thousands of Dollars

Category	January-September 1944	Cumulative to October 1, 1944
Goods and Services Transferred in the United Kingdom.....	706,000	1,278,000
Shipping Services.....	146,000	420,000
Capital Construction in United Kingdom and Overseas.....	159,000	715,000
Goods and Services Transferred Outside the United Kingdom *.....	252,000	413,000
Total.....	1,263,000	2,826,000

* Includes the value of raw materials and foodstuffs and military supplies shipped to or transferred in the United States. Includes transfers in overseas theaters of war to March 31, 1944, only.
(Conversion from pound sterling at \$4.03.)

Table 11

liners—the *Queen Mary* and the *Queen Elizabeth*; 350,000,000 pounds of fresh vegetables and other British-produced foods that took care of 20 percent of the rations of our soldiers in the British Isles; 2,000,000 pairs of wool socks; quantities of howitzers, anti-aircraft and anti-tank equipment; hospitals completely equipped with beds for 100,000 men and hospital trains now in use on the Western Front; all heat, light, and water bills at our bases and barracks in Britain.

The most important single reverse lend-lease project in terms of cost was the construction of air bases for the Eighth and Ninth U. S. Air Forces. Tens of thousands of British laborers built them at a cost of \$440,000,000. Though the Ninth Air Force has now moved to bases on the continent, the Eighth Air Force is still using those British bases for its daily raids on Germany.

We have also benefited greatly from British engineering and research in new weapons. No money valuation is put on this type of aid, but it is freely made available to us. The free exchange of scientific information between American and British engineers has led to great improvements in our war equipment.

FRANCE, BELGIUM, AND THE NETHERLANDS

French, Belgian, and Dutch industry and agriculture were forcibly harnessed to the Nazi scheme of world domination for more than four years,

but during this time their territories that were not under enemy control furnished supplies and services to the United States as reverse lend-lease. Up to October 1, 1944, our armed forces in French North and West Africa and New Caledonia had received war supplies and services of an estimated value of \$46,750,000. By that date our troops had also received in the Dutch West Indies supplies and services valued at \$170,000 and in the Belgian Congo services valued at \$167,000.

Substantial though these figures for reverse lend-lease aid are, they are rising at a rapidly increasing rate, for today France and Belgium and a part of the Netherlands are again free and are now contributing to the United Nations war supply pool. France and Belgium have great industries which suffered relatively slight damage, and the Netherlands has been an important food-producing nation. They are already producing vital war supplies and food for the allied armies on the continent.

The United States has already received under reverse lend-lease large quantities of supplies and services. Among the supplies received are large quantities of fresh fruits and vegetables; several million small batteries, which have a short life and have therefore required a top shipping priority to reach the fighting fronts in a condition to be used; steel beams and girders for bridges that the allied airmen destroyed and that must be restored so that supplies may be moved to the front in Germany; hundreds of thousands of feet of lumber, and nearly a million maps. American tanks and trucks are constantly being repaired in French plants and in some cases with parts produced by French industry. Belgian factories have supplied 450,000 track link connectors for tanks so essential for the tough going in the mud and snow on the Siegfried Line. An estimated 100,000 French civilians, as well as several thousand Belgians, are employed at U. S. Army supply depots, bases, and other projects, and their salaries are being paid under reverse lend-lease. Thousands of buildings in France and Belgium have been made available under reverse lend-lease and without payment by us for use as billets, hospitals, offices, and storage and supply depots. Included are most of the hotels in Paris. And all of these are being lighted and maintained under reverse lend-lease.

Recently plans have been made for an additional reverse lend-lease program. Among the articles to be produced are great quantities of uniforms and tents, 200,000 heavy-duty tires, vital repair parts for military vehicles and several million jerri-cans. All these are to be produced in France, except for a portion of the tires which are to come from Belgium. Some of the raw materials such as cotton and synthetic rubber needed for this program will come from the United States under lend-lease, but the products resulting from this program furnished to the United States will be supplied as reverse lend-lease and without payment by us.

AUSTRALIA, NEW ZEALAND, AND INDIA

By October 1, 1944, we had received from Australia, New Zealand, and India reverse lend-lease aid valued at \$1,112,123,000 for use in the war against Japan. From these three allies we received in the first nine months of 1944 supplies and services amounting to \$552,120,000. Although our forces are moving out of the South and Southwest Pacific, they will continue to be supplied in their northward course by Australia and New Zealand.

REVERSE LEND-LEASE AID FROM AUSTRALIA

Thousands of Dollars

Category	January-September 1944	Cumulative to October 1, 1944
Foodstuffs	52,815	147,936
Air Force Supplies and Equipment	15,149	50,584
Other Military Supplies and Equipment	84,847	136,447
Shipping Services and Shipbuilding	34,830	58,110
Transportation and Other Services	55,006	118,944
Construction	39,833	132,823
Total	282,480	644,844

(Conversion from Australian pound at \$3.23.)

Table 12

The most important single item that we receive from Australia and New Zealand is food. By October 1, 1944, this food program for our forces had cost Australia and New Zealand \$213,000,000. Here are some of the quantities we have received:

	Pounds
Beef and veal	186,419,000
Lamb and mutton	48,094,000
Pork, including bacon and ham	106,196,000
Other meat	155,290,000
Butter	55,341,000
Fruits and vegetables	531,663,000
Sugar	153,450,000
Eggs (dozen)	39,881,000

This program, which has reached such tremendous proportions, began with the few shiploads of food Australia sent to Bataan shortly after Pearl Harbor. It supplied most of the food for the American men fighting

in the campaigns of the Solomons, New Guinea, New Britain, and the Admiralty Islands. Now that more and more American men are going to the Pacific areas, this reverse lend-lease food program is being increased again. Australia and New Zealand spent as much for food for our forces in the three months ending October 1, 1944, as in the first six months of that year. And for our troops closing in on Japan from the Asiatic mainland, India, very short of food for its own people, had by that date furnished \$26,000,000 worth of food as reverse lend-lease and without payment by us.

REVERSE LEND-LEASE AID FROM NEW ZEALAND

Thousands of Dollars

Category	January-September 1944	Cumulative to October 1, 1944
Foodstuffs.....	35,637	65,137
Military Supplies and Equipment.....	11,459	24,826
Shipping Services and Shipbuilding.....	1,579	8,079
Transportation and Other Services.....	9,272	23,227
Construction.....	6	28,570
Total.....	57,953	149,839

(Conversion from New Zealand pound at \$3.25.)

Table 13

Together, these three countries had by October 1, 1944, spent \$262,468,000 to build air bases, camps, barracks and hospitals, and other installations for our forces. Of this total \$132,823,000 was spent by Australia, \$100,075,000 in India, and \$28,570,000 by New Zealand. American planes carrying supplies to China take off from reverse lend-lease air bases in India as do our B-29 Super Fortresses for their raids on Japanese installations in Malaya and Indo-China.

New Zealand has provided hospital beds, mainly in specially constructed and equipped hospitals, for no fewer than 8,000 United States servicemen at a time when the accommodations in the Dominion for civilians in both public and private hospitals totaled only 13,000 beds.

American war supplies move over Australian, Indian, and New Zealand railroads without payment by us, and American soldiers use thousands of different items furnished as reverse lend-lease by these three countries. Our Army Engineers use reverse lend-lease earth moving equipment of all

REVERSE LEND-LEASE AID IN INDIA*

Thousands of Dollars

Category	January-September 1944	Cumulative to October 1, 1944
Foodstuffs.....	16,285	26,374
Military Supplies and Equipment.....	118,870	159,687
Shipping Services and Shipbuilding.....	1,639	3,739
Transportation and Other Services.....	17,692	27,565
Construction.....	56,201	100,075
Total**.....	210,687	317,440

*Provided both by the United Kingdom and the Government of India. Based on estimates by the United States Army.

**Does not include raw materials and foodstuffs shipped to the United States.

(Conversion from Indian rupee: 330.44 = \$100.00)

Table 14

kinds, cranes, concrete mixers, insulators, barbed wire, and hundreds of other miscellaneous supplies. Our Army Medical Corps uses reverse lend-lease beds and bedding, kitchen and mess equipment, stretchers and dressings, as well as many other supplies. Our fighting men wear reverse lend-lease uniforms and boots. And our Air Force in India has used more than 113,300,000 gallons of reverse lend-lease aviation gasoline from the British refinery at Abadan as well as millions of gallons of motor gasoline, oil, greases, and lubricants.

THE SOVIET UNION

The Soviet Union, which fought until this summer on her own soil, has needed virtually all she could produce for her own forces. Moreover, until this year no United States forces were stationed on Soviet territory and the occasion for reverse lend-lease aid did not arise, except in connection with supplies, repairs, and other services provided as reverse lend-lease for United States merchant ships in Soviet ports. With the establishment of the shuttle-bombing bases in Russia, the Soviet Union has provided our Air Forces, as reverse lend-lease aid and without cost to us, with much of the supplies and services needed for these bases. This aid has included many of the materials and most of the labor used in building the bases, part of the equipment, much of the food for our Air Force crews and mechanics, and many other operational supplies and services.

CHINA

China has been fighting the Japanese on her own soil for seven years. She has needed more aid than we have up to now been able to send her by the single air route that connects her with the outside world. Nevertheless the Chinese people have rendered heroic and effective aid to our forces in China.

The bases in China from which our B-29 Super-Fortresses take off to raid Japan were built by 400,000 Chinese laborers, working with their bare hands. There was virtually no equipment in China for building these bases, nor could it be brought in from outside by air. The Chinese hauled by hand 160,000 tons of rock and sand to build the runways needed for the planes, crushed the rock by hand and laid it stone by stone, then smoothed the surface by hand-hauled stone rollers. They built so effectively that within three months of the time construction started, the first of the B-29's was able to land in China.

The many bases used by General Chennault's Fourteenth Air Force in China were built in the same fashion. And the success of the operations of our Air Force in China depends in large part on China's grapevine air raid warning system on the approach of Japanese planes. This system extends by underground connections into the Japanese-occupied areas of China. In spite of the lack of modern communication equipment, it is one of the fastest and most efficient in the world.

Chapter 5 STATISTICAL TABLES AND CHARTS AMOUNTS OF LEND-LEASE AID AUTHORIZED

The amount of lend-lease aid that may be provided under the various acts is summarized as follows:

I Lend-Lease Appropriations to the President

First Lend-Lease Appropriation (March 27, 1941).....	\$7,000,000,000
Second Lend-Lease Appropriation (October 28, 1941).....	5,985,000,000
Third Lend-Lease Appropriation (March 5, 1942).....	5,425,000,000
Fourth Lend-Lease Appropriation (June 14, 1943).....	6,273,629,000
Fifth Lend-Lease Appropriation (June 30, 1944).....	3,538,869,000
Total.....	28,222,498,000

II Transfers Authorized From Other Appropriations

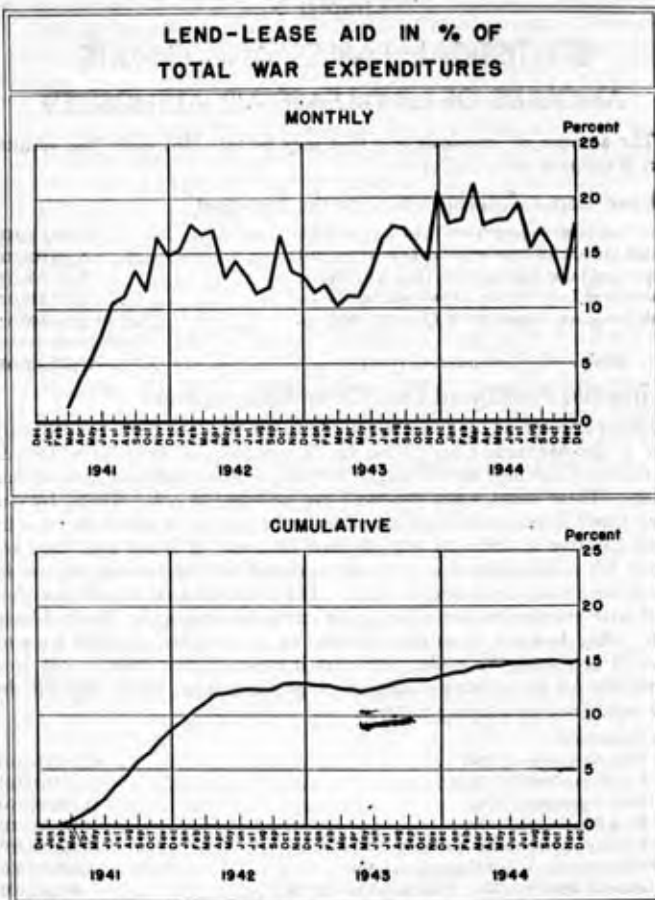
Direct appropriations have been made to the War and Navy Departments and to the Maritime Commission for the procurement of items which are in the main common to the uses of our own armed forces and those of our allies. These items when produced can be used, in other words, by our own armed forces or those of our allies in the manner in which they can be most effective in defeating our common enemies. It is not until they are ready for distribution that they are allocated by the military experts in accordance with the strategic needs. The Appropriation Acts in question authorize transfers to our allies up to stated amounts under the lend-lease act. That does not mean that transfers up to the stated amounts have to or will necessarily be made. All that it means is that there is sufficient flexibility for the military experts to assign the supplies where they will do the most good in winning the war.

War Department:	
Third Supplemental, 1942.....	\$2,000,000,000
Fourth Supplemental, 1942.....	4,000,000,000
Fifth Supplemental, 1942.....	11,250,000,000
Sixth Supplemental, 1942.....	2,220,000,000
Military Appropriation Act, 1943.....	12,700,000,000
Navy Department: Second Supplemental, 1943.....	3,000,000,000
Departments other than War: Third Supplemental, 1942.....	800,000,000
Total.....	35,970,000,000

Note.—In addition to the foregoing, Congress has with certain limitations authorized the leasing of ships of the Navy and merchant ships constructed with funds appropriated to the Maritime Commission without any numerical limitation as to the dollar value or the number of such ships which may be so leased. (See for example, Public Law 1, 78th Congress, approved February 19, 1943, and Public Law 11, 78th Congress, approved March 18, 1943.)

Table 15

LEND-LEASE AID IN % OF
TOTAL WAR EXPENDITURES



FOREIGN ECONOMIC ADMINISTRATION

Chart 7

LEND-LEASE AID
Millions of Dollars

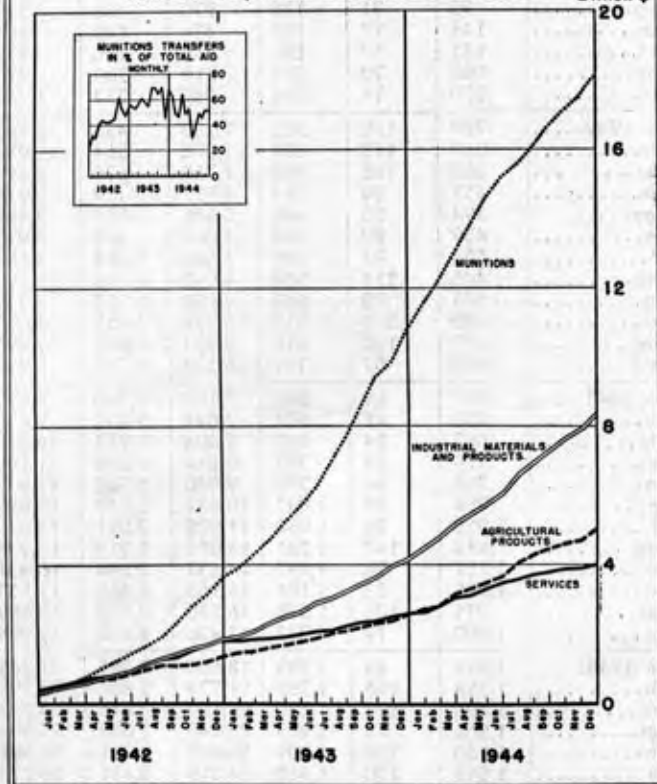
	Monthly			Cumulative		
	Goods	Services	Total	Goods	Services	Total
Jul 1941.....	73	28	101	175	72	247
Aug.....	95	31	126	270	103	373
Sep.....	144	37	181	414	140	554
Oct.....	131	50	181	545	190	735
Nov.....	165	70	235	710	260	970
Dec.....	200	74	274	910	334	1,244
Jan 1942.....	220	102	322	1,130	436	1,566
Feb.....	260	128	388	1,390	564	1,954
Mar.....	362	106	468	1,752	670	2,422
Apr.....	455	99	554	2,207	769	2,976
May.....	394	55	449	2,601	824	3,425
Jun.....	459	89	548	3,060	913	3,973
Jul.....	504	91	595	3,564	1,004	4,568
Aug.....	446	114	560	4,010	1,118	5,128
Sep.....	544	99	643	4,554	1,217	5,771
Oct.....	680	235	915	5,234	1,452	6,686
Nov.....	620	190	810	5,854	1,642	7,496
Dec.....	694	63	757	6,548	1,705	8,253
Jan 1943.....	627	55	682	7,175	1,760	8,935
Feb.....	656	41	697	7,831	1,801	9,632
Mar.....	663	24	687	8,494	1,825	10,319
Apr.....	720	63	783	9,214	1,888	11,102
May.....	716	74	790	9,930	1,962	11,892
Jun.....	954	77	1,031	10,884	2,039	12,923
Jul.....	1,018	32	1,050	11,902	2,071	13,973
Aug.....	1,114	147	1,261	13,016	2,219	15,235
Sep.....	1,121	70	1,197	14,137	2,294	16,431
Oct.....	1,028	73	1,101	15,165	2,368	17,533
Nov.....	971	105	1,076	16,136	2,473	18,609
Dec.....	1,300	77	1,377	17,436	2,550	19,986
Jan 1944.....	1,214	45	1,259	18,650	2,595	21,245
Feb.....	1,124	226	1,350	19,774	2,821	22,595
Mar.....	1,406	224	1,630	21,180	3,045	24,225
Apr.....	1,266	18	1,284	22,446	3,063	25,509
May.....	1,160	239	1,399	23,607	3,301	26,908
Jun.....	1,212	150	1,362	24,819	3,451	28,270
Jul.....	1,308	82	1,390	26,127	3,533	29,660
Aug.....	1,009	156	1,165	27,136	3,689	30,825
Sep.....	1,116	82	1,198	28,252	3,771	32,023
Oct.....	1,048	97	1,145	29,300	3,868	33,168
Nov.....	856	39	895	30,156	3,907	34,063
Dec.....	1,254	65	1,319	31,410	3,972	35,382

Table 16

LEND-LEASE GOODS TRANSFERRED AND SERVICES RENDERED

CUMULATIVE, FROM BEGINNING OF PROGRAM

Billion \$



FOREIGN ECONOMIC ADMINISTRATION

Chart 8

LEND-LEASE AID, BY CATEGORY

	Year 1944	Cumulative to Jan. 1, 1945
Goods Transferred:		
Munitions:		
Ordnance	\$402,801,000	\$1,198,545,000
Ammunition	752,414,000	2,398,731,000
Aircraft	2,224,300,000	4,326,483,000
Aircraft Engines, Parts, etc.	760,830,000	2,088,929,000
Tanks and Parts	1,362,275,000	3,279,215,000
Motor Vehicles and Parts . .	762,401,000	1,656,359,000
Watercraft	1,110,830,000	3,184,048,000
Total	7,375,851,000	18,132,310,000
Industrial Materials and Products:		
Machinery	789,194,000	1,636,571,000
Metals	659,421,000	1,656,558,000
Petroleum	845,977,000	1,568,184,000
Misc. Materials and Manufactures ¹	1,882,338,000	3,461,544,000
Total	4,176,930,000	8,322,857,000
Agricultural Products:		
Foods	2,171,468,000	4,261,605,000
Other Agricultural Products	249,537,000	693,456,000
Total	2,421,005,000	4,955,061,000
Total Transfers	13,973,786,000	31,410,228,000
Services:		
Rental of Ships, etc.	1,254,202,000	2,704,900,000
Servicing, Repair of Ships, etc.	124,967,000	532,335,000
Production Facilities in U. S.	23,461,000	628,519,000
Miscellaneous Expenses	20,095,000	106,664,000
Total Services	1,422,725,000	3,972,418,000
Total Direct Aid	15,396,511,000	35,382,646,000
Consignments to U. S. Commanding Generals for subsequent transfer under Lend-Lease	278,191,000	788,083,000

¹ A detailed break-down of this category, for the period to December 1, 1944, is given in Table 2, page 12.

Table 17

DEFENSE AID ARTICLES CONSIGNED TO U. S. COMMANDING GENERALS FOR SUBSEQUENT TRANSFER UNDER LEND-LEASE TO FOREIGN GOVERNMENTS

Thousands of Dollars

CUMULATIVE FROM BEGINNING OF PROGRAM

	French Forces in North & West Africa	China	Other Countries	Total
Jan. 1944.....	320,725	215,543	13,219	549,487
Feb.....	341,025	219,703	14,438	575,166
Mar.....	363,459	211,496	15,506	590,461
Apr.....	384,091	217,247	15,877	617,215
May.....	410,986	224,276	23,332	658,594
Jun.....	420,369	227,002	30,870	678,241
Jul.....	427,353	211,939	19,006	658,298
Aug.....	439,907	217,817	20,851	678,575
Sep.....	449,623	224,111	23,604	697,338
Oct.....	475,097	238,843	24,820	738,760
Nov.....	497,479	247,732	24,858	770,069
Dec.....				

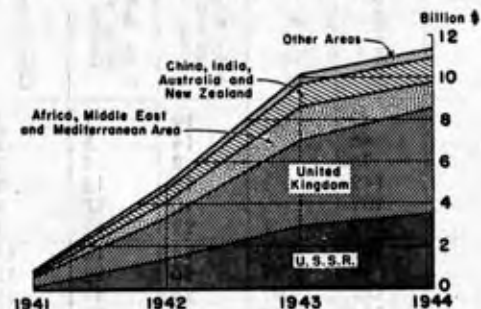
CONSIGNMENTS TO DECEMBER 1, 1944, BY COUNTRY AND CATEGORY

	French Forces in North & West Africa	China	Other Countries	Total
Ordnance and Ammunition.....	76,776	163,011	10,884	250,671
Aircraft and Parts.....	100,266	39	39	100,305
Tanks and Vehicles.....	219,309	45,988	6,608	271,905
Miscellaneous Supplies.....	101,128	38,733	7,327	147,188
Total.....	497,479	247,732	24,858	770,069

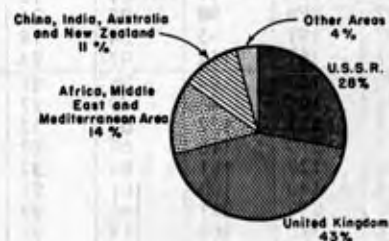
Table 18

WHERE LEND-LEASE EXPORTS HAVE GONE

ANNUAL EXPORTS BY WAR THEATERS



DISTRIBUTION OF TOTAL LEND-LEASE EXPORTS TO DATE



A substantial part of the lend-lease exports shown above as going to "Other Areas," amounting to 4 percent of the total, goes to Canada. Part of this is for the account of the United Kingdom, and represents war supplies transhipped to various war theaters or materials for processing into finished munitions. We have also sent trainer planes to Canada, for the account of other countries, for use in training United Nations pilots. In addition, lend-lease exports to Canada include goods purchased by Canada in United States through the lend-lease mechanism and for which Canada pays. Our lend-lease exports to Latin America, also included in exports to "Other Areas," account for less than 1 percent of our total lend-lease exports to all countries.

Chart 9

LEND-LEASE EXPORTS—MONTHLY

Millions of Dollars

	United Kingdom	U. S. S. R.	Africa, Middle East, and Mediterranean Area	China, India, Australia, and New Zealand	Other Countries	Total
Jul 1941.....	49		19	1	3	72
Aug.....	46		14	5	2	67
Sep.....	74		8	2	2	86
Oct.....	142		12	12	1	167
Nov.....	107		10	18	2	137
Dec.....	119	1	22	12	1	155
Jan 1942.....	105	15	24	18	13	175
Feb.....	79	55	26	22	12	194
Mar.....	149	97	25	47	11	329
Apr.....	144	164	45	55	17	425
May.....	144	70	37	47	8	306
Jun.....	210	110	35	36	14	405
Jul.....	175	103	66	59	21	424
Aug.....	152	150	58	56	18	434
Sep.....	214	102	71	67	18	472
Oct.....	223	128	98	82	31	562
Nov.....	203	191	95	54	18	561
Dec.....	207	167	112	97	24	607
Jan 1943.....	178	167	94	75	21	535
Feb.....	222	185	46	49	27	529
Mar.....	310	211	132	67	57	777
Apr.....	352	210	116	68	29	775
May.....	400	177	151	83	37	848
Jun.....	424	140	100	101	25	790
Jul.....	401	232	221	146	32	1,032
Aug.....	371	313	164	113	25	986
Sep.....	398	303	190	81	32	1,004
Oct.....	364	263	165	128	32	952
Nov.....	271	344	121	88	33	857
Dec.....	383	382	107	116	34	1,022
Jan 1944.....	341	313	114	91	31	890
Feb.....	412	233	122	77	34	878
Mar.....	436	260	89	89	37	911
Apr.....	449	253	128	91	29	950
May.....	561	315	131	130	23	1,160
Jun.....	476	286	91	130	34	1,017
Jul.....	399	335	85	87	30	936
Aug.....	404	305	105	76	38	928
Sep.....	414	302	100	109	26	951
Oct.....	421	255	80	102	32	890
Nov.....	367	300	84	120	31	902

Table 19

44

LEND-LEASE EXPORTS MONTHLY, BY CATEGORY

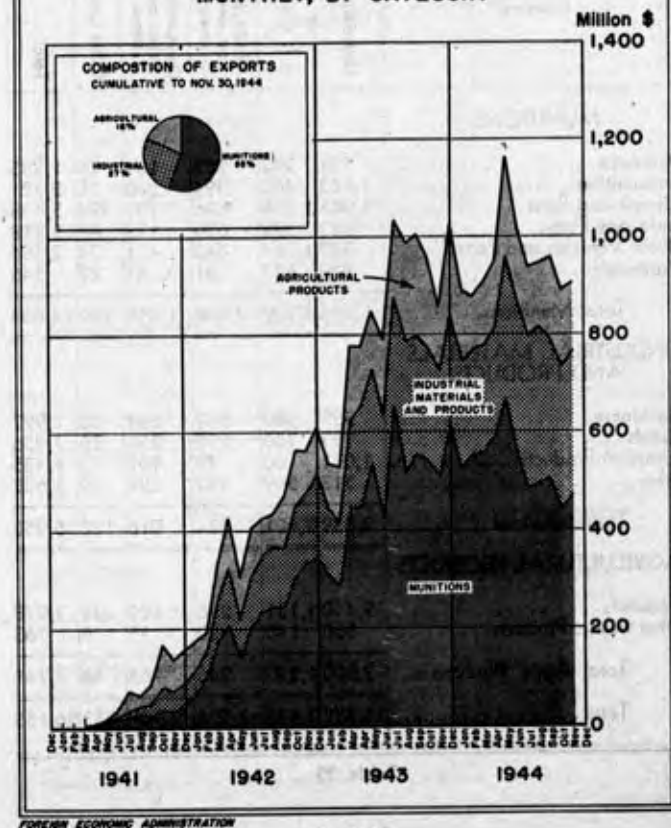


Chart 10

45

LEND-LEASE EXPORTS CUMULATIVE TO DECEMBER 1,
1944

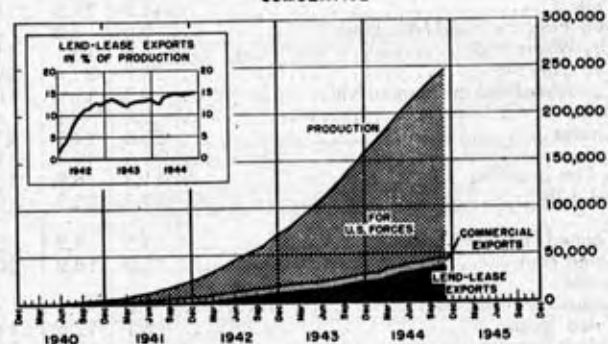
Millions of Dollars

Category	United Kingdom	U. S. S. R.	Africa, Middle East, and Mediterranean Area	China, India, Australia, and New Zealand	Other Countries	Total
MUNITIONS						
Ordnance.....	551	302	285	161	86	1,385
Ammunition.....	1,163	466	394	220	78	2,321
Aircraft and Parts.....	1,965	1,376	806	797	494	5,438
Tanks and Parts.....	983	398	620	173	44	2,218
Motor Vehicles and Parts.....	589	1,014	448	431	74	2,556
Watercraft.....	242	183	51	47	23	546
Total Munitions.....	5,493	3,739	2,604	1,829	799	14,464
INDUSTRIAL MATERIALS AND PRODUCTS						
Machinery.....	528	980	147	234	38	1,927
Metals.....	727	756	192	251	30	1,956
Petroleum Products.....	1,071	66	78	207	13	1,435
Other.....	513	599	257	224	39	1,632
Total Industrial.....	2,839	2,401	674	916	120	6,950
AGRICULTURAL PRODUCTS						
Foodstuffs.....	2,440	1,151	226	129	32	3,978
Other Agric. Products.....	560	146	20	35	2	763
Total Agric. Products.....	3,000	1,297	246	164	34	4,741
Total.....	11,332	7,437	3,524	2,909	953	26,155

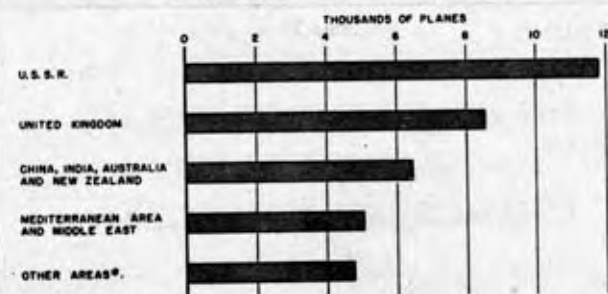
Table 20

PLANES

U. S. PRODUCTION AND EXPORTS CUMULATIVE



WHERE LEND-LEASE PLANES HAVE GONE CUMULATIVE TO DECEMBER 1, 1944



*Includes trainer planes sent to Canada for training United Nations pilots

FOREIGN ECONOMIC ADMINISTRATION

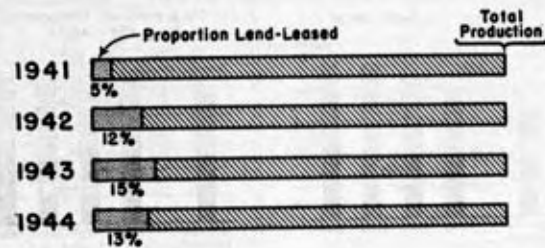
Chart 11

LEND-LEASE FOOD SHIPMENTS IN PERCENT OF SUPPLY

Commodity	1942	1943	1944
All Meats.....	6.0	9.3	6.8
Beef and Veal.....	0.3	1.7	0.7
Lamb and Mutton.....	0.4	11.2	6.5
Pork.....	11.8	14.6	11.9
All Milk Products (Fluid Milk Equiv.).....	3.6	3.8	4.6
Dry Whole Milk.....	6.6	13.1	11.1
Dry Skim Milk.....	23.0	37.4	29.8
Condensed and Evaporated Milk.....	9.7	12.9	14.1
Butter.....	0.8	4.1	4.1
Cheese.....	23.6	14.1	23.8
Eggs.....	9.5	12.4	11.8
Edible Fats and Oils.....	11.3	16.8	15.7
Canned Fish.....	17.3	26.5	9.9
Fruits:			
Canned Fruits and Juices.....	3.5	7.2	5.6
Dried Fruits.....	15.0	18.2	20.6
Vegetables:			
Canned Vegetables.....	1.0	1.3	3.0
Dried Beans.....	5.1	12.6	11.7
Dried Peas.....	7.6	10.2	12.9
Corn and Corn Products.....	0.2	0.1	0.1
Wheat and Wheat Products.....	0.4	0.9	0.6

Table 21

PROPORTION OF OUR MUNITIONS PRODUCTION WE HAVE LEND-LEASED



PROPORTION OF OUR FOOD PRODUCTION WE HAVE LEND-LEASED

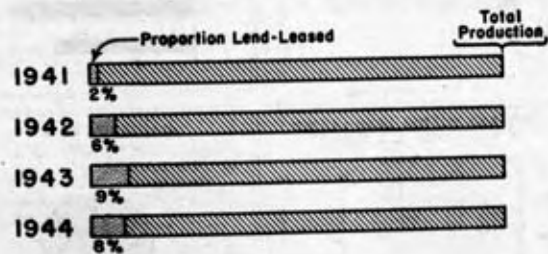
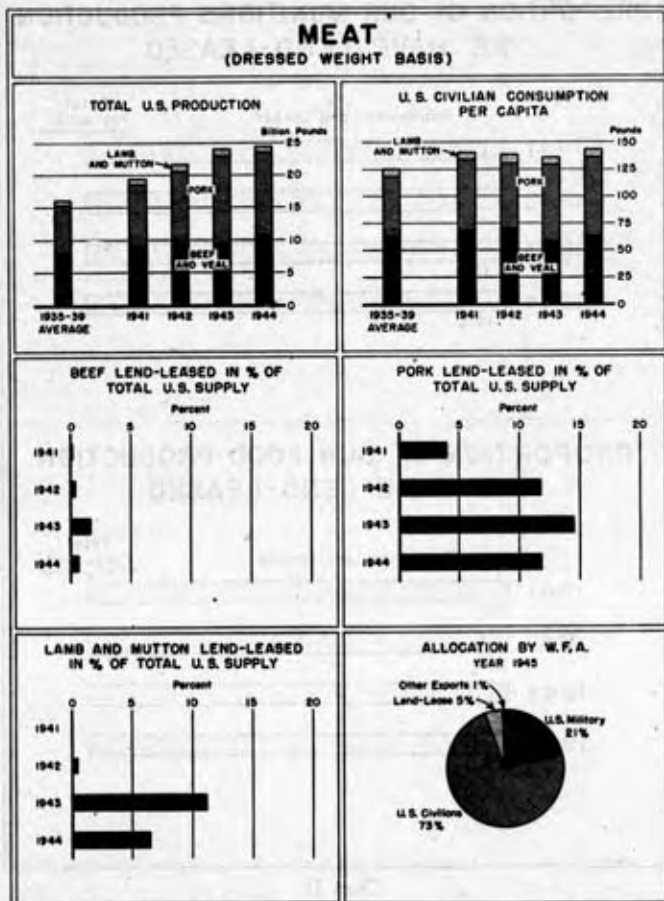


Chart 12

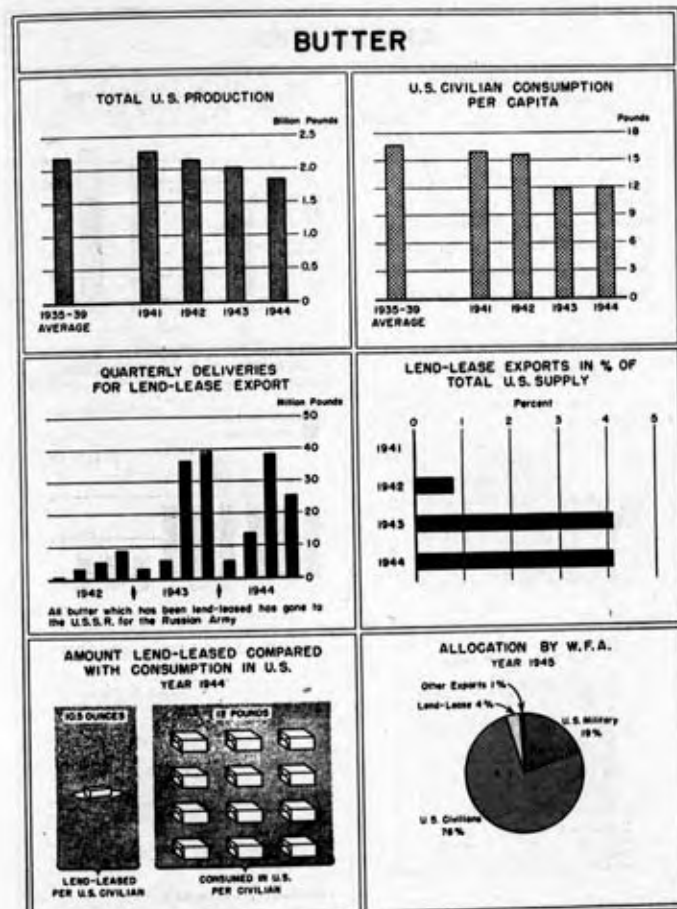
MEAT (DRESSED WEIGHT BASIS)



FOREIGN ECONOMIC ADMINISTRATION

Chart 13

BUTTER

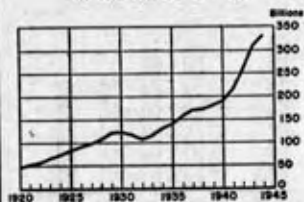


FOREIGN ECONOMIC ADMINISTRATION

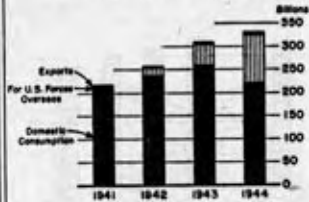
Chart 14

CIGARETTES

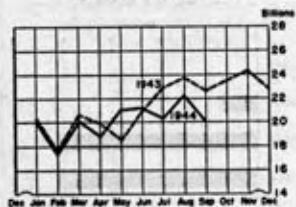
ANNUAL PRODUCTION
IN THE UNITED STATES



DISTRIBUTION OF CIGARETTES



DOMESTIC CONSUMPTION



EXPORTS IN % OF PRODUCTION
EXCLUDING SHIPMENTS TO U.S. FORCES OVERSEAS



EFFECT OF LEND-LEASE ON
OUR CIVILIAN SUPPLY



LEND-LEASE SHIPMENTS IN 1944
WERE EQUIVALENT TO ABOUT ONE
CIGARETTE PER WEEK FOR EACH
ADULT CIVILIAN IN THE UNITED STATES

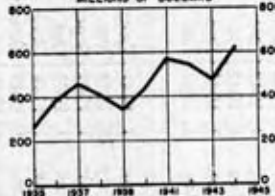
WHERE LEND-LEASE CIGARETTES
HAVE GONE



Chart 15

FARM MACHINERY

U.S. PRODUCTION
EXCLUDING CRAWLER-TYPE TRACTORS
MILLIONS OF DOLLARS

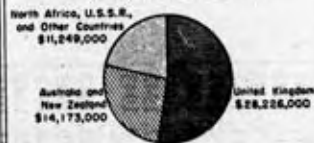


MACHINERY ON U.S. FARMS

JAN. 1	FARM TRACTORS	GRAIN COMBINES	CORN PICKERS
1940	1,348,000	180,000	110,000
1941	1,664,000	220,000	120,000
1942	1,844,000	269,000	130,000
1943	1,919,000	298,000	138,000
1944	1,953,000	312,000	146,000
1945	2,072,000	350,000	168,000

WHERE LEND-LEASE EXPORTS
HAVE GONE

MARCH 11, 1941 - OCTOBER 31, 1944



LEND-LEASE EXPORTS
IN RELATION TO PRODUCTION

MARCH 11, 1941 - OCTOBER 31, 1944



LEND-LEASE EXPORTS



COMMENTS

Lend-leasing farm machinery instead of additional food has resulted in a substantial saving in shipping space and in a smaller drain on our food supply.

Increased food production in allied countries has been used in part for U.S. forces.

Allies' farm machinery plants were converted to ordnance production early in the war.

Lend-lease farm machinery has aided the British in increasing their farm production by 70%.

Lend-lease shipments have been kept at the absolute minimum necessary for our allies' production of the food essential to our joint war effort.

Chart 16

STATUS OF NATIONS
Lend-Lease Countries and United Nations

Country	Declared Eligible for Lend-Lease Aid	Lend-Lease Agreement Signed	Reciprocal Aid Agreement Signed	United Nations Declaration Signed	Earliest Date of Existence of State of War With Any Axis Power	Earliest Date of Severance of Diplomatic Relations With Any Axis Power
Argentina	May 6, 1941					Jan. 26, 1944
Australia	Nov. 11, 1941	(¹)	Sept. 3, 1942	Jan. 1, 1942	Sept. 3, 1939	
Belgium	June 13, 1941	June 16, 1942	Jan. 30, 1943	Jan. 1, 1942	May 9, 1940	
Bolivia	May 6, 1941	Dec. 6, 1941		Apr. 27, 1943	Apr. 7, 1943	Jan. 28, 1942
Brazil	May 6, 1941	Mar. 3, 1942		Feb. 6, 1943	Aug. 22, 1942	Jan. 28, 1942
Canada	Nov. 11, 1941	(²)		Jan. 1, 1942	Sept. 10, 1939	
Chile	May 6, 1941	Mar. 2, 1943				Jan. 20, 1943
China	May 6, 1941	June 2, 1942		Jan. 1, 1942	Dec. 9, 1941	
Colombia	May 6, 1941	Mar. 17, 1942		Jan. 17, 1944	Nov. 27, 1943 ³	Dec. 8, 1941
Costa Rica	May 6, 1941	Jan. 16, 1942		Jan. 1, 1942	Dec. 8, 1941	
Cuba	May 6, 1941	Nov. 7, 1941		Jan. 1, 1942	Dec. 9, 1941	
Czechoslovakia	Jan. 5, 1942	July 11, 1942		Jan. 1, 1942	Dec. 9, 1941	
Dominican Republic	May 6, 1941	Aug. 2, 1941		Jan. 1, 1942	Dec. 8, 1941	
Ecuador	May 6, 1941	Apr. 6, 1942				Jan. 29, 1942
Egypt	Nov. 11, 1941					Sept. 3, 1939
El Salvador	May 6, 1941	Feb. 2, 1942		Jan. 1, 1942	Dec. 8, 1941	
Ethiopia	Dec. 7, 1942	Aug. 9, 1943		July 28, 1942	Dec. 1, 1942	
France	(⁴)	(⁵)	(⁶)	Jan. 1, 1942	Sept. 3, 1939	
Greece	Mar. 11, 1941	July 10, 1942		Jan. 1, 1942	Oct. 28, 1940	
Guatemala	May 6, 1941	Nov. 16, 1942		Jan. 1, 1942	Dec. 8, 1941	
Haiti	May 6, 1941	Sept. 16, 1941		Jan. 1, 1942	Dec. 8, 1941	
Honduras	May 6, 1941	Feb. 28, 1942		Jan. 1, 1942	Dec. 8, 1941	
Iceland	July 1, 1941	Nov. 21, 1941				
India	Nov. 11, 1941			Jan. 1, 1942	Sept. 3, 1939	

Iran	Mar. 10, 1942			Sept. 9, 1943	Sept. 9, 1943	Sept. 8, 1941
Iraq	May 1, 1942			Jan. 16, 1943	Jan. 16, 1943	June 7, 1941
Liberia	Mar. 10, 1942	June 8, 1943		Apr. 10, 1944	Jan. 27, 1944	Oct. 2, 1942
Luxembourg				Jan. 1, 1942	May 10, 1940	
Mexico	May 6, 1941	Mar. 18, 1943		June 5, 1942	May 22, 1942	Dec. 19, 1941
Netherlands	Aug. 21, 1941	July 8, 1942	June 14, 1943	Jan. 1, 1942	May 10, 1940	
New Zealand	Nov. 11, 1941	(⁷)	Sept. 3, 1942	Jan. 1, 1942	Sept. 3, 1939	
Nicaragua	May 6, 1941	Oct. 16, 1941		Jan. 1, 1942	Dec. 8, 1941	
Norway	June 4, 1941	July 11, 1942		Jan. 1, 1942	Apr. 9, 1940	
Panama	May 6, 1941			Jan. 1, 1942	Dec. 7, 1941	
Paraguay	May 6, 1941	Sept. 20, 1941				Jan. 28, 1942
Peru	May 6, 1941	Mar. 11, 1942			Feb. 12, 1945	Jan. 24, 1942
Philippines				June 10, 1942		
Poland	Aug. 28, 1941	July 1, 1942		Jan. 1, 1942	Sept. 1, 1939	
Saudi Arabia	Feb. 18, 1943					Date uncertain.
South Africa	Nov. 11, 1941			Jan. 1, 1942	Sept. 6, 1939	
Turkey	Nov. 7, 1941					Aug. 2, 1944
United Kingdom	Mar. 11, 1941	Feb. 23, 1942	Sept. 3, 1942	Jan. 1, 1942	Sept. 3, 1939	
United States				Jan. 1, 1942	Dec. 7, 1941	
U. S. S. R.	Nov. 7, 1941	June 11, 1942		Jan. 1, 1942	June 22, 1941	
Uruguay	May 6, 1941	Jan. 13, 1942				Jan. 25, 1942
Venezuela	May 6, 1941	Mar. 18, 1942				Dec. 31, 1941
Yugoslavia	Nov. 11, 1941	July 24, 1942		Jan. 1, 1942	Apr. 6, 1941	

¹ No Master Lend-Lease Agreement has been concluded with either Australia or New Zealand; but in the Reciprocal Aid Agreements entered into with these countries, they accepted the principles of the Lend-Lease Agreement with the United Kingdom as applicable to their lend-lease relations with the United States.

² Colombia declared a state of belligerency.

³ Territory under the jurisdiction of the French National Committee was declared eligible to receive lend-lease aid on November 11, 1941, and a reciprocal aid agreement was entered into with the Committee on September 3, 1942. French North and West Africa were declared eligible to receive lend-lease aid on November 13, 1942. On September 25, 1943, a Lend-Lease Modus Vivendi Agreement governing lend-lease aid and reciprocal aid was entered into with the French Committee of National Liberation, successor to the French National Committee and to the Haut Commandement en Chef Civile et Militaire established in French North and West Africa after the events of November 1942. By informal agreement the arrangements set forth in the Modus Vivendi have been extended to Metropolitan France and the Colonies. A new lend-lease agreement is at the present under negotiation.

⁴ In an exchange of notes dated November 30, 1942, Canada accepted the underlying principles of Article VII of the Master Agreement.

Table 22

APPENDICES

Appendix 1 LEND-LEASE ACT

Further to promote the defense of the United States, and for other purposes.

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That this Act may be cited as "An Act to Promote the Defense of the United States."

Section 2

As used in this Act—

(a) The term "defense article" means—

- (1) Any weapon, munition, aircraft, vessel, or boat;
- (2) Any machinery, facility, tool, material, or supply necessary for the manufacture, production, processing, repair, servicing, or operation of any article described in this subsection;
- (3) Any component material or part of or equipment for any article described in this subsection;
- (4) Any agricultural, industrial, or other commodity or article for defense.

Such term "defense article" includes any article described in this subsection manufactured or procured pursuant to section 3, or to which the United States or any foreign government has or hereafter acquires title, possession, or control.

(b) The term "defense information" means any plan, specification, design, prototype, or information pertaining to any defense article.

Section 3

(a) Notwithstanding the provisions of any other law, the President may, from time to time, when he deems it in the interest of national defense, authorize the Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government—

- (1) To manufacture in arsenals, factories, and shipyards under their jurisdiction, or otherwise procure, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for the government of any country whose defense the President deems vital to the defense of the United States.

(2) To sell, transfer title to, exchange, lease, lend, or otherwise dispose of, to any such government, any defense article, but no defense article not manufactured or procured under paragraph (1) shall in any way be disposed of under this paragraph except after consultation with the Chief of Staff of the Army or the Chief of Naval Operations of the Navy, or both. The value of defense articles disposed of in any way under authority of this paragraph, and procured from funds heretofore appropriated, shall not exceed \$1,300,000,000. The value of such defense articles shall be determined by the head of the department or agency concerned or such other department, agency, or officer as shall be designated in the manner provided in the rules and regulations issued hereunder. Defense articles procured from funds hereafter appropriated to any department or agency of the Government, other than from funds authorized to be appropriated under this Act, shall not be disposed of in any way under authority of this paragraph except to the extent hereafter authorized by the Congress in the Acts appropriating such funds or otherwise.

(3) To test, inspect, prove, repair, outfit, recondition, or otherwise to place in good working order, to the extent to which funds are made available therefor, or contracts are authorized from time to time by the Congress, or both, any defense article for any such government, or to procure any or all such services by private contract.

(4) To communicate to any such government any defense information, pertaining to any defense article furnished to such government under paragraph (2) of this subsection.

(5) To release for export any defense article disposed of in any way under this subsection to any such government.

(b) The terms and conditions upon which any such foreign government receives any aid authorized under subsection (a) shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory.

(c) After June 30, 1945, or after the passage of a concurrent resolution by the two Houses before June 30, 1945, which declares that the powers conferred by or pursuant to subsection (a) are no longer necessary to promote the defense of the United States, neither the President nor the head of any department or agency shall exercise any of the powers conferred by or pursuant to subsection (a); except that until July 1, 1948, any of such powers may be exercised to the extent necessary to carry out a contract or agreement with such a foreign government made before July 1, 1945, or before the passage of such concurrent resolution, whichever is the earlier.

(d) Nothing in this Act shall be construed to authorize or to permit the authorization of conveying vessels by naval vessels of the United States.

(e) Nothing in this Act shall be construed to authorize or to permit the authorization of the entry of any American vessel into a combat area in violation of section 3 of the Neutrality Act of 1939.

Section 4

All contracts or agreements made for the disposition of any defense article or defense information pursuant to section 3 shall contain a clause by which the foreign government undertakes that it will not, without the consent of the President, transfer title to or possession of such defense articles or defense information by gift, sale, or otherwise, or permit its use by anyone not an officer, employec, or agent of such foreign government.

Section 5

(a) The Secretary of War, the Secretary of the Navy, or the head of any other department or agency of the Government involved shall, when any such defense article or defense information is exported, immediately inform the department or agency designated by the President to administer section 6 of the Act of July 2, 1940 (54 Stat. 714), of the quantities, character, value, terms of disposition, and destination of the article and information so exported.

(b) The President, from time to time, but not less frequently than once every ninety days, shall transmit to the Congress a report of operations under this Act except such information as he deems incompatible with the public interest to disclose. Reports provided for under this subsection shall be transmitted to the Secretary of the Senate or the Clerk of the House of Representatives, as the case may be, if the Senate or the House of Representatives, as the case may be, is not in session.

Section 6

(a) There is hereby authorized to be appropriated from time to time, out of any money in the Treasury not otherwise appropriated, such amounts as may be necessary to carry out the provisions and accomplish the purposes of this Act.

(b) All money and all property which is converted into money received under section 3 from any government shall, with the approval of the Director of the Budget, revert to the respective appropriation or appropriations out of which funds were expended with respect to the defense article or defense information for which such consideration is received, and shall be available for expenditure for the purpose for which such expended funds were appropriated by law, during the fiscal year in which such funds are received and the ensuing fiscal year; but in no event shall any funds so received be available for expenditure after June 30, 1948.

Section 7

The Secretary of War, the Secretary of the Navy, and the head of the department or agency shall, in all contracts or agreements for the disposition of any defense article or defense information, fully protect the rights of all citizens of the United States who have patent rights in and to any such article or information which is hereby authorized to be disposed of and the payments collected for royalties on such patents shall be paid to the owner and holders of such patents.

Section 8

The Secretaries of War and of the Navy are hereby authorized to purchase or otherwise acquire arms, ammunition, and implements of war produced within the jurisdiction of any country to which section 3 is applicable, whenever the President deems such purchase or acquisition to be necessary in the interests of the defense of the United States.

Section 9

The President may, from time to time, promulgate such rules and regulations as may be necessary and proper to carry out any of the provisions of this Act; and he may exercise any power or authority conferred on him by this Act through such department, agency, or officer as he shall direct.

Section 10

Nothing in this Act shall be construed to change existing law relating to the use of the land and naval forces of the United States, except insofar as such use relates to the manufacture, procurement, and repair of defense articles, the communication of information and other noncombatant purposes enumerated in this Act.

Section 11

If any provision of this Act or the application of such provision to any circumstance shall be held invalid, the validity of the remainder of the Act and the applicability of such provision to other circumstances shall not be affected thereby.

☆ ☆ ☆

On March 11, 1943, after affirmative votes of 407-6 in the House of Representatives and 82-0 in the Senate the President signed the Act extending the Lend-Lease Act until July 1, 1944.

On April 19, 1944, by vote of 344-21, the House of Representatives voted to extend the Lend-Lease Act until July 1, 1945, with the following amendment to section 3 (b) of the Act as follows (new matter in italics):

"The terms and conditions upon which any such foreign government receives any aid authorized under subsection (a) shall be those which the President deems satisfactory, and the benefit to the United States may be payment or repayment in kind or property, or any other direct or indirect benefit which the President deems satisfactory: *Provided, however, That nothing in this paragraph shall be construed to authorize the President in any final settlement to assume or incur any obligations on the part of the United States with respect to post-war economic policy, post-war military policy, or any post-war policy involving international relations except in accordance with established constitutional procedure.*"

On May 8, 1944, by vote of 63-1, the Senate also voted to extend the Act, with the same amendment as that adopted by the House except for deletion of the words "in any final settlement." On May 12 the House concurred in this change made by the Senate. On May 17 the President signed the Act.

Appendix II

BRITISH MASTER AGREEMENT

Agreement Between the Governments of the United States of America and of the United Kingdom on the Principles Applying to Mutual Aid in the Prosecution of the War Against Aggression, Authorized and Provided for by the Act of March 11, 1941.

Whereas the Governments of the United States of America and the United Kingdom of Great Britain and Northern Ireland declare that they are engaged in a cooperative undertaking, together with every other nation or people of like mind, to the end of laying the bases of a just and enduring world peace securing order under law to themselves and all nations;

And whereas the President of the United States of America has determined, pursuant to the Act of Congress of March 11, 1941, that the defense of the United Kingdom against aggression is vital to the defense of the United States of America;

And whereas the United States of America has extended and is continuing to extend to the United Kingdom aid in resisting aggression;

And whereas it is expedient that the final determination of the terms and conditions upon which the Government of the United Kingdom receives such aid and of the benefits to be received by the United States of America in return therefor should be deferred until the extent of the defense aid is known and until the progress of events makes clearer the final terms and conditions and benefits which will be in the mutual interests of the United States of America and the United Kingdom and will promote the establishment and maintenance of world peace;

And whereas the Governments of the United States of America and the United Kingdom are mutually desirous of concluding now a preliminary agreement in regard to the provisions of defense aid and in regard to certain considerations which shall be taken into account in determining such terms and conditions and the making of such an agreement has been in all respects duly authorized, and all acts, conditions and formalities which it may have been necessary to perform, fulfill, or execute prior to the making of such an agreement in conformity with the laws either of the United States of America or of the United Kingdom have been performed, fulfilled, or executed as required;

The undersigned, being duly authorized by their respective Governments for that purpose, have agreed as follows:

Article I

The Government of the United States of America will continue to supply the Government of the United Kingdom with such defense articles, defense services, and defense information as the President shall authorize to be transferred or provided.

Article II

The Government of the United Kingdom will continue to contribute to the defense of the United States of America and the strengthening thereof and will provide such articles, services, facilities of information as it may be in a position to supply.

Article III

The Government of the United Kingdom will not without the consent of the President of the United States of America transfer title to, or possession of, any defense article or defense information transferred to it under the Act or permit the use thereof by anyone not an officer, employee, or agent of the Government of the United Kingdom.

Article IV

If, as a result of the transfer to the Government of the United Kingdom of any defense article or defense information, it becomes necessary for that Government to take any action or make any payment in order fully to protect any of the rights of a citizen of the United States of America who has patent rights in and to any such defense article or information, the Government of the United Kingdom will take such action or make such payment when requested to do so by the President of the United States of America.

Article V

The Government of the United Kingdom will return to the United States of America at the end of the present emergency, as determined by the President, such defense articles transferred under this Agreement as shall not have been destroyed, lost, or consumed and as shall be determined by the President to be useful in the defense of the United States of America or of the Western Hemisphere or to be otherwise of use to the United States of America.

Article VI

In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom full cognizance shall be taken of all property, services, information, facilities, or other benefits or considerations provided by the Government of the United Kingdom subsequent to March 11, 1941, and accepted or acknowledged by the President on behalf of the United States of America.

Article VII

In the final determination of the benefits to be provided to the United States of America by the Government of the United Kingdom in return for aid furnished under the Act of Congress of March 11, 1941, the terms and conditions thereof shall be such as not to burden commerce between the

two countries, but to promote mutually advantageous economic relations between them and the betterment of world-wide economic relations. To that end, they shall include provision for agreed action by the United States of America and the United Kingdom, open to participation by all other countries of like mind, directed to the expansion, by appropriate international and domestic measures, of production, employment, and the exchange and consumption of goods, which are the material foundations of the liberty and welfare of all peoples; to the elimination of all forms of discriminatory treatment in international commerce, and to the reduction of tariffs and other trade barriers; and, in general, to the attainment of all the economic objectives set forth in the Joint Declaration made on August 12, 1941, by the President of the United States of America and the Prime Minister of the United Kingdom.

At an early convenient date, conversations shall be begun between the two Governments with a view to determining, in the light of governing economic conditions, the best means of attaining the above-stated objectives by their own agreed action and of seeking the agreed action of other like-minded Governments.

Article VIII

This Agreement shall take effect as from this day's date. It shall continue in force until a date to be agreed upon by the two Governments.

Signed and sealed at Washington in duplicate this 23d day of February, 1942.

For the Government of the United States of America:

[SBAL]

SUMNER WELLES,
Acting Secretary of State of the
United States of America.

For the Government of the United Kingdom
of Great Britain and Northern Ireland:

[SBAL]

HALIFAX
His Majesty's Ambassador Extraordinary
and Plenipotentiary at Washington.

☆☆☆

Identical Master Lend-Lease Agreements have been signed with the following countries: Belgium, China, Czechoslovakia, Ethiopia, Greece, Liberia, The Netherlands, Norway, Poland, Union of Soviet Socialist Republics, and Yugoslavia. Australia and New Zealand have accepted the principles of the Master Agreements.

Appendix III RECIPROCAL AID AGREEMENTS

Reciprocal aid agreements with United Kingdom, Australia, New Zealand, and Fighting France were concluded September 3, 1942, by the following exchanges of notes. The first three agreements were signed in Washington and the agreement with Fighting France was signed in London.

Agreement With United Kingdom

The Honorable CORDELL HULL,

Secretary of State, United States Department of State,
Washington, D. C.

SIR: In the United Nations declaration of January 1, 1942, the contracting governments pledged themselves to employ their full resources, military or economic, against those nations with which they are at war and in the Agreement of February 23, 1942, each contracting government undertook to provide the other with such articles, services, facilities, or information useful in the prosecution of their common war undertaking as each may be in a position to supply. It is further the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland that the general principle to be followed in providing mutual aid as set forth in the said Agreement of February 23, 1942, is that the war production and the war resources of both Nations should be used by the armed forces of each and of the other United Nations in ways which most effectively utilize the available materials, manpower, production facilities, and shipping space.

With a view, therefore, to supplementing Article 2 and Article 6 of the Agreement of February 23, 1942, between our two Governments for the provision of reciprocal aid, I have the honour to set forth below the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland of the principles and procedures applicable to the provision of aid by the Government of the United Kingdom of Great Britain and Northern Ireland to the armed forces of the United States and the manner in which such aid will be correlated with the maintenance of those forces by the United States Government.

1. While each Government retains the right of final decision, in the light of its own potentialities and responsibilities, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

2. As to financing the provision of such aid, within the fields mentioned below, it is the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland that the general principle to be applied, to the point at which the common war effort is most effective, is that as large a portion as possible of the articles and services which each Government may authorize to be provided to the other shall be in the form of reciprocal aid so that the need of each Government for the currency of the other may be reduced to a minimum.

It is accordingly the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland that the United States Government will provide, in accordance with the provisions of, and to the extent authorized under, the Act of March 11, 1941, the share of its war production made available to the United Kingdom. The Government of the United Kingdom will provide on the same terms and as reciprocal aid so much of its war production made available to the United States as it authorizes in accordance with the Agreement of February 23, 1942.

3. The Government of the United Kingdom will provide the United States or its armed forces with the following types of assistance as such reciprocal aid, when it is found that they can most effectively be procured in the United Kingdom or in the British Colonial Empire:

(a) Military equipment, munitions, and military and naval stores.

(b) Other supplies, materials, facilities, and services for the United States forces, except for the pay and allowances of such forces, administrative expenses, and such local purchases as its official establishments may make other than through the official establishments of the Government of the United Kingdom as specified in paragraph 4.

(c) Supplies, materials, and services needed in the construction of military projects, tasks, and similar capital works required for the common war effort in the United Kingdom or in the British Colonial Empire, except for the wages and salaries of United States citizens.

(d) Supplies, materials, and services needed in the construction of such military projects, tasks, and capital works in territory other than the United Kingdom or the British Colonial Empire or territory of the United States to the extent that the United Kingdom or the British Colonial Empire is a more practicable source of supply than the United States or another of the United Nations.

4. The practical application of the principles formulated in this note, including the procedure by which requests for aid by either Government are made and acted upon, shall be worked out as occasion may require by agreement between the two Governments, acting when possible through their appropriate military or civilian administrative authorities. Requests by the United States Government for such aid will be presented by duly authorized authorities of the United States to official agencies of the United Kingdom which will be designated or established in London and in the areas where United States forces are located for the purpose of facilitating the provision of reciprocal aid.

5. It is the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland that all such aid, as well as other aid, including information, received under Article 6 of the Agreement of February 23, 1942, accepted by the President of the United States or his authorized representatives from the Government of the United Kingdom will be received as a benefit to the United States under the Act of March 11, 1941. Insofar as circumstances will permit, appropriate record of aid received under this arrangement, except for miscellaneous facilities and services, will be kept by each Government.

If the Government of the United States concurs in the foregoing, I would suggest that the present note and your reply to that effect be regarded as placing on record the understanding of our two Governments in this matter.

I have the honour to be, with the highest consideration, Sir, your most obedient, humble servant,

HALIFAX.

September 3, 1942

His Excellency the Right Honorable The Viscount HALIFAX, K. G.,
British Ambassador.

EXCELLENCY: I have the honor to acknowledge the receipt of Your Excellency's note of today's date concerning the principles and procedures applicable to the provision of aid by the Government of the United Kingdom of Great Britain and Northern Ireland to the armed forces of the United States of America.

In reply I wish to inform you that the Government of the United States agrees with the understanding of the Government of the United Kingdom of Great Britain and Northern Ireland as expressed in that note. In accordance with the suggestion contained therein, your note and this reply will be regarded as placing on record the understanding between our two Governments in this matter.

This further integration and strengthening of our common war effort gives me great satisfaction.

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

CORDELL HULL,
Secretary of State of the United States of America.

September 3, 1942

Agreement With Australia

The Honorable CORDELL HULL,
Secretary of State, Washington, D. C.

SIR: As contracting parties to the United Nations Declaration of January 1, 1942, the Governments of the United States of America and the Commonwealth of Australia pledged themselves to employ their full resource, military and economic, against those nations with which they are at war.

With regard to the arrangements for mutual aid between our two governments, I refer to the agreement signed at Washington on February 23, 1942, between the Governments of the United States of America and the United Kingdom on principles applying to mutual aid in the present war authorized and provided for by the Act of Congress of March 11, 1941, and have the honour to inform you that the Government of the Commonwealth of Australia accepts the principles therein contained as governing the provision of mutual aid between itself and the Government of the United States of America.

It is the understanding of the Government of the Commonwealth of Australia that the general principle to be followed in providing such aid is that the war production and war resources of both nations should be

used by the armed forces of each, in the ways which most effectively utilize available materials, manpower, production facilities, and shipping space.

I now set forth the understanding of the Government of the Commonwealth of Australia of the principles and procedure applicable to the provision of aid by the Government of the Commonwealth of Australia to the armed forces of the United States and the manner in which such aid will be correlated with the maintenance of those forces by the United States Government.

1. While each Government retains the right of final decision, in the light of its own potentialities and responsibilities, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

2. As to financing the provision of such aid, within the fields mentioned below, it is my understanding that the general principles to be applied to the point at which the common war effort is most effective, is that as large a portion as possible of the articles and services which each Government may authorize to be provided to the other shall be in the form of reciprocal aid so that the need of each Government for the currency of the other may be reduced to a minimum.

It is accordingly my understanding that the United States Government will provide, in accordance with the provisions of, and to the extent authorized under, the Act of March 11, 1941, the share of its war production made available to Australia. The Government of Australia will provide on the same terms and as reciprocal aid so much of its war production made available to the United States as it authorizes in accordance with the principles enunciated in this note.

3. The Government of Australia will provide as reciprocal aid the following types of assistance to the armed forces of the United States in Australia or its territories and in such other cases as may be determined by common agreement in the light of the development of the war.

(a) Military equipment, ammunition, and military and naval stores.

(b) Other supplies, materials, facilities, and services for the United States forces except for the pay and allowances of such forces, administrative expenses, and such local purchases as its official establishments may make other than through the official establishments of the Australian Government as specified in paragraph 4.

(c) Supplies, materials, and services needed in the construction of military projects, tasks, and similar capital works required for the common war effort in Australia and in such other places as may be determined, except for the wages and salaries of United States citizens.

4. The practical application of the principles formulated in this note, including the procedure by which requests for aid by either Government are made and acted upon, shall be worked out as occasion may require by agreement between the two Governments, acting when possible through their appropriate military or civilian administrative authorities. Requests by the United States Government for such aid will be presented by duly authorized authorities of the United States to official agencies of the Commonwealth of Australia which will be designated or established in Can-

berra and in the areas where United States forces are located for the purpose of facilitating the provision of reciprocal aid.

5. It is my understanding that all such aid accepted by the President of the United States or his authorized representatives from the Government of Australia will be received as a benefit to the United States under the Act of March 11, 1941. Insofar as circumstances will permit appropriate record of aid received under this arrangement, except for miscellaneous facilities and services, will be kept by each Government.

If the Government of the United States concurs in the foregoing, I would suggest that the present note and your reply to that effect be regarded as placing on record the understanding of our two Governments in this matter.

I have the honor to be with the highest consideration, Sir, your obedient servant,

OWEN DIXON,

September 3, 1942.

The Honorable Sir OWEN DIXON, K. C. M. G.,

Minister of Australia.

SIR: I have the honor to acknowledge receipt of your note of today's date concerning the principles and procedures applicable to the provision of aid by the Government of the Commonwealth of Australia to the armed forces of the United States of America.

In reply I have the honor to inform you that the Government of the United States of America likewise accepts the principles contained in the agreement of February 23, 1942, between it and the Government of the United Kingdom as governing the provision of mutual aid between the Governments of the United States and of the Commonwealth of Australia. My Government agrees with the understanding of the Government of the Commonwealth of Australia as expressed in your note of today's date, and, in accordance with the suggestion contained therein, your note and this reply will be regarded as placing on record the understanding between our two Governments in this matter.

This further integration and strengthening of our common war effort gives me great satisfaction.

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

CORDELL HULL,

Secretary of State of the United States of America.

September 3, 1942.

Agreement With New Zealand

The Honorable CORDELL HULL,

Secretary of State,

United States Department of State,

Washington, D. C.

SIR: As contracting parties to the United Nations Declaration of January 1, 1942, the Governments of the United States of America and New Zealand

pledged themselves to employ their full resources, military and economic, against those nations with which they are at war.

In the Agreement of February 23, 1942, between the Governments of the United Kingdom and of the United States of America, the provisions and principles of which the Government of New Zealand considers applicable to its relations with the Government of the United States, each contracting Government undertook to provide the other with such articles, services, facilities, or information useful in the prosecution of their common war undertaking as each may be in a position to supply.

It is the understanding of the Government of New Zealand that the general principle to be followed in providing such aid is that the war production and war resources of both nations should be used by each, in the ways which most effectively utilize available materials, manpower, production facilities, and shipping space.

I now set forth the understanding of the Government of New Zealand of the principles and procedure applicable to the provision of aid by the Government of New Zealand to the armed forces of the United States and the manner in which such aid will be correlated with the maintenance of those forces by the United States Government.

1. While each Government retains the right of final decision, in the light of its own potentialities and responsibilities, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

2. As to financing the provision of such aid, within the fields mentioned below, it is my understanding that the general principle to be applied, to the point at which the common war effort is most effective, is that as large a portion as possible of the articles and services to be provided by each Government to the other shall be in the form of reciprocal aid so that the need of each Government for the currency of the other may be reduced to a minimum.

It is accordingly my understanding that the United States Government will provide, in accordance with the provisions of, and to the extent authorized under, the Act of March 11, 1941, the share of its production made available to New Zealand. The Government of New Zealand will provide on the same terms and as reciprocal aid so much of its production made available to the United States as it authorizes in accordance with the principles enunciated in this note.

3. The Government of New Zealand will provide the United States or its armed forces with the following types of assistance, as such reciprocal aid, when it is found that they can most effectively be procured in New Zealand.

- (a) Military equipment, munitions, and military and naval stores.
- (b) Other supplies, materials, facilities, and services for the United States forces, except for the pay and allowances of such forces, administrative expenses, and such local purchases as its official establishments may make other than through the official establishments of the Government of New Zealand as specified in Paragraph 4.
- (c) Supplies, materials, and services needed in the construction of military projects, tasks, and similar capital works required for the common war

effort in New Zealand, except for the wages and salaries of United States citizens.

(d) Supplies, materials, and services needed in the construction of such military projects, tasks, and capital works in territory other than New Zealand or territory of the United States to the extent that New Zealand is a more practicable source of supply than the United States or another of the United Nations.

4. The practical application of the principles formulated in this note, including the procedure by which requests for aid by either Government are made and acted upon, shall be worked out as occasion may require by agreement between the two Governments, acting when possible through their appropriate military or civilian administrative authorities.

5. It is my understanding that all such aid accepted by the President of the United States or his authorized representatives from the Government of New Zealand will be received as a benefit to the United States under the Act of March 11, 1941. Insofar as circumstances will permit, appropriate record of aid received under this agreement, except for miscellaneous facilities and services, will be kept by each Government.

If the Government of the United States concurs in the foregoing, I would suggest that the present note and your reply to that effect be regarded as placing on record the understanding of our two Governments in this matter.

I have the honour to be, Sir,
Your obedient servant,

WALTER NASH,
Minister of New Zealand.

September 3, 1942

The Honorable WALTER NASH,
Minister of New Zealand.

SIR: I have the honor to acknowledge receipt of your note of today's date concerning the principles and procedures applicable to the provision of aid by the Government of New Zealand to the armed forces of the United States of America.

In reply I have the honor to inform you that the Government of the United States of America likewise considers the provisions and principles contained in the agreement of February 23, 1942, between it and the Government of the United Kingdom as applicable to its relations with the Government of New Zealand. My Government agrees with the understanding of the Government of New Zealand as expressed in your note of today's date, and, in accordance with the suggestion contained therein, your note and this reply will be regarded as placing on record the understanding between our two Governments in this matter.

This further integration and strengthening of our common war effort gives me great satisfaction.

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

CORDELL HULL,
Secretary of State of the United States of America.

September 3, 1942

Agreement With French National Committee

TEXT OF NOTE TO GENERAL DAHLQUIST FROM FRENCH NATIONAL COMMITTEE

The French National Committee sets forth below its understanding of the principles governing the provision of reciprocal aid by the United States of America to Fighting France and by Fighting France to the United States:

1. The United States of America will continue to supply Fighting France with such defense articles, defense services, and defense information as the President shall authorize to be transferred or provided.

2. Fighting France will continue to contribute to the defense of the United States of America and the strengthening thereof and will provide such articles, services, facilities, or information as it may be in a position to supply.

3. The fundamental principle to be followed in providing such aid is that the war production and war resources of Fighting France and of the United States of America should be used by the armed forces of each in the ways which most effectively utilize available materials, manpower, production facilities, and shipping space. While each retains the right of final decision, in the light of its own potentialities and responsibilities, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

4. As to financing the provision of such aid, within the fields mentioned below, it is the Committee's understanding that the general principle to be applied, to the point at which the common war effort is most effective, is that as large a portion as possible of the articles and services to be provided by each to the other shall be in the form of reciprocal aid.

It is accordingly the Committee's understanding that the United States Government will provide, in accordance with the provisions of, and to the extent authorized under, the Act of March 11, 1941, the share of its war production made available to Fighting France. Fighting France will provide on the same terms and as reciprocal aid so much of its war production made available to the United States as it authorized in accordance with the principles enunciated in this note.

5. Within the territories under the control of Fighting France, or within the same theater of operations, the National Committee will provide the United States or its armed forces with the following types of assistance, as such reciprocal aid, when it is found that they can most effectively be procured in territory under the control of Fighting France:

(a) Military equipment, munitions, and military and naval stores.

(b) Other supplies, materials, facilities, and services for the United States forces, except for the pay and allowances of such forces, administrative expenses, and such local purchases as its official establishments may make other than through the official establishments of Fighting France as specified in paragraph 6.

(c) Supplies, materials, and services, except for the wages and salaries of United States citizens, needed in the construction of military projects, tasks, and similar capital works required for the common war effort in territory under the control of Fighting France, or in the same theater of operations, to the extent that such territory is the most practicable source of supply.

6. The practical application of the principles formulated in this note, including the procedure by which requests for aid are made and acted upon, shall be worked out by agreement as occasion may require through the appropriate military or civilian administrative authorities. Requests by the United States forces for such aid will be presented by their duly authorized authorities to official agencies of Fighting France which will be designated or established in the areas where United States forces are located for the purpose of facilitating the provision of reciprocal aid.

7. It is the Committee's understanding that all such aid accepted by the President of the United States or his authorized representatives from Fighting France will be received as a benefit to the United States under the Act of March 11, 1941. Insofar as circumstances will permit, appropriate record of aid received under this arrangement, except for miscellaneous facilities and services, will be kept by each.

If the Government of the United States concurs in the foregoing, the present note and a reply to that effect will be regarded as placing on record the understanding in this matter.

TEXT OF NOTE TO FRENCH NATIONAL COMMITTEE FROM GENERAL DAHLQUIST

The Government of the United States of America agrees with the understanding of the National Committee, as expressed in the English text of the Committee's note of today's date, concerning the principles and procedures applicable to the provisions of aid by Fighting France to the armed forces of the United States of America and, in accordance with the suggestion contained therein, that note and this reply will be regarded as placing on record the understanding in this matter.

September 3, 1942

Appendix IV

MODUS VIVENDI ON RECIPROCAL AID IN FRENCH NORTH AND WEST AFRICA

The Government of the United States and the French Committee of National Liberation, desirous of lending each other the reciprocal aid necessary to the prosecution of the joint war effort, are agreed upon the following provisional Modus Vivendi which will, following signature, be applicable in French North and West Africa:

I. With reference to supplies and services urgently needed to maintain the French war effort, which the United States has furnished to the French authorities and will continue to furnish, within limitations of need and supply, it is understood that:

(a) Military aid, including supplies for railroads, docks, public utilities, and other facilities to the extent that such supplies are determined to be military aid is made available on a straight Lend-Lease basis, in the light of the considerations set forth in Paragraph V. Such aid does not include the pay and allowances of French forces. The United States reserves the right to require the return of any articles furnished under this paragraph and not lost, destroyed, or consumed,

(i) if at any time it is decided that such restitution would be an advantage in the conduct of the war, or

(ii) if at the end of the present emergency as determined by the President of the United States, the President shall determine that such articles are useful in the defense of the United States or of the Western Hemisphere, or to be otherwise of use to the United States.

(b) For all civilian supplies imported from the United States, the French authorities will pay upon the basis of prices to be agreed. Payment will be made, currently at convenient intervals, in dollars, to an appropriately designated account in the United States.

(c) The distinction between civilian and military aid, supplies and services, where such distinction may be necessary, will be made by agreement.

(d) All aid furnished under Paragraph I (a) and I (b) will be made available by the United States under the authority and subject to the terms and conditions provided for in the Act of Congress of 11 March 1941, as amended (P. L. 11, 77th Congress, 1st Session).

II. With reference to supplies and services urgently needed to maintain the United States war effort, which the French authorities have furnished to the United States and will continue to furnish, within limitations of need and supply, it is understood that:

(a) The French authorities undertake to make available to or for the use of the armed forces and other governmental agencies of the United States, as reverse Lend-Lease aid to the United States, on a straight Lend-Lease

basis, when it is found that such aid can most effectively be procured in territory under their control.

(i) military equipment, munitions, and military and naval stores;

(ii) other supplies, materials, facilities, and services for United States forces, including the use of railway and port facilities, but not including the pay and allowances of such forces nor the administrative expenses of American missions;

(iii) supplies, materials, facilities, and services, except for the wages and salaries of United States citizens, needed in the construction of military projects, tasks, and similar capital works required in the common war effort, to the extent that French North or West Africa is the most practicable source of such supplies, materials, facilities, or services;

(iv) such other supplies, materials, services, or facilities as may be agreed upon as necessary in the prosecution of the war, but not including exports of civilian supplies to the United States from North and West Africa.

While the French authorities retain, of course, the right of final decision, subject to the obligations and arrangements they have entered into for the prosecution of the war, decisions as to the most effective use of resources shall, so far as possible, be made in common, pursuant to common plans for winning the war.

(b) All civilian supplies exported from French North and West Africa to the United States will be paid for on the basis of prices to be agreed. Payment will be made currently, at convenient intervals, in dollars, to an appropriate designated account in the United States.

(c) The distinction between civilian and military aid, supplies and services, where such distinction may be necessary, will be made by agreement.

(d) In order to obtain the supplies and services included within the scope of Paragraph II (a), duly authorized United States officers or other officials will submit their requests to the official services duly designated by the French authorities. These services will be established in Algiers, Casablanca, Oran, Tunis, Dakar, and other places where it may be found practicable and convenient to establish organizations for facilitating the transfer of reciprocal aid.

(e) For use in those exceptional cases, and particularly in cases of local procurement of supplies, in which it is agreed to be more practicable to secure such reverse Lend-Lease supplies, facilities, and services by direct purchase, rather than by the method of procurement set forth in Paragraph II (b), it is agreed that the French authorities establish a franc account in convenient banking institutions and in the name of a designated officer of the United States to facilitate the provision of reverse Lend-Lease aid as contemplated by Paragraph II (a). The French contributions to this account will be mutually agreed upon from time to time in the light of the changing needs of the American forces, and other appropriate factors. Such an

account will not be used for the payment of wages and salaries of American military or civilian personnel, nor for administrative expenses of American missions. Estimates of the franc requirements of the United States will be submitted to designated French authorities from time to time, as may be found convenient. The French authorities will be kept fully and currently informed of all transactions in this account.

III. In exceptional cases, and when they deem it preferable, the American military forces, or other agencies of the United States Government, may continue to use their present practice of acquiring francs against dollars from the French authorities.

IV. Adequate statistical records will be kept of all goods and services exchanged as mutual aid under paragraphs I and II above.

V. The provisions of this *modus vivendi* correspond to a desire to reduce to an appropriate minimum the need of either party for currency of the other party. Provisions which call for payments in dollars have been decided upon in view of the special situation arising from accumulated dollar balances and availabilities of dollar funds due to the presence of United States troops in French North and West Africa. Revision of the payment provisions of this *modus vivendi* will be made should the situation require.

Signed at Algiers this 25th day of September, A. D. 1943.

For the Government of the United States of America:

/s/ ROBERT MURPHY

For the French Committee of National Liberation:

/s/ MASSIOLI
/s/ JEAN MONNET

September 25, 1943.

Appendix V

EXECUTIVE ORDER ESTABLISHING FOREIGN ECONOMIC ADMINISTRATION

By virtue of the authority vested in me by the Constitution and the statutes of the United States, as President of the United States and Commander in Chief of the Army and Navy, and in order to unify and consolidate governmental activities relating to foreign economic affairs, it is hereby ordered as follows:

1. There is established in the Office for Emergency Management of the Executive Office of the President the Foreign Economic Administration (hereinafter referred to as the Administration), at the head of which shall be an Administrator.

2. The Office of Lend-Lease Administration, the Office of Foreign Relief and Rehabilitation Operations, the Office of Economic Warfare (together with the corporations, agencies, and functions transferred thereto by

Executive Order No. 9361 of July 15, 1943), the Office of Foreign Economic Coordination (except such functions and personnel thereof as the Director of the Budget shall determine are not concerned with foreign economic operations) and their respective functions, powers, and duties are transferred to and consolidated in the Administration.

3. The Administrator may establish such offices, bureaus, or divisions in the Administration as may be necessary to carry out the provisions of this order, and may assign to them such of the functions and duties of the offices, agencies, and corporations consolidated by this order as he may deem desirable in the interest of efficient administration.

4. The powers and functions of the Administration shall be exercised in conformity with the foreign policy of the United States as defined by the Secretary of State. As soon as military operations permit, the Administration shall assume responsibility for and control of all activities of the United States Government in liberated areas with respect to supplying the requirements of and procuring materials in such areas.

5. All the personnel, property, records, funds (including all unexpended balances of appropriations, allocations, or other funds now available), contracts, assets, liabilities, and capital stock (including shares of stock) of the offices, agencies, and corporations consolidated by paragraph 2 of this order are transferred to the Administration for use in connection with the exercise and performance of its functions, powers, and duties. In the case of capital stock (including shares of stock), the transfer shall be to such agency, corporation, office, officer, or person as the Administrator shall designate. The Administrator is authorized to employ such personnel as may be necessary in the performance of the functions of the Administration and in order to carry out the purposes of this order.

6. No part of any funds appropriated or made available under Public Law 139, approved July 12, 1943, shall hereafter be used directly or indirectly by the Administrator for the procurement of services, supplies, or equipment outside the United States except for the purpose of executing general economic programs or policies, formally approved by a majority of the War Mobilization Committee in writing filed with the Secretary of State prior to any such expenditure.

7. All prior Executive Orders insofar as they are in conflict herewith are amended accordingly. This order shall take effect upon the taking of office by the Administrator, except that the agencies and offices consolidated by paragraph 2 hereof shall continue to exercise their respective functions pending any contrary determination by the Administrator.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, September 25, 1943.

Appendix VI

EXECUTIVE ORDER ESTABLISHING OFFICE OF LEND-LEASE ADMINISTRATION

By virtue of the authority vested in me by the Constitution and statutes of the United States, and particularly by the Act of March 11, 1941, entitled "An Act further to promote the defense of the United States and for other purposes" (hereafter referred to as the Act), and by the Defense Aid Supplemental Appropriation Act, 1941, approved March 27, 1941, and acts amendatory or supplemental thereto, in order to define further the functions and duties of the Office for Emergency Management of the Executive Office of the President in respect to the national emergency as declared by the President on May 27, 1941, and in order to provide for the more effective administration of those Acts in the interests of national defense, it is hereby ordered as follows:

1. There shall be in the Office for Emergency Management of the Executive Office of the President an Office of Lend-Lease Administration, at the head of which shall be an Administrator, appointed by the President, who shall receive compensation at such rate as the President shall approve and, in addition, shall be entitled to actual and necessary transportation subsistence, and other expenses incidental to the performance of his duties.

2. Subject to such policies as the President may from time to time prescribe, the Administrator is hereby authorized and directed, pursuant to Section 9 of the Act, to exercise any power or authority conferred upon the President by the Act and by the Defense Aid Supplemental Appropriation Act, 1941, and any acts amendatory or supplemental thereto, with respect to any nation whose defense the President shall have found to be vital to the defense of the United States: *Provided*, That the master agreement with each nation receiving lend-lease aid, setting forth the general terms and conditions under which such nation is to receive such aid, shall be negotiated by the State Department, with the advice of the Economic Defense Board and the Office of Lend-Lease Administration.

3. The Administrator shall make appropriate arrangements with the Economic Defense Board for the review and clearance of lend-lease transactions which affect the economic defense of the United States as defined in Executive Order No. 8839 of July 30, 1941.

4. Within the limitation of such funds as may be made available for that purpose, the Administrator may appoint one or more Deputy or Assistant Administrators and other personnel, delegate to such Deputy or Assistant Administrators any power or authority conferred by these orders, and make provision for such supplies, facilities, and services as shall be necessary to carry out the provisions of this Order. Insofar as practicable, the Office of Lend-Lease Administration shall use such general business services and facilities as may be made available to it through the Office for Emergency Management.

5. Executive Order No. 8751 of May 2, 1941, establishing the Division of Defense Aid Reports and defining its functions and duties, is hereby revoked.

FRANKLIN D. ROOSEVELT.

THE WHITE HOUSE, October 28, 1941.

CABLE TO WINANT, LONDON, FROM DEPARTMENT, TREASURY AND WAR REFUGEE BOARD

Reference your No. 1403 of February 8, 1945, concerning negotiations for lives of 1500 Dutch Jews in Germany.

This Government approves the continuing of these negotiations and agrees that any money involved should be paid to a blocked account or other satisfactorily controlled account.

THIS IS WRB LONDON CABLE NO. 48

12:15 p.m.
February 22, 1945

ME-1175
This telegram must be
paraphrased before being
communicated to anyone
other than a Government
Agency. (RESTRICTED)

Athens via War

Dated February 22, 1945

Rec'd 8:27 a.m., 24th

Secretary of State,

Washington.

208, February 22, 8 p.m.

FOR BROWDER RELIEF NEW YORK FROM CURTIS.

Our 87. \$20,000 just received. Whites certify
GNRA time George November one day December 2 total
\$32.49 Elsie November 12 days December 11 total
\$133.09 grand total \$166.58. Please deposit Whites
bank Grinnel Iowa.

MACVEACH

RR

CORRECTION

RMT-1873

PLAIN

February 22, 1945

In cable from Lisbon 385 February 20 WRB change
serial number to 386.

DIVISION OF CENTRAL SERVICES

CSB

JMB-788

PLAIN

Lisbon

Dated February 22, 1945

Rec'd 10:50 a.m., 23rd.

Secretary of State

Washington

415, twenty-second

WRB 341 FOR HIAS 425 LAFAYETTE ST. NEW YORK FROM
DAVID SCHWEITZER HICEM.

Have received following two cables Bucharest:
"In name of Comite de Patronage Hicem Roumania we extend your annual meeting warmest greetings continuation your untiring efforts assistance our coreligionists entire world who are eager your help. Trust your mission which more necessary today than ever will be as helpful as in past inasmuch thanks your sacrifices Jewish lives have been saved. We send you most gracious thanks for activity displayed your representative in fact first representative American Jewry arriving among us after such terrible times in order to reestablish Hicem's activity in assisting our coreligionists Roumania who suffered so severely
M Sereteanu President Doctor Alex Safran Chief Rabbi
George Stroe Adolf Baron Pasou Braunstein Peri Froimescu
Migu Zentler Maurice Singheg General Secretary".

Also "upon occasion your annual meeting Jewish population Roumania express warmest appreciation for priceless services you already rendered and assure you of gratitude for your initiative in reestablishing your beneficial activities our country. We pray you will be enabled continue in the future as in past rendering your very humanitarian services to coreligionists entire world. William Fliderman President Federation Jewish Communities Roumania Doctor Alex Safran Chief Rabbi Roumania."

CROCKER

CSB

ALH-1078

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

LISBON

Dated February 22, 1945

Rec'd 8:30 p.m., 23rd

Secretary of State

Washington

418, February 22, 7 p.m.

FOR LEAVITT FROM TROBE WRB 333 JDC 184

Following is Rome's No. 26 February 17.

Originating Resnik:

26, February 17, 10 a.m.

FOR TROBE JDC FROM RESNIK

35 SECRET. Your confidential information Palestine transport of 900 tentatively scheduled to leave on or about March 25.

CROCKER

WMB

AMBASSY

Feb. 22, 1945

LISHON

Reference is made to the Embassy's despatch no. 1319 of January 6, 1945.

For the information of the Embassy it may be stated that, whereas its sources placed the capacity of the refugee camps at Philippville at 300 persons, actually accommodations can be provided at this camp by UNRRA for seven to eight thousand refugees if tents are used in addition to barracks, and that existing barracks can shelter between two and three thousand. Medical facilities are available for 600 patients. These facilities can be doubled in case of an emergency. UNRRA has already made plans for the sheltering and maintenance of 2500 refugees at this camp.

The Department understands that the private relief agencies which are currently providing maintenance for refugees in Portugal and Spain have begun work, without direct reference to the Inter-governmental Committee on Refugees, on a survey of the type proposed in the despatch in prior reference with a view (1) to furnishing that Committee with data concerning numbers and kinds of stateless refugees and the numbers and kinds who are repatriable also (2) to persuading that Committee, which has funds as well as jurisdiction, to assume the financial obligation of current and subsequent maintenance together with ultimate resettlement and repatriation of the respective groups. Both of the latter are within the scope of its mandate.

The Department also understands that the Committee in question has ample funds, should it desire to complete this survey, to do so without calling on either the British Foreign Office or the Department for financial assistance.

A copy of this airgram is being transmitted to the Embassy at London for its information and for appropriate action.

GREEN

ACTING

CHIEF

CABLE TO AMLEGATION, STOCKHOLM, FOR OLSEN, FROM WAR REFUGEE BOARD

Awaiting promised report concerning two WRB employees, Afwirsen
and Filseth.

THIS IS WRB STOCKHOLM CABLE NO. 316.

3:30 p.m.
February 22, 1945

LFG-701
Distribution of true
reading only by special
arrangement. (SECRET W)

Stockholm
Dated February 22, 1945
Rec'd 3:43 a.m., 23rd

Secretary of State,
Washington.

676, February 22, 7 p.m.

THIS OUR 125 FOR WRB

Problem of sending food parcels to Bergen-Belsen, the Resienstadt and other camps has been explored with local representatives of World Jewish Congress and other groups. I reply to WRB 301 (Department's 173, January 31, 7 p.m.).

Local group now has license to send 93,000 kilos food. Up to present 20,000 packages containing 50,000 kilos food have been forwarded. Of this number 11,000 sent to the Resienstadt, 7,000 to Bergen-Belsen and 2,000 to other camps. Local group has addresses of 25,000 in former camp, 7,000 in latter and 2 or 3,000 in other camps so if only one package sent monthly to each, license for 30,000 parcels or 70,000 kilos would be required monthly. That packages arrived is confirmed by wires from persons in Switzerland recently freed from camps who stress vital importance of parcels.

Plans being pushed to send soon balance of food parcels authorized under original license. At present packages 12,500 kilos ready to go. As WRB knows, packages being shipped through Hamburg forwarding agents against guaranteed reimbursement if parcels not delivered.

Local group proposed program for February and March requiring one million kronor distributed as follows: medical supplies 300,000, clothing 500,000, for (*) 24,000 food parcels 300,000. No arrangements made to obtain medicines or clothing and new licenses required for entire program. Olsen thinks program somewhat ambitious but will assist in pushing it if WRB is in favor and in position to arrange financing and necessary licenses. Regarding transportation best prospect seems to be Bergen-Belsen.

JOHNSON

RR
(*) apparent omission

CABLE TO AMERICAN LEGATION, BERN, FOR MCCLELLAND, FROM WAR REFUGEE BOARD.

Please deliver the following message to Dr. Leon Kubowitzki,
27 Quai Wilson, Geneva, Switzerland, from Kurt B. Grossman of
the World Jewish Congress:

QUOTE DR. GOLDMANN MOST INTERESTED RESCUE DR. LEOPOLD KRAMER
BORN MAY 16, 1865 NOW IN THERESIENSTADT LANGEGASSE 11 AND
GERTRUD KRAMER NEUEGASSE 12, UNQUOTE

THIS IS WRG BERN CABLE NO. 413.

9:30 a.m.
February 22, 1945

CABLE TO AMERICAN LEGATION, BERN, FOR MCCLELLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Dr. Leon Kubowitzki,
37 Quai Wilson, Geneva, Switzerland, from Kurt R. Grossman of
the World Jewish Congress:

QUOTE OUR YUGOSLAV COMMITTEE REQUESTS RESCUE MEASURES
FOR 1200 JEWS STILL IN JASANOVAC. TRY AT LEAST SEND
FOOD PARCELS. UNQUOTE

THIS IS WRB BERN CABLE NO. 414.

9:30 a.m.
February 22, 1945

CABLE TO AMERICAN LEGATION, BERN, FOR MCCLELLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Dr. Leon Kubowitzki,
37 Quai Wilson, Geneva, Switzerland, from Kurt R. Grossman of
the World Jewish Congress:

QUOTE PLEASE TAKE INTEREST IN CALVARY (NEE LISSAUER)
CECILIE AND HUSBAND WALTER PARAGUAYAN PASSPORT HOLDERS
BERGENBELSEN. MEMO LISSAUER WILLING ACCEPT ALL
NECESSARY GUARANTEES. UNQUOTE

THIS IS WRB BERN CABLE NO. 415.

9:30 a.m.
February 22, 1945

CABLE TO HARRISON AND MCCLELLAND, BERN, FROM DEPARTMENT AND WAR REFUGEE BOARD

The following is text of memorandum of Executive Director of War Refugee Board which was unanimously approved at Board meeting February 20th:

"Memorandum to: Secretary Stettinius
Secretary Morgenthau
Secretary Stimson

Our best information indicates that, while the enemy has abandoned wholesale extermination of detainees, large numbers of the physically unfit are now in imminent danger of death due to starvation, exposure and deliberate neglect. The actual numbers are unknown and are believed to be changing daily.

"Food, medicines and clothing must be distributed to such detainees at once if their lives are to be saved. They should be removed, if possible, to safety in Switzerland without unnecessary delay.

"The International Red Cross is our only means of direct contact with the camps. Operations can best be conducted from Switzerland.

"The War Refugee Board is requested to authorize its representative to obtain the necessary cooperation of the International Red Cross and of the Swiss Government.

"The War Refugee Board is further requested to approve that the necessary food, medicines and transportation equipment be made available to the International Red Cross by the Swiss Government against our promise of repayment or replenishment after the war. It is understood that private funds are available for the necessary financing.

(Signed) William O'Dwyer
Executive Director

APPROVED: (Signed) Joseph C. Grew
Acting Secretary of State

(Signed) H. Morgenthau, Jr.
Secretary of the Treasury

(Signed) Henry L. Stimson
Secretary of War."

You will note that the program approved envisages (1) furnishing food and other relief through the International Red Cross to physically unfit unassimilated detainees who are within enemy-controlled territory, and

(2) their removal by the International Red Cross to safety in Switzerland as soon as possible.

The Executive Director of the Board plans to go to Switzerland in the near future in connection with the foregoing program. In the meantime, you are requested to do the following immediately:

1. Explore the availability in Switzerland of food and other relief supplies as well as transportation equipment. Please advise the Board and Department at once whether relief trucks are permitted to move from Switzerland to German-controlled areas and return to Switzerland for reloading of supplies;
2. Approach Intercross with a view to obtaining their consent to deliver the relief supplies in enemy territory and to organize and effectuate the removal of detainees to Switzerland;
3. Approach the Swiss Government for the purpose of obtaining their consent (a) to make available to Intercross now the necessary supplies and equipment for the foregoing relief and evacuation program and (b) to admit all detainees who reach her borders and house and maintain them under guard until we are able to arrange for their evacuation to Allied territory. You may assure the Swiss that this Government will arrange for the replenishment from the outside of all supplies made available by the Swiss for this purpose and compensation for use of equipment.

Please report all developments to Department and Board.

THIS IS WRB BERN CABLE NO. 416.

10:00 a.m.
February 22, 1945

CABLE TO AMERICAN LEGATION, BERN, FOR MCCLELLAND, FROM WAR REFUGEE BOARD

Reference your 1056 of February 16. Please cable whether Schutz-
haeftlinge include persons actively engaged in labor for Germany and
whether the national groups to which ICRC parcels are to be sent comprise
or exclude Jews of the respective nationalities.

THIS IS WRB BERN CABLE NO. 417

4:30 p.m.
February 22, 1945

CABLE TO AMERICAN LEGATION BERN, FOR MCCLELLAND, FROM WAR REFUGEE BOARD

Please deliver the following message to Isaac Sternbuch, 3
Teufener Strasse, St. Gallen, Switzerland, from the Vaad Hahatzala
Emergency Committee:

QUOTE WE STRONGLY AFFIRM AND MAKE PUBLIC THAT THE VAAD
HAHATZALA EMERGENCY COMMITTEE OF 132 NASSAU STREET WHICH
INCLUDES RELIGIOUS JEWISH ORGANIZATIONS COMPRISING THE
MAJORITY OF JEWS IN AMERICA HAS SINCE NOVEMBER 1943
RECOGNIZED ISAAC STERNBUCH AND HIS COMMITTEE AS THE
OFFICIAL AND ONLY REPRESENTATION OF THE VAAD HAHATZALA
IN SWITZERLAND UNQUOTE

THIS IS WRB BERN CABLE NO. 419

4:45 p.m.
February 22, 1945

672
CABLE TO MCCLELLAND, BERN, SWITZERLAND, FROM DEPARTMENT AND WAR REFUGEE BOARD

Department and Board informed that Mrs. Rose Heyman-Hart, U. S. citizen by birth, born October 20, 1872, in San Francisco, California, is somewhere in German-controlled territory. Her last known address, before her arrest in February, 1944, was Hotel d'Angleterre, Nice, France. She was held by the Gestapo at Hotel Excelsior, Nice, France, then deported to an unknown destination.

Please take all appropriate action to safeguard her life from enemy persecution and to insure her being placed in camp for civilian internees.

THIS IS WRB BERN CABLE NO. 418.

4:45 p.m.
February 22, 1945

NOT TO BE RELEASED

SECRETARY OF THE TREASURY
OFFICE

COPY NO. 4

SECRET

OPTEL No. 61

Information received 10 a.m., 22nd February, 1945.

NAVAL

1. ENEMY ATTACK ON SHIPS 21st. An Icelandic ship (1564 tons) sunk by U-boat or mine bound convoy in North Channel (Irish Sea), and another in coastal convoy by E-boat. 22nd. A 2780 ton ship sunk this morning.

MILITARY

2. WESTERN FRONT
Southern front: Enemy entered outskirts Forbach and also attacking it to Saarbrucken. Central front: Advanced one to three miles on the east of Remiph advance up to stubborn resistance. in face of clear Goch indicate town now in-

3. EASTERN FRONT
North front: peninsula west Konigsberg. Central front: forces made to within 20 miles east Cottbus. Southern front: German attacks North Danube repelled.

4. BURMA
Central Sector: Bridgehead east Irrawaddy at Nyaungu expanded and town 12 miles south Pakokku reached.

AIR

5. WESTERN FRONT
20th/21st (night). 1112 aircraft (20 missing) despatched: 534 Dortmund (2239 tons), 296 oil refinery Dusseldorf (677 tons), 200 Gravenhorst Canal, 66 Mosquitoes Berlin and 16 Mosquitoes Mannheim. Aircraft Coastal Command attacked shipping Norwegian Coast setting on fire 2 ships of 5,000 and 3,000 tons.
21st. 1205 escorted U.S. heavy bombers (5 bombers, 2 fighters missing) attacked railway centre and station Nuremberg (2558 tons) where majority bombing through cloud and enemy casualties inflicted 5,0, 11.
SHAEF (Air): Bombers 394 dropped 672 tons railway targets West Germany with mainly good results while fighters and fighter bombers 2400 (15 missing) operated battle areas destroying or damaging 170 locomotives and 1800 road and rail vehicles.

HOME SECURITY

ROCKETS

6. 21st. 4 incidents reported during day and one night 21st/22nd.

NOT TO BE RE-TRANSMITTED

OFFICE
SECRETARY OF THE TREASURY

COPY NO. 4

SECRET

OPTEL No. 61

Information received up to 10 a.m., 22nd February, 1945.

NAVAL

1. ENEMY ATTACK ON SHIPPING. 21st. An Icelandic ship (1564 tons) sunk by U-boat or mine in northbound convoy in North Channel (Irish Sea), and another 1109 ton ship in coastal convoy by E-boat. 22nd. A 2780 ton ship sunk off Cromer this morning.

MILITARY

- 2. WESTERN FRONT.
 Southern Sector: Troops U.S. 7th Army entered outskirts Forbach and also cut main road and railway connecting it to Saarbrucken.
 Central Sector: Troops 3rd U.S. Army advanced one to three miles on wide front north of Echternach while east of Remiph advance up to 5 miles made towards the Saar against stubborn resistance.
 Northern Sector: 1st Canadian Army continued clear Goch in face of decreasing enemy resistance and late reports now indicate town clear of enemy.
- 3. EASTERN FRONT.
 Northern Sector: Russians lost ground on peninsula west Konigsberg.
 Central Sector: In Lower Silesia advances made to within 20 miles east Cottbus and 18 miles north Gorlitz.
 Southern Sector: In Hungary strong German attacks North Danube repelled.
- 4. BURMA.
 Central Sector: Bridgehead east Irrawaddy at Nyaungu expanded and town 12 miles south Pakokku reached.

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